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**H & R JOHNSON TILES LIMITED REGISTERED NO 307859**

**H & R JOHNSON ANNUAL REPORT AND ACCOUNTS 2004**



# **H & R JOHNSON TILES LIMITED**

## **Directors Report**

The Directors present their report and the audited financial statements for the year ended 31 March 2004.

## **Principal Activities, Business Review and Future Outlook**

The principal activities of the company are the manufacture, importation and sale of ceramic wall and floor tiles.

The year to 31 March 2004 has been a year of consolidation. The Directors are pleased to report that the manufacturing problems encountered as a result of the significant investment programme have now been overcome and a solid base has been built for the future.

Turnover for the year fell 8% to £47,071k (2003: £51,433k), whilst the retained loss for the year improved to £1,295k (2003 loss: £3,790k).

Exceptional costs of £484k (2003: £857K) have been included within these financial statements to cover the remaining balance of the restructuring programme.

## **Results and Dividends**

The loss for the year after taxation amounts to £1,295k (2003: £3,790k). The Directors do not recommend payment of a dividend. The loss for the year will be charged against reserves.

## **Taxation**

Norcros Ltd has assumed responsibility for discharging any liability for United Kingdom corporation tax, current or deferred, so long as the Company remains a member of the Norcros Group.

## **Research and Development**

The Company has progressed its development of new designs and products by the launch of new ranges during the year. The Company continues to recognise the significance of research and development in all aspects of production and design in its quest to satisfy the ever-changing trends and fashions of the wall and floor tile markets.

# **H & R JOHNSON TILES LIMITED**

## **Directors Report (cont'd)**

### **Directors**

The following served as directors during the course of the year:

Mr J Matthews	(Chairman)
Mr N P Kelsall	
Mr S Dixon	
Mr D Hamilton	
Mr I Crowther	
Mr B Mandry	

### **Directors' Interests**

Mr J Matthews, Mr N P Kelsall and Mr D Hamilton are Directors of the Company's ultimate holding company, Norcros (Holdings) Ltd, and therefore their interests in the shares of Norcros (Holdings) Ltd are shown in the annual report of that company.

According to the register kept by the Company, the other Directors who held office at 31 March 2004 had no interest in the shares of any Norcros group company (31 March 2003: no holdings).

None of the Directors had any beneficial interest in any significant contract to which the Company was a party during the year.

The Company benefits from Directors' and Officers' liability insurance arranged by Norcros (Holdings) Ltd on behalf of the Company and its Directors and Officers.

### **Employment of Disabled Persons**

The Company applies the following policies with regard to employment of disabled persons:

- (a) Full and fair consideration is given to all disabled applicants for employment in the light of the Company's requirements and the qualifications, aptitudes and ability of each individual.
- (b) Where existing employees become disabled during the course of their employment (whether from illness or accident) every effort is made to continue to provide suitable employment, either in the same or an alternative job.
- (c) All employees are eligible for consideration for appropriate training, career development and promotional opportunities. Disabled persons are not treated differently in this respect from those not so disabled.

# **H & R JOHNSON TILES LIMITED**

## **Directors Report (cont'd)**

### **Employment Policies**

The Company believes that the success of its business depends heavily upon the productivity and ingenuity of its employees and the *Johnson Improvement Programme* represents a significant investment in its human assets.

The *Johnson Improvement Programme* is in the process of being developed into its third stage, which involves further utilisation of external training resources across the whole of the company and the introduction of "University on the Shopfloor".

Employee involvement is encouraged through training in team-working and problem-solving techniques and the operation of continuous improvement teams in the workplace.

The Directors are confident that the business will continue to benefit progressively through this and the continued use of employee initiatives including annual personal development reviews, team briefs and internal newsletters.

### **Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit of the company for that period.

The directors are required to prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2004. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **H & R JOHNSON TILES LIMITED**

## **Directors Report (cont'd)**

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they will be re-appointed will be proposed at the Annual General Meeting.

**By order of the Board**



**S Dixon  
Company Secretary**

Date: 3 AUGUST 2004

# **H & R JOHNSON TILES LIMITED**

## **Independent auditors' report to the members of H & R Johnson Tiles Limited**

We have audited the financial statements which comprise the profit and loss account, the note of historical cost profit and losses, the balance sheet, and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements 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.

## **H & R JOHNSON TILES LIMITED**

### **Independent auditors report to the members of H & R Johnson Tiles Limited (cont.)**

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 the company's affairs at 31<sup>st</sup> March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers Ltd*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Manchester

Date:

*3 August 2004*

## **H & R JOHNSON TILES LIMITED**

### **Profit and Loss Account for the year ended 31 March 2004**

	Notes	2004 £'000	2003 £'000
Turnover	2	<u>47,071</u>	<u>51,433</u>
Operating Loss	3	(441)	(289)
Loss on Twice Fired Operation being Terminated	8	<u>(484)</u>	<u>(857)</u>
Loss on Ordinary Activities before Interest		(925)	(1,146)
Interest Payable	4	<u>(370)</u>	<u>(2,644)</u>
Loss on Ordinary Activities before Taxation	5	(1,295)	(3,790)
Taxation	7	—	—
Loss on Ordinary Activities after Taxation		(1,295)	(3,790)
Dividend		—	—
Loss for the financial year	17	<u>(1,295)</u>	<u>(3,790)</u>

All of the above is derived from continuing operations.

The Company has no recognised gains and losses other than the losses/profits above and therefore no separate statement of total recognised gains and losses has been presented.



## **H & R JOHNSON TILES LIMITED**

### **Note of historical cost profits and losses**



	<b>2004 £'000</b>	<b>2003 £'000</b>
Reported loss on ordinary activities	<b>(1,295)</b>	<b>(3,790)</b>
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount	<b><u>197</u></b>	<b><u>197</u></b>
Historical cost loss on ordinary activities before taxation	<b><u>(1,098)</u></b>	<b><u>(3,593)</u></b>
Historical cost loss for the year after taxation and dividend	<b><u>(1,098)</u></b>	<b><u>(3,593)</u></b>

# **H & R JOHNSON TILES LIMITED**

## **Balance Sheet as at 31 March 2004**

	Notes	2004 £'000	2003 £'000
<b>Fixed Assets</b>			
Tangible assets	9	26,896	27,954
<b>Current Assets</b>			
Stocks	11	8,128	7,822
Debtors	12	9,095	9,734
Cash at bank and in hand		<u>15</u>	<u>14</u>
		17,238	17,570
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	13	(17,585)	(17,502)
<b>Net Current (Liabilities)/Assets</b>		<u>(347)</u>	<u>68</u>
<b>Total Assets less Current Liabilities</b>		26,549	28,022
Provision for liabilities and charges	14	<u>(78)</u>	<u>(471)</u>
		<u>26,471</u>	<u>27,551</u>
Financed by:			
Creditors: amounts falling due after more than one year	13	5,493	5,278
<b>Capital and Reserves</b>			
Non equity share capital	15	50,000	50,000
Equity share capital	15	12	12
Revaluation reserve - equity	16	4,700	4,897
Profit and loss account - equity	16	(33,734)	(32,636)
<b>Total Shareholders' Funds</b>	17	<u>20,978</u>	<u>22,273</u>
		<u>26,471</u>	<u>27,551</u>

The financial statements on pages 8 to 24 were approved by the Board of Directors on 3 April 2004 and were signed on its behalf by:

1  )  
 2  )  
 Directors

# **H & R JOHNSON TILES LIMITED**

## **Notes to the financial statements** **for the year ended 31 March 2004**

### **1. Statement of Accounting Policies**

#### **Accounting Convention**

The financial statements have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain properties, and in accordance with applicable Accounting Standards in the United Kingdom.

#### **Basis of Preparation**

The parent company, Norcros (Holdings) Ltd has indicated that it will continue to provide financial support for the foreseeable future, and as such the financial statements have been prepared on the going concern basis.

#### **Turnover**

Turnover represents the total amount, less value added tax, receivable by the Company for goods supplied during the year. Sales are recognised on the despatch of goods to the customer.

#### **Research and Development**

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

#### **Overseas Currencies**

Assets and liabilities expressed in foreign currencies are translated into sterling at rates applicable at the year-end. Transactions denominated in foreign currency are translated into sterling using the exchange rate ruling on the day. Exchange gains and losses are included in the loss before taxation.

#### **Leases**

Operating lease rentals are charged against profit in the year in which they are incurred.

# **H & R JOHNSON TILES LIMITED**

## **1. Statement of Accounting Policies (cont'd)**

### **Depreciation**

Depreciation on cost or valuation is calculated by the straight-line method at rates considered appropriate to the class and the life of the asset concerned.

Principal depreciation rates for land are Nil, buildings 4%, plant and other equipment between 10% and 25% and motor vehicles at 25%.

### **Stock and Work in Progress**

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

### **Pension Funding (note 18)**

The Company's occupational pension schemes are funded by contributions partly from the employees and partly from the Company at rates determined by independent actuaries. Pension costs have been calculated in accordance with FRS17.

### **Cash Flow Statement**

The Company has not published a cash flow statement as its parent company, Norcros (Holdings) Ltd, includes a consolidated cash flow statement in its accounts which are publicly available, as allowed by FRS 1 (revised 1996).

### **Government Grants (note 20)**

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

### **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 not recognised to the extent that the transfer of economic benefits is uncertain. Deferred tax assets and liabilities have not been discounted.

## **H & R JOHNSON TILES LIMITED**

### **2. Turnover**

	<b>2004 £'000</b>	<b>2003 £'000</b>
United Kingdom	<b>42,420</b>	47,497
Continental Europe	<b>1,600</b>	1,173
Other Overseas	<b><u>3,051</u></b>	<u>2,763</u>
<b>Turnover</b>	<b><u>47,071</u></b>	<u>51,433</u>

### **3. Operating Loss**

	<b>2004 £'000</b>	<b>2003 £'000</b>
Turnover	<b>47,071</b>	51,433
Cost of Sales	<b><u>(34,503)</u></b>	<u>(37,511)</u>
Gross Profit	<b>12,568</b>	13,922
Distribution, marketing and development costs	<b><u>(9,789)</u></b>	<u>(10,535)</u>
Administration	<b><u>(3,220)</u></b>	<u>(3,676)</u>
<b>Operating Loss</b>	<b><u>(441)</u></b>	<u>(289)</u>

### **4. Interest Payable**

	<b>2004 £'000</b>	<b>2003 £'000</b>
On bank overdraft	<b>370</b>	200
On group loans	<b><u>-</u></b>	<u>2,444</u>
	<b><u>370</u></b>	<u>2,644</u>

## **H & R JOHNSON TILES LIMITED**

### **5. Loss on Ordinary Activities before Taxation**

	<b>2004 £'000</b>	<b>2003 £'000</b>
The Loss on ordinary activities before taxation is stated after charging/(crediting):		
Loss/(Profit) arising on disposal of fixed assets – non exceptional	-	11
Depreciation:		
Tangible fixed assets – Owned Assets	<b>2,351</b>	2,064
Research and development expenditure	<b>254</b>	248
Auditors' remuneration for:		
Audit	<b>32</b>	39
Hire of plant and machinery	<b>15</b>	15
Operating lease rentals - equipment	<b>630</b>	622

### **6. Directors and Employees**

The average weekly number of persons (including Executive Directors) employed by the Company during the year was:

	<b>2004 Number</b>	<b>2003 Number</b>
Manufacturing	<b>312</b>	370
Administration	<b>24</b>	33
Selling, Marketing and Development	<b><u>128</u></b>	<b><u>146</u></b>
	<b><u>464</u></b>	<b><u>549</u></b>

## **H & R JOHNSON TILES LIMITED**

### **6. Directors and Employees (cont'd)**

<b>Staff costs (for the above persons):</b>	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	9,120	11,058
Social Security costs	730	731
Other pension costs	<u>897</u>	<u>992</u>
	<b><u>10,747</u></b>	<b><u>12,781</u></b>

Included within wages and salaries are redundancy costs of £225k (2003: £650k)

The remuneration paid to Directors was:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<u>254</u>	<u>403</u>
Company pension contributions to money purchase schemes	<u>-</u>	<u>19</u>

Retirement benefits are accruing to three Directors under a defined benefit scheme.

The amounts included within Directors' remuneration for Mr J Matthews, Mr N P Kelsall and Mr D Hamilton was £nil (2003: £nil). As Directors of the Company's ultimate holding Company, Norcros (Holdings) Ltd, details of their remuneration can be found in the Annual Report and Accounts of Norcros (Holdings) Ltd.

The remuneration paid to the highest paid Director was:

Aggregate emoluments	<u>95</u>	<u>147</u>
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# **H & R JOHNSON TILES LIMITED**

## **7. Taxation**

No charge to UK taxation has been provided on the results for the year. Any UK tax liability which may arise and is not eliminated by the offset of group relief will be discharged by Norcros Ltd so long as the company remains part of the Norcros Group.

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Loss Before Tax	<b><u>(1,295)</u></b>	<b><u>(3,790)</u></b>
Corporation Tax @ 30%	<b>389</b>	<b>1,137</b>
Depreciation Disallowed	<b>(124)</b>	<b>(160)</b>
Capital allowances and other timing differences	<b>731</b>	<b>(529)</b>
Permanent Differences	<b>(56)</b>	<b>(63)</b>
Pensions Contributions settled by Norcros Limited	<b>(169)</b>	<b>(295)</b>
Chargeable gains relieved by capital losses	<b>-</b>	<b>204</b>
Group relief not paid for	<b>(771)</b>	<b>(294)</b>
Exceptional costs not allowed for tax	<b>—</b>	<b>—</b>
Taxation charge for the year	<b><u>—</u></b>	<b><u>—</u></b>

## **8. Exceptional Items**

Exceptional costs amounting to £484k (2003: £857k) have been included within these financial statements to cover.

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Restructuring Provision	<b><u>484</u></b>	<b><u>857</u></b>

The restructuring provision includes redundancy costs of £260k (2003: £408k)



# **H & R JOHNSON TILES LIMITED**

## **9. Tangible Fixed Assets**

	<b>Freehold Land and Buildings £'000</b>	<b>Plant, Machinery, Equipment and Motor Vehicles £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>			
At 1 April 2003	16,958	20,928	37,886
Additions	232	1,061	1,293
Disposal	—	—	—
<b>At 31 March 2004</b>	<b><u>17,190</u></b>	<b><u>21,989</u></b>	<b><u>39,179</u></b>
<b>Accumulated Depreciation</b>			
At 1 April 2003	2,086	7,846	9,932
Charge for the year	<u>597</u>	<u>1,754</u>	<u>2,351</u>
<b>At 31 March 2004</b>	<b><u>2,683</u></b>	<b><u>9,600</u></b>	<b><u>12,283</u></b>
<b>Net Book Value</b>			
<b>At 31 March 2004</b>	<b><u>14,507</u></b>	<b><u>12,389</u></b>	<b><u>26,896</u></b>
At 31 March 2003	<u>14,872</u>	<u>13,082</u>	<u>27,954</u>

Land and buildings were re-valued on the basis of an open market valuation for existing use at 31 March 1996 adjusted for any permanent diminution in value.

If land and buildings had not been re-valued they would have been included at the following amounts:

	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost	10,985	10,753
Aggregate depreciation based on cost	<u>(1,109)</u>	<u>(709)</u>
Net book value	<u>9,876</u>	<u>10,044</u>

# **H & R JOHNSON TILES LIMITED**

## **9. Tangible Fixed Assets continued**

Land and buildings at cost comprise:

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Freeholds	<b><u>17,190</u></b>	<b><u>16,958</u></b>
Land and Buildings at valuation	<b>7,818</b>	<b>7,818</b>
At cost	<b><u>9,372</u></b>	<b><u>9,140</u></b>
	<b><u>17,190</u></b>	<b><u>16,958</u></b>

The Company has adopted the transitional rules in relation to re-valued fixed assets as prescribed by FRS 15, retaining the valuations as the basis of cost.

## **10. Future Commitments**

<b>Capital</b>	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<b><u>34</u></b>	<b><u>145</u></b>

### **Revenue**

The Company has future revenue commitments on assets other than land and buildings for the annual payment of operating lease rentals on leases, which expire:

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Within one year	<b>55</b>	<b>171</b>
Two to five years	<b><u>463</u></b>	<b><u>321</u></b>
	<b><u>518</u></b>	<b><u>492</u></b>

## **H & R JOHNSON TILES LIMITED**

### **11. Stocks**

	<b>2004 £'000</b>	<b>2003 £'000</b>
<b>Stocks comprise:</b>		
Raw materials and consumables	<b>1,059</b>	<b>1,000</b>
Work in progress	<b>558</b>	<b>439</b>
Finished goods	<b><u>6,511</u></b>	<b><u>6,383</u></b>
	<b><u>8,128</u></b>	<b><u>7,822</u></b>

### **12. Debtors**

	<b>2004 £'000</b>	<b>2003 £'000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	<b>8,080</b>	<b>8,679</b>
Amounts owed by fellow group undertakings	<b>194</b>	<b>149</b>
Prepayments and accrued income	<b><u>821</u></b>	<b><u>906</u></b>
	<b><u>9,095</u></b>	<b><u>9,734</u></b>

Amounts owed from group and associated undertakings are unsecured, interest free, and payable within normal trading terms.

# **H & R JOHNSON TILES LIMITED**

## **13. Creditors**

	<b>2004 £'000</b>	<b>2003 £'000</b>
<b>Amounts falling due within one year:</b>		
Bank overdraft (see note 21)	<b>6,543</b>	<b>7,672</b>
Trade creditors	<b>7,471</b>	<b>6,414</b>
Amounts owed to fellow group undertakings	<b>58</b>	<b>6</b>
Amounts owed to associated undertaking	<b>221</b>	<b>179</b>
Other taxation and social security payable	<b>645</b>	<b>666</b>
Other creditors	<b>228</b>	<b>164</b>
Accruals and deferred income	<b><u>2,419</u></b>	<b><u>2,401</u></b>
	<b><u>17,585</u></b>	<b><u>17,502</u></b>
<b>Amounts falling due after more than one year:</b>		
	<b>2004 £'000</b>	<b>2003 £'000</b>
Loan from parent company	<b><u>5,493</u></b>	<b><u>5,278</u></b>

The loan from the parent Company is interest free and is not repayable until after 31 March 2005.

Amounts owed to group and associated undertakings are unsecured, interest free, and payable within normal trading terms.

## **14. Provisions for Liabilities and Charges**

### **Restructuring Provision**

	<b>£'000</b>
As at 1 April 2003	<b>471</b>
Charged to profit and loss account in the year	<b>484</b>
Utilised during the year	<b>(877)</b>
<b>As at 31 March 2004</b>	<b><u>78</u></b>

## **H & R JOHNSON TILES LIMITED**

### **14. Provisions for Liabilities and Charges continued**

The restructuring provision covers the ongoing costs of discontinuation of the twice fired operation to which the company is obligated at the year end.

#### **Deferred Taxation**

Potential deferred tax assets of the company have arisen during the year as follows:

	<b>2004 £'000</b>	<b>2003 £'000</b>
Accelerated Capital Allowance	-	859
STTD	38	156
Tax Losses	<u>5,137</u>	<u>2,672</u>
<b>Total</b>	<u><b>5,175</b></u>	<u><b>3,687</b></u>

The deferred tax asset noted above has not been recognised in the year (2003: nil) because in the view of the directors, whilst the company is covered by the taxation indemnity, as per Note 7, the asset is not likely to be recoverable.

### **15. Called Up Share Capital**

<b>Authorised</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
30,000 ordinary shares of £1 each	30	30
15,000,000 zero coupon A preference shares of £1 each	15,000	15,000
35,000,000 zero coupon B preference shares of £1 each	<u>35,000</u>	<u>35,000</u>
	<u><b>50,030</b></u>	<u><b>50,030</b></u>

## **H & R JOHNSON TILES LIMITED**

### **15. Called Up Share Capital continued**

<b>Allotted, called up and fully paid</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
12,000 ordinary shares of £1 each	12	12
15,000,000 zero coupon A preference shares of £1 each	15,000	15,000
35,000,000 zero coupon B preference shares of £1 each	<u>35,000</u>	<u>35,000</u>
	<u>50,012</u>	<u>50,012</u>

The 15,000,000 A preference shares were issued on 15 January 2001. They are zero coupon and are redeemable at the subscription price on 31 January 2006. The A preference shares carry no voting rights, and rank ahead of the ordinary shares and the B preference shares in the event of a winding up of the company.

The 35,000,000 B preference shares were issued on 27 March 2003. They are zero coupon and are redeemable at the subscription price on 28 March 2008. The preference shares carry no voting rights, and rank ahead of the ordinary shares but behind the A preference shares in the event of a winding up of the company.

### **16. Reserves**

	<b>Revaluation Reserve £'000</b>	<b>Profit and Loss Account £'000</b>
At 1 April 2003	4,897	(32,636)
Loss for the year	-	(1,295)
Transfer to Distributable Reserves	<u>(197)</u>	<u>197</u>
<b>At 31 March 2004</b>	<b><u>4,700</u></b>	<b><u>(33,734)</u></b>

The revaluation reserves of the Company may not legally be distributed under Section 263 of the Companies Act 1985.

The transfer from revaluation reserves to profit and loss account represents the amortisation of the revaluation reserve over the useful life of the assets to which it relates, and a release of revaluation reserve in line with the disposal of revalued assets.

## **H & R JOHNSON TILES LIMITED**

### **17. Reconciliation of Movements in Shareholders' Funds**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Preference share issue	-	35,000
Loss for the financial year	<b><u>(1,295)</u></b>	<b><u>(3,790)</u></b>
Net increase/(reduction) in shareholders' funds	<b><u>(1,295)</u></b>	31,210
Opening shareholders' funds	<b><u>22,273</u></b>	<b><u>(8,937)</u></b>
Closing shareholders' funds	<b><u>20,978</u></b>	<b><u>22,273</u></b>

### **18. Pension Commitments**

Under the definitions set out in FRS 17: Retirement Benefits, the Norcros Security Plan is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, under FRS17 the company will account for pension costs as though the Norcros Security Plan was a defined contribution scheme. Details of the group scheme, including details of the latest actuarial valuation, can be found in the Financial Statements of Norcros (Holdings) Limited.

### **19. Non – Equity Shareholders Funds**

The non-equity shareholders funds are as follows:-

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
A Preference shares	<b>15,000</b>	15,000
B Preference shares	<b><u>35,000</u></b>	<b><u>35,000</u></b>
Total non-equity shareholders funds	<b><u>50,000</u></b>	<b><u>50,000</u></b>

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### **20. Government Grants**

Government grants received during the year are as follows:

	<b>£'000</b>
As at 31 March 2003	620
Received during the year	400
Credited to the Profit and Loss Account within the year	<u>(513)</u>
<b>As at 31 March 2004</b>	<b><u>507</u></b>

The grant is a five year grant and was received in respect of job retention for the period from November 2000.

### **21. Guarantees**

The Company has entered into a guarantee and debenture which effectively means that all of its assets, property or otherwise, and undertakings are charged in favour of the security agent acting on behalf of the lending banks to the Company's ultimate holding company, Norcros (Holdings) Limited.

### **22. Related Party Transactions**

As a wholly owned subsidiary, the Company has taken advantage of the exemption under FRS8 not to disclose intra group transactions. Transactions with associated companies are disclosed in the accounts of Norcros (Holdings) Ltd. There have been no other related party transactions.

### **23. Ultimate Holding Company**

The Company's immediate holding company is Norcros Ltd. The Company's ultimate holding company and controlling party is Norcros (Holdings) Ltd, a company incorporated in Great Britain and registered in England and Wales. A copy of the Norcros (Holdings) Ltd accounts may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.