Registered No. 423477

CARLTON HOLDINGS LIMITED

FINANCIAL STATEMENTS

31 MARCH 1996

CARLTON HOLDINGS LIMITED

Report of the Directors

for the year ended 31 March 1996

The Directors present their report and the audited financial statements for the year ended 31 March 1996.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the Company has been to invest in securities. The Company's sole transaction was the profit on liquidation of £84,000 on its investment in AIS Tectonic Limited. The year end position was satisfactory. The Directors do not expect a significant level of activity in the foreseeable future.

DIRECTORS

Mr D.W. Hamilton and Miss M.E. Fraser held office as directors of the Company throughout the year.

DIRECTORS' INTERESTS

According to the register kept by the Company the only interests of the Directors in the shares of Norcros p.l.c. (the ultimate parent) were as follows:-

	Ordinary Shares of 25p each	
	At 31 March 1996	At 1 April 1995
M.E. Fraser	2,063 *	2,063 *
	31,184 +	36,379 +
D.W. Hamilton	36,912	36,912
	21,411 *	21,411 *
	87,349 +	108,132 +

* Shares represented by options to purchase acquired under the terms of the Norcros p.l.c. Savings Related Share Option Scheme at prices between 87.57p and 96.23p per share exercisable at various dates between 1 March 1996 and 31 August 1997.

\+ Shares represented by options to purchase acquired under the terms of the Norcros p.l.c. 1985 Executive Share Option Scheme at prices between 106.82p and 379.14p per share exercisable at various dates up to July 2004.

Except for the above none of the Directors has a disclosable interest in the shares of any company in the Norcros Group.

Save in respect of Norcros p.l.c. Savings Related Share Option Scheme and the Norcros p.l.c. Executive Share Option Schemes, no arrangements to which the Company was party subsisted at the end of the year or at any time in the year to enable the Directors to acquire any interest by the acquisition of shares or debentures of the Company or of any other body corporate.

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

DIRECTORS' RESPONSIBILITIES
for the preparation of financial statements

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

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

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

By Order of the Board

D.W. Hamilton

D.W. Hamilton
Secretary
19 June 1996

Wheatlands Manor,
Park Lane,
Finchampstead,
Wokingham,
Berkshire.
RG40 4QG

CARLTON HOLDINGS LIMITED

REPORT OF THE AUDITORS
To the members of CARLTON HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of Directors and Auditors

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 the Company's affairs at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers Lybrand

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
Reading

Date: 19 June 1996

CARLTON HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

AT 31 MARCH 1996

	Notes	1996 £'000	1995 £'000
Profit on disposal of investment		84	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		84	-
TAX ON PROFIT ON ORDINARY ACTIVITIES	3	-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		84	-

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

CARLTON HOLDINGS LIMITED

BALANCE SHEET

AT 31 MARCH 1996

	Notes	1996 £'000	1995 £'000
FIXED ASSETS			
Investments	4	-	37
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	5	2,779	2,658
NET CURRENT ASSETS		2,779	2,658
NET ASSETS		2,779	2,695
Financed by:-			
CAPITAL AND RESERVES			
Called-up Share Capital	6	1,000	1,000
Profit and Loss Account	7	1,779	1,695
EQUITY SHAREHOLDERS' FUNDS	8	2,779	2,695

The financial statements on pages 4 to 8 were approved by the Board of Directors on 19 June 1996 and were signed on its behalf by:

D.W. Hamilton) Directors
M.E. Fraser)

CARLTON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1996

1) STATEMENT OF ACCOUNTING POLICIES

ACCOUNTING CONVENTION

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

ACCOUNTING REFERENCE DATE

All figures have been made up to Sunday 31 March, 1996.

CASH FLOW STATEMENT

The Company has not published a cash flow statement as its parent company, Norcros p.l.c., includes a consolidated cash flow statement in its financial statements.

2) DIRECTORS, EMPLOYEES AND AUDITORS

Other than Directors, who receive no emoluments, the Company has no employees.
Auditors' remuneration is borne by the ultimate holding company.

3) TAXATION

No charge to United Kingdom taxation has been provided in the results for the year. Any United Kingdom tax liability which may arise and which is not eliminated by the offset of group relief and/or Advance Corporation Tax, for neither of which payment will be made, will be discharged by Norcros p.l.c. (the Company's ultimate holding company).

4) FIXED ASSET INVESTMENTS

	1996
	£'000
At 1 April 1995	37
Disposal on liquidation	(37)
At 31 March 1996	-

The company owned 85% of the shares of AIS Tectonic Limited, which was in liquidation. During the year the liquidation of the investment was concluded and the final distribution received.

CARLTON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 1996

5) DEBTORS

	1996 £'000	1995 £'000
Amounts falling due after more than one year:		
Amounts owed by parent company	2,779	2,658

6) CALLED-UP SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised 1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully paid 1,000,000 ordinary shares of £1 each	1,000	1,000

7) PROFIT AND LOSS ACCOUNT

	£'000
At 1 April 1995	1,695
Profit for the financial year	84
At 31 March 1996	1,779

CARLTON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 1996

8) RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1996	1995
	£'000	£'000
Opening shareholders' funds	2,695	2,695
Profit for the financial year	84	0
Closing shareholders' funds	2,779	2,695

9) ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Norcros p.l.c., a company registered in England and Wales. Copies of the financial statements of Norcros p.l.c. may be obtained from the Company Secretary at Norcros House, Bagshot Road, Bracknell, Berkshire, RG12 9SW.

Cover picture

Together, Minton Hollins Decorated and Underglazed tiles provide the designer with unlimited options

To be filed with the report and accounts of Carlton Holdings Limited in accordance with the provisions of Section 228 of the Companies Act 1985

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Secretary

Contents

Norcros p.l.c. Registered No. 566694

Directors, secretary and advisers

Directors

M.E. Doherty *, 56, (Chairman) joined the Norcros Board as Group Chief Executive in April 1988 and became executive Chairman in July 1993 and non-executive Chairman in April 1996. He is a Chartered Accountant and non-executive Chairman of Henlys Group plc.

J. Matthews, 50, joined the Norcros Board in October 1991 and was appointed Group Chief Executive on 4th April, 1996.

D.W. Hamilton, 53, joined the Norcros Board on 4th April, 1996 as Commercial Director. He is also Group Company Secretary.

T.D.G. Arculus *, 50, joined the Norcros Board in July 1993 and is a member of the Audit and Remuneration Committees. He is Group Managing Director of EMAP plc and is a non-executive Director of Severn Trent Plc.

A.C.R. Elliott *, 59, (Deputy Chairman) joined the Norcros Board in 1986 and is Chairman of the Audit and Remuneration Committees. He is a non-executive Director of Bridon plc.

* Non-executive

Advisers

Auditors
Coopers & Lybrand

Bankers
Lloyds Bank Plc
Midland Bank plc
National Westminster Bank Plc

Merchant Bankers
Baring Brothers International Limited

Solicitors
Slaughter and May

Summary of results

For the year ended 31st March	1996	1995
Turnover	£285.5m	£393.5m
Operating profit before exceptional operating costs	£17.1m	£12.8m
Exceptional operating costs	£(5.1m)	£(30.0m)
Share of associates' profit before tax	£1.9m	£3.1m
Group operating profit/(loss)	£13.9m	£(14.1m)
Exceptional profit/(loss)	£6.6m	£(29.8m)
Net interest	£(6.8m)	£(7.1m)
Profit/(loss) before taxation	£13.7m	£(51.0m)
Earnings/(loss) per share – net distribution basis	5.7p	(31.4p)
Funds employed	£174.6m	£204.9m
Net borrowings	£46.9m	£89.7m
Net debt to equity	36.7%	77.9%

Pro-forma at 31st March, 1996

Funds employed	£165.3m
Net borrowings	£11.7m
Net debt to equity	7.6%

This pro-forma illustrates the effects of the disposals of Nor Systems and P.P. Payne and the acquisition of the adhesive businesses on the Group's funds employed, net borrowings and gearing as if they had taken place at 31st March, 1996. A pro-forma balance sheet at that date is shown in the financial review.

Chairman's statement

During the last year, we have made substantial progress in implementing the restructuring programme and separating the Print & Packaging Division both of which were outlined in the 1995 Report and Accounts. The initial impact of these changes is reflected in the results for the year which show ordinary operating profits (before exceptional operating costs) increasing from £12.8m to £17.1m. Exceptional operating costs amounted to £5.1m (1995: £30.0m loss) while the exceptional profit on business and asset disposals was £6.6m (1995: £29.8m loss). Profit before tax for the year amounted to £13.7m (1995: £51.0m loss) and earnings per share were 5.7p (1995: 31.4p loss).

Restructuring programme

The restructuring programme had three major objectives: to improve profitability through cost reductions and the elimination of loss making businesses; to focus on a more cohesive group of businesses and to strengthen our balance sheet. Worthwhile progress has been made in reducing costs, principally in Johnson Tiles UK and Australia, and it is intended that the cost base will be reduced to more competitive levels by the end of the current financial year. These changes, together with our continuing emphasis on developing new products and on improving customer service, are set out in more detail in the Operating Review.

Our aim of eliminating loss making businesses, and providing greater focus to the Group, was very largely achieved during the year through the disposal of five Building Products businesses and our 50% share in DSRM Group PLC which together realised £53.3m. As a result, our balance sheet was strengthened significantly with year end borrowings reduced to £46.9m, representing a gearing level of 36.7% compared with 77.9% at 31st March, 1995.

Print & packaging

Following the above disposals, the Group comprised two distinct businesses: the Ceramics Division and the Print & Packaging Division. For the reasons set out in the circular to shareholders on 20th April, 1996 the Board decided to concentrate the Group's resources on the Ceramics Division and, having considered a number of alternative structures, we concluded that shareholders' interests would be served best through the disposal of the four individual businesses which comprised the Print &

Packaging Division. Since the year end, Nor Systems and P.P. Payne have been sold and the total net proceeds of £62.4m were used to eliminate borrowings. The Division as a whole experienced raw material cost increases during the year, which proved difficult to recover, and as a consequence operating profits, before exceptional costs, were reduced by 16% to £10.6m. The reduction was more than accounted for by Autotype and Norprint and we have decided, therefore, that these businesses will not be sold in the short term while management continues to take action to improve profitability and add value.

Ceramics

The Group has achieved its major objective of becoming more focused on the Ceramics Division, comprising ceramic tiles, adhesives and showers. These businesses represent a cohesive grouping with common customers, particularly in the United Kingdom, and complementary products which, together with their leading market positions, provide us with significant opportunities for growth. In the year under review, the Division recorded a 38.7% increase in operating profits to £13.9m largely as a result of improvements in Triton. Since the year end we have confirmed our determination to build these businesses by acquiring those shares in the adhesives companies which were not already owned by the Group, together with the Dunlop Adhesives business, for an aggregate consideration of £27.3m. These acquisitions will enable us to integrate these businesses fully into the Ceramics Division and we believe they will provide significant opportunities for growth.

Board changes

As announced on 4th April, 1996 following the reduction in the size of the Group, the head office will be relocated closer to the ceramics businesses and the Board has been restructured to reflect the focus on those businesses. With effect from that date, I relinquished my executive role and became non-executive Chairman, Joe Matthews, Managing Director of the Ceramics Division, was appointed Group Chief Executive, David Hamilton was appointed to the Board as Commercial Director and Nicholas Kelsall became Group Financial Controller. Robert Alcock, Managing Director of the Print & Packaging Division, resigned from the Board on 30th April, 1996 and Gavin Morris, Finance Director, and Julian Sheffield, non-executive Director, resigned in March 1996. We are grateful to them for their various contributions to the Group and we wish them well for the future. It is our intention to appoint a new non-executive Director during the current year.

The future

The Group is now in a very strong financial position. As illustrated in the pro-forma balance sheet in the Financial Review, net borrowings at 31st March, 1996, after allowing for the disposals and acquisitions referred to above, would have amounted to £11.7m representing a gearing level of 7.6%. In the Ceramics Division, we have a more closely knit group of businesses with prospects for improved profitability from a lower cost base and the benefits arising from integration of the adhesives acquisitions.

As to the Print & Packaging Division, the Board remains of the view that shareholders should benefit directly from the disposal of the Division, although the timing and amount of the return of value to shareholders will depend partly on the disposal of Autotype and Norprint, the two remaining businesses in the Division.

Dividends

At 31st March, 1996 there was a deficit on our distributable reserves and the Board is therefore unable to recommend the payment of a final dividend for the year. However, the profits realised after the year end from the disposal of Nor Systems and P.P. Payne will eliminate that deficit and, subject to the passing of a resolution to be proposed at the Annual General Meeting, the Board anticipates being in a position to consider the payment of an ordinary dividend for the year ending 31st March, 1997.

Michael E. Doherty
Chairman
19th June, 1996

Operating review

Ceramics

The Ceramics Division supplies ceramic tiles, adhesives and showers to markets across the world from production facilities in the UK, Australia, South Africa, India and Greece. It holds a leading position in each of its markets and the H&R Johnson, BAL, ABA, TAL and Triton brand names are recognised as synonymous with high quality and excellence in design and service in their respective markets. In the field of ceramic tile the H&R Johnson group of companies constitute one of the major tile manufacturers in the world both in terms of size and breadth of product range. Together our ceramic tile adhesives companies, BAL, ABA and TAL, form one of the largest operations in this specialist market sector. Triton is the market leader in the UK in electric showers. The ceramic tile, adhesives and shower activities represent a cohesive grouping of businesses with common customers and complementary products which, together with their leading market positions, offer significant opportunities for growth and the enhancement of shareholder value.

Overall sales of the Ceramics Division in 1995/6 at £158.2m (including the Group's share of the associated companies' turnover) were 4.4% lower than the previous year reflecting weak trading conditions in our major markets and the highly competitive nature of the tile market. Despite this reduction in turnover, profit before interest and exceptional costs (including the Group's share of associated companies' operating profit) moved firmly ahead to £13.9m, an increase of 38.7%, reflecting a substantial improvement in performance at Triton and an increase in the net pension credit, partly offset by losses in the tile businesses in Australia and South Africa. Since the year end, as reported in the Chairman's statement, we have acquired those shares in our adhesive associates, BAL, ABA and TAL which we did not already own, together with the Dunlop Adhesive business. This represents an important step in expanding our interests in the adhesives businesses and will enable us to control their strategy, performance and cash flow. The acquisition of the Dunlop Adhesives business, with its strong brand name and products which are complementary to those of BAL, ABA and TAL, will provide additional opportunities for growth.

Ceramics – including associates

	1995/6	1994/5
Turnover	£158.2m	£165.4m
Profit before interest and exceptional costs	£13.9m	£10.0m
Exceptional costs	£(0.9m)	£(12.8m)
Profit/(loss) before interest after exceptional costs	£13.0m	£(2.8m)
Net assets	£93.7m	£89.2m
Employees (excluding associates)	2,465	2,719

Sandringham from H&R Johnson Tiles' Classical range

Tiles

H&R Johnson Tiles UK

H&R Johnson Tiles UK recorded a modest increase in profits despite weak market conditions and intense competition at home and overseas which resulted in a 12% decline in turnover. Economic uncertainty and the lack of consumer confidence in the UK continued to depress the residential sector,

Citrus Grove from H&R Johnson Tiles' Country range will enhance any kitchen

house building slowed in the second half and the commercial sector, which was particularly flat throughout the year, attracted heavy price competition. However, continued investment in new products, marketing and logistics ensures the company retains its clear UK market leadership in the wall tile sector. In particular, another strong volume growth performance was achieved in the DIY sector as a result of Johnson's competitive edge in systems, logistics and merchandising. Investment in literature and display also benefited sales in the independent retail sector. Overseas markets suffered from the dumping of excess capacity from Southern Europe and from a sharp downturn in activity later in the year in France, Germany and the Middle East markets. Despite the competitive market, the company's profit margins showed an encouraging improvement reflecting the continuing attack on the cost base. The first phases of a heavy capital investment programme and a re-engineering of the overhead structure led to a reduction of nearly 200 in the workforce, while substantial savings in raw materials and consumables were achieved by product reformulation, recycling initiatives and energy management systems. Looking ahead, the cost base is expected to benefit further from the full effects of the restructuring and investment programme, which should be largely completed by the end of the current year, and from continued tight cost control. Plans have also been established to strengthen further the company's market position with several new wall tile product launches, the introduction of floor tile ranges to complement its wall tile products, investment in point of sale merchandising and further technological initiatives in Computer Aided Design, electronic tracking and sales systems.

Johnson Tiles, Australia

The year started strongly for Johnson Tiles Australia with sales in the first quarter well ahead of the previous year. However, the sharp downturn in building activity in the second quarter, reported at the interim stage, continued throughout the balance of the year and the combination of lower sales and the need to cut production to control inventory resulted in a small loss for the year. Despite these difficulties, investment continued in new product introductions and in a new direct distribution facility in New South Wales targeted at securing market share gains in New South Wales and Queensland. Steps were also taken to achieve direct control of sales and marketing activities in the New Zealand market. The excellent response to these measures and to the company's new commercial product offering, which incorporates products drawn from sister companies in the UK and Greece, reflects well on the skills of our design and marketing teams, as well as on the soundness of the strategy being pursued. Further steps were taken to support the company's aim to achieve world competitiveness through the rationalisation of its manufacturing capacity. In December the intention to vacate the outdated Croydon facilities in the current year was announced together with a capital investment programme to consolidate all activities at the Bayswater site including the purchase of a new modern kiln, the establishment of a purpose built glaze facility, automatic selection equipment and improved warehousing facilities. Good progress is being made with these plans. These actions will considerably reduce overheads and non-value added

Operating review

costs and together with the new product and marketing initiatives should result in a more profitable operation that will be well positioned to capitalise on any recovery in building activity.

Johnson Tiles, South Africa

Johnson Tiles South Africa increased sales in the first half of the year by 10% on the previous year benefiting from the introduction last year of a new once-fired floor tile plant and a new rapid-fired roller wall tile kiln. However, sales in the second half of the year were adversely affected by intense price competition from both local manufacturers and importers following renewed interest in the South African economy and the initial strengthening of the Rand. Subsequently, the fourth quarter depreciation of the Rand and the ensuing economic uncertainty saw competition intensify still further in the face of a downturn in overall demand. Margins were also adversely impacted by manufacturing inefficiencies, a disruption to the company's wall tile spray drier facility which temporarily suspended output, and restricted raw material supplies. The combined effect of these factors resulted in a significant loss for the year. The performance of the new wall tile kiln improved substantially as the year progressed benefiting from the increased Divisional technical resources directed at this project. New marketing initiatives launched in conjunction with sister companies in the UK, Australia and Greece and targeted at the contract and export sectors, together with further investment in new product development and information systems, leave the company well placed to maintain and develop its position as a leading manufacturer of ceramic tiles in the region and should lay the foundations for a significantly better operating performance in 1996/7.

Philkeram-Johnson

Philkeram-Johnson, our associate company in Greece, increased sales by 4.9% despite intense competition in both its domestic and export markets. Price discounting by importers in an essentially flat Greek market was particularly severe. Margins, although maintained at satisfactory levels, suffered as a consequence resulting in a small decline in profits. However, the company was able to maintain its pre-eminent position in that market with continued emphasis on excellence in design and rapid response to changes in market demands. Export sales showed further satisfactory growth and particularly encouraging progress was made with sales of floor tile to both the UK and Australian companies following the Divisional initiative to

From H&R Johnson Tiles' Classical range – Shalimar adds a touch of sophistication to your bathroom

develop the Greek company as the centre of excellence for specialist commercial floor tile. In support of this initiative, investment is underway to increase the flexibility of the floor tile capacity and enhance productivity. Further strong progress was made with our small but profitable joint venture adhesives operation, prospects for which remain very positive as new technically more advanced products continue to be introduced.

H&R Johnson, India

Our associate company in India, H&R Johnson India, continued to make good progress and increased both sales and operating profits. Market conditions were particularly strong in the first half of the year although there was a noticeable reduction in demand in the second half as economic uncertainty increased and liquidity tightened. Investment programmes initiated in the previous year to increase capacity, improve productivity and quality and enhance the ability to produce more complex decorated products in the company's three existing plants were largely completed in the year. The benefits of these measures will be increasingly felt as market conditions improve. During the year orders were placed for a new tile manufacturing plant to produce both floor and wall tile products for the home and export markets. Construction of this new plant has commenced and project teams from the Indian company are working in conjunction with Divisional technical and marketing personnel to develop detailed operational plans in advance of the plant coming on stream in the summer of 1997.

Operating review

Adhesives

Building Adhesives

Building Adhesives maintained sales in line with the previous year despite the weak market conditions affecting the UK tile market. This reflects both the measures taken in the previous year to strengthen sales and marketing resources and also good progress in export markets, with export sales overall increasing by 30%. In particular, significant growth was achieved in the Spanish market following the marketing initiatives put in place early in 1995. Profitability remained strong despite the impact of severe raw material price increases and the continued unprofitability of the company's small German operation. Major changes to the latter operation were made at the end of the year, the benefits of which should impact favourably in the current year. Continued strong investment in R&D partly offset the adverse impact of the raw material increases by reformulations and the introductions of several new products notably a new mastic adhesive and an improved epoxy grout. These product developments combined with high levels of technical service should enable the company to maintain its position as the UK brand leader in its market sector.

The Al Mamza Beach Resort, Dubai used BAL-CEM GOLD STAR adhesive

Australian Building Adhesives

Australian Building Adhesives (associated company) was unable to maintain the excellent progress of recent years in the face of the sharp downturn in building activity in the Australian market. However, whilst volumes were lower, yields were maintained and the introduction of several new technically innovative products met with an encouraging response. Production at the new joint venture factory in Shanghai commenced in July 1995 and by the end of the financial year the plant was operating

Fixing tiles with BAL adhesive at the Tower of London

satisfactorily with export sales to the Hong Kong market particularly strong. The start up costs of this venture, reduced activity in ABA Taiwan and the impact of severe raw material price increases, combined with the lower volumes in the Australian market, adversely affected year on year operating profits despite the benefits of cost reduction initiatives.

TAL

TAL (associated company), the South African tile and industrial adhesives company, increased sales by 16.8% with particularly strong growth in the general adhesive market reflecting the benefits of higher levels of technical service and product development. This strong sales growth, combined with the benefits of lower costs through efficiency gains, resulted in operating profits well ahead of the previous year albeit margins remain tight. The company is well positioned to take advantage of any improvement in market conditions.

Dunlop Adhesives

This business was acquired on 24th May, 1996 and will complement and enhance our existing portfolio of adhesives businesses and provide additional opportunities for growth.

Showers

Triton

Triton, the UK's leading manufacturer of domestic showers, performed strongly. Although turnover was slightly lower than last year Triton maintained its leading market position. Operating profits recorded a substantial improvement reflecting the productivity gains from the new factory, successful new product introductions to the mixer valve range of showers and the benefits of the continuous improvement programme in the areas of quality, customer service and materials costs. These measures, together with tight control, also ensured a significant reduction in working capital requirements. The installation of new information systems has progressed satisfactorily and plans are nearing completion for the transfer of all administrative functions onto the new factory site later this year. The company also continues to increase investment in new product development and employee training which, together with an active programme of initiatives in the marketing and customer service areas, should enable the company to strengthen further its UK market position.

The Triton T90i – the remarkable problem-solving electric shower

'Elegance' sprayheads and fittings will add an air of luxury to any bathroom

Operating review

Print & Packaging

The Print & Packaging Division comprised four businesses, Nor Systems, P.P. Payne, Autotype and Norprint. During the second half of the year the Board reviewed alternatives to enable shareholders to benefit directly in the underlying value of the Print & Packaging businesses. The Board concluded that shareholders' interests would be served best through the disposal of the four individual businesses. Since the year end the disposals of Nor Systems and P.P. Payne have been concluded realising, in aggregate, gross proceeds of £64.9m. The gain on disposal from these two businesses, amounting to approximately £48m, will be reflected in the results for the year to 31st March, 1997. The results for 1995/6 include a full year's contribution from all four businesses in the Division at 31st March, 1996.

Despite strong growth in the first half of the year, the increase in turnover of the Division for the year was restricted to 2% while operating profits fell by 16% to £10.6m. This reflected the rises in raw material costs experienced in the early part of the year and a slow down in sales in the second half of the year across all businesses. Autotype and Norprint were most affected. Consequently, the results incorporate a restructuring provision of £2.1m charged to the profit and loss account as an exceptional operating cost. This relates to redundancy programmes at both operations and costs associated with the closure of Autotype's finishing operations in Italy and Germany.

Print & Packaging

	1995/6	1994/5
Turnover	£118.1m	£115.6m
Profit before interest and exceptional costs	£10.6m	£12.7m
Exceptional costs	£(2.1m)	£(2.1m)
Profit before interest after exceptional costs	£8.5m	£10.6m
Net assets	£47.2m	£45.3m
Employees	1,480	1,566

Autotype International

Autotype International supplies high performance coated films and associated chemicals into high added value markets world-wide. Sales grew strongly in Europe and Asia, supported by the Singapore facility opened in early 1995, but were held back by a weak US market. Significant cost inflation in chemicals, plastics and pulp-based materials throughout 1995 depressed print activity as well as reducing Autotype's operating margins. The increases were short lived and had largely reversed by early 1996, whilst the rapid transformation of Autotype's sales mix continued. The decline in masking film sales continued although sales of hard-coated and stabilised film, primarily to the electronics industry, grew by 37%. Digital-imaging products, the Omega polyester printing plate and the Aspect imaging systems, contributed 6% of turnover in their first full year. The latest addition to this developing area is a range of coated ink jet films and papers launched at the year end including specialist products for display, cladding and proofing applications. Initial market acceptance is encouraging. The rapid growth of digital publishing, reinforced by dealer de-stocking led to a 30% fall in masking film sales and a 1% fall in overall sales. The sales decline combined with rapid raw material cost rises contributed to a

CD printing is a fast growing market for Autotype's screen printing films

Costly problems caused by out-of-spec. barcodes are a thing of the past with the unique On-line Barcode Verifier from Norprint

significant reduction in operating profits despite a lower cost base. In order to reduce operating costs further in the new year and to take advantage of reduced transit times throughout Europe, Autotype has announced the closure of its Italian and German operating bases. The costs of closure, to be completed by early summer, have been provided as an exceptional operating cost in this year's accounts. The increasing importance of the new growth markets, the reversal of the substantial material cost inflation experienced in 1995/6 and the further reductions in the cost base give good reason to look forward with confidence to an improved performance in the current year.

Norprint International

Norprint International comprises three individual businesses each focused on satisfying clearly identified markets and customers.

Norprint UK is the leading supplier of labels and labelling systems to a wide range of end users throughout the United Kingdom. During a year in which market share was held in difficult trading conditions, significant efficiencies and cost savings were achieved through merging Douglas Labels into Norprint UK.

Fisher Clark is one of the key suppliers of labelling products in the UK office stationery market and allied print trades. The product range has been expanded and specifically tailored to meet the ever-increasing needs of desk top publishing systems and a range of laser and ink jet printers. Market share has been held through the year by a continued programme of branding and focused advertising and promotion. Cost savings and production efficiency initiatives have been implemented to ensure that margins are maintained.

Magnordata is one of the foremost world-wide suppliers of magnetic ticketing products for airlines, railways, buses and metro systems, supplying tickets and airline baggage tags throughout Western Europe, the United States and the Pacific Rim. Exports now account for over 40% of turnover with significant growth in the United States, as well as the capture of a major long term contract in Australia.

Despite highly competitive market conditions, sales marginally exceeded last year's levels but a rapid increase in raw material prices, particularly in the first half of the year, gave rise to a small operating loss for the year. Additional profit improvement plans were drawn up and rigorously implemented throughout the second half of the year, including a restructuring provision charged as an operating exceptional cost to cover the costs of a redundancy programme across all the businesses which commenced in early April 1996. A return to profitability is anticipated in the current year.

Nor Systems

Nor Systems markets hand-held labelling and price marking systems, as well as a range of desk-top printers. In the face of an essentially flat and highly competitive retail market the company increased sales by 2.8% on the previous year and, despite significant raw material cost increases, operating profits were marginally ahead, reflecting strong cost control measures.

P.P. Payne

P.P. Payne manufactures tear-tapes for consumer goods, industrial packaging and industrial polyester and polypropylene strapping for hand-held and automated equipment. The company maintained the excellent progress of recent years as sales increased by 10.2% with particularly strong growth in the Americas, the Far East and South-East Asia. Raw material cost increases slightly impacted on margins but the combination of strong sales growth and tight cost control enabled operating profits to show a significant increase on the previous year.

Financial review

Turnover and profits

In summary, the Group's results for the year were as follows:

	Continuing operations 1995/6 £m	Discontinued operations 1995/6 £m	Total 1995/6 £m	Continuing operations 1994/5 £m	Discontinued operations 1994/5 £m	Total 1994/5 £m
Turnover	203.5	82.0	285.5	213.5	180.0	393.5
Ordinary operating profit before exceptional operating costs	10.0	7.1	17.1	9.6	3.2	12.8
Exceptional operating costs	(5.1)	-	(5.1)	(14.8)	(15.2)	(30.0)
Operating profit/(loss) after exceptional operating costs	4.9	7.1	12.0	(5.2)	(12.0)	(17.2)
Share of associates' profit before tax	1.3	0.6	1.9	1.3	1.8	3.1
Exceptional (costs)/income	(2.8)	9.4	6.6	(8.2)	(21.6)	(29.8)
Profit/(loss) before interest	3.4	17.1	20.5	(12.1)	(31.8)	(43.9)
Interest			(6.8)			(7.1)
Profit/(loss) before tax			13.7			(51.0)

Continuing operations represent the results of those businesses comprising the Ceramics Division, Autotype, Norprint, Property and Common costs. Turnover in the continuing operations reflected a continuation of the difficult market conditions experienced in the first half of the year and declined by 4.7% compared with the previous year. Notwithstanding the competitive markets and raw material cost increases, gross margin, before exceptional costs was maintained at last year's levels reflecting the initial benefits on the cost base of the restructuring programmes.

Ordinary operating profit before exceptional costs advanced by 4.2% to £10.0m (1995: £9.6m) reflecting the improved trading performance of the Ceramics Division, particularly Triton and an increase in the net pension credit, which was substantially offset by the disappointing operating performance from Autotype and Norprint.

Exceptional operating costs of £5.1m were incurred or provided for in continuing operations, including £2.8m in respect of the downsizing and relocation of the head office and £2.1m to cover the restructuring initiatives in Autotype and Norprint. These measures will reduce the ongoing head office costs as well as improving the underlying profitability of Autotype and Norprint.

Discontinued operations represent the results of those businesses which were sold shortly after last year end (Temperature, Crosby Sarek and Crosby Kitchens; the loss on disposal having been provided in the accounts to 31st March, 1995); those businesses sold during the year (Cego, Crittall Windows and the investment in DSRM) and those businesses sold since the year end (Nor Systems and P.P. Payne). Gross margin, before exceptional costs improved from 22.9% to 28.5% and ordinary operating profits more than doubled to £7.1m, reflecting the elimination of the loss making Building Products companies and the improvement in results from Nor Systems and P.P. Payne.

The Group's share of associated companies' profit before tax was reduced from £3.1m to £1.9m mainly as a result of a significant decline in the profits of DSRM, which was affected by a decline in sales and increased competition in the US market.

The exceptional net gain of £6.6m comprises a gain of £23.6m on the sale of Cego Limited, partly offset by a loss of £11.6m on the sale of Crittall Windows Limited, a loss of £2.6m on the disposal of the Group's investment in DSRM and a provision of £2.8m representing a diminution in value of a number of specific properties.

Taxation

The Group's tax charge of £2.7m (1995: £2.8m) reflects an effective tax rate of 22% (1995: 32%) pre-exceptionals. It comprises a charge of £1.9m in respect of UK Corporation Tax offset by the write-back of UK Advance Corporation Tax previously written off as irrecoverable, overseas tax, deferred tax and the Group's share of the associated companies' taxation.

Shareholders' return

Earnings per share were 5.7p (1995: 31.4p loss) on a net distribution basis and 4.5p (1995: 30.9p loss) on a nil distribution basis. The Group's IIMR ('The Institute of Investment Management and Research') headline profit for the year was £2.4m (1995: £20.7m loss) after restructuring provisions and costs, giving an adjusted earnings per share of 1.4p (1995: 11.8p loss). In view of the lack of distributable reserves, the Directors are not recommending the payment of a final dividend.

Movements in shareholders' funds

Movements in shareholders' funds (including minority interests) can be summarised as follows:

	£m
Balance at 31st March, 1995	115.2
Currency translation and other adjustments	0.4
Profit for the financial year	10.0
Revaluations during the year	2.1
Balance at 31st March, 1996	127.7

Cash flow and gearing

The table below shows a simplified cash flow statement for the Group:

	1995/6 £m	1994/5 £m
Net cash inflow from continuing activities	10.3	11.0
Net cash inflow from discontinued activities	1.0	1.9
	11.3	12.9
Net interest paid	(7.1)	(7.2)
Net proceeds from sales of properties	1.9	8.1
Tax paid	(2.2)	(3.5)
Net purchases of tangible fixed assets	(11.8)	(19.7)
Net proceeds from sales of businesses/associates	53.3	–
Net Group cash inflow/(outflow) before dividends	45.4	(9.4)
Dividends paid – Norcros	–	(12.2)
Other dividends received/(paid)	0.2	(0.2)
Net Group cash inflow/(outflow) before financing	45.6	(21.8)
Proceeds from share issues	–	0.1
Finance lease inceptions	–	(1.2)
Currency adjustments	(2.8)	1.8
Reduction/(increase) in net borrowings	42.8	(21.1)

The Group's operating cash flow was constrained by operating losses and low profitability at some of the businesses and the cash costs of the roll-out of the reorganisation initiatives provided for last year.

The increase in working capital reflects increases in stocks at some companies to support new product launches and improved customer service, partly offset by an improvement in the debtor collection cycle. The purchase of fixed assets is discussed under capital expenditure below. The results also incorporate net proceeds of £53.3m from the disposal of the five Building Products businesses and the Group's investment in DSRM, but exclude the proceeds from the Nor Systems and P.P. Payne disposals which are referred to below.

As a result of the Group's net cash inflow before financing of £45.6m (1995: £21.8m outflow), net borrowings reduced substantially to £46.9m (1995: £89.7m), which, when compared with shareholders' funds of £127.7m (1995: £115.2m) represents a gearing level of 36.7% (1995: 77.9%).

Capital expenditure

Group capital expenditure totalled £10.9m (1995: £26.7m) compared with depreciation of £11.3m (1995: £13.8m) with £8.1m of the expenditure incurred in the continuing operations on projects principally to reduce the cost base or to enhance operating efficiency and quality.

Discontinuing property

Although the property market remained weak throughout the whole year some progress was made in reducing properties for disposal. On 21st March, 1996 a Joint Venture agreement was finalised with Suter Estates Limited in respect of certain freehold land and buildings separately owned at Braintree, with the aim of maximising their realisable value. £5.4m of Norcros property has been transferred to the Joint Venture company. In addition a net £0.7m (at book value) of property disposals were made during the year. After the write-down on the portfolio of £0.6m, and the retention of £9.0m of properties vacated as a result of the company disposal programme, there remains net property for disposal, including the Joint Venture investment, of £20.0m (1995: £15.9m). A total of £1.9m of cash was received net of expenses, including the realisation of £1.3m of prior year property debtors.

Control of treasury functions

The Group has a head office treasury function which arranges, manages and monitors the majority of the banking and foreign exchange facilities of the Group and its operating companies in accordance with the Group's Treasury policies and procedures. UK subsidiary companies' treasury transactions are handled by the head office treasury function and those of overseas subsidiary companies are governed by guidelines approved by the Board.

Treasury transactions are governed by the limits of the authority delegated by the Board to the Group Chief Executive, Group Financial Controller and Treasurer and major transactions are individually approved by the Board. It is the Board's policy only to authorise transactions of a hedging nature; the treasury function, which is not run as a profit centre, may only enter into foreign exchange or interest rate transactions for which there is an underlying commercial exposure.

Post balance sheet transactions

Following the Board's decision to focus the Group's resources on the Ceramics businesses, Nor Systems and P.P. Payne were sold shortly after the year end realising aggregate net proceeds of £62.4m. The net gain on disposal from these two businesses amounting to approximately £48m will be reflected in the results for the year to 31st March, 1997.

In addition, on 24th May, 1996 the outstanding interest in BAL, ABA and TAL together with the business and assets of Dunlop Adhesives were acquired for an aggregate consideration of £27.3m.

The effect of these transactions strengthens further the Group's financial position, reducing the Group's net borrowing to £11.7m and gearing to 7.6% as well as expanding the Group's interests in its adhesives businesses. Furthermore, the profits realised from these disposals will eliminate the deficit on our distributable reserves as at 31st March, 1996. The effect of these transactions on the Group's balance sheet as if they had taken place at 31st March, 1996 is illustrated in the pro-forma statement below.

Pro-forma summary balance sheet – effect of post balance sheet transactions

	Norcros Group at 31 March, 1996	Adjustments†		Pro-forma Norcros Group at 31 March, 1996
		Nor Systems and P.P. Payne Disposals	Adhesives Acquisition	
	£m	£m	£m	£m
Fixed assets	113.1	(6.4)	1.8	108.5
Long term debtors	48.0	–	–	48.0
Current assets	108.9	19.3	(18.3)	109.9
Creditors: amounts falling due within one year	(65.4)	7.5	(5.2)	(63.1)
Net current assets	43.5	26.8	(23.5)	46.8
Long term creditors and other provisions	(76.9)	27.4	(0.2)	(49.7)
Net assets	127.7	47.8	(21.9)	153.6
Capital and other reserves	134.2	1.7	(19.9)	116.0
Profit and loss account	(9.2)	46.1	–	36.9
Equity minority interests	2.7	–	(2.0)	0.7
	127.7	47.8	(21.9)	153.6
Net borrowings	(46.9)	62.4	(27.2)	(11.7)
Gearing	36.7%	–	–	7.6%

This pro-forma illustrates the effect of the disposals of Nor Systems and P.P. Payne and the acquisition of the Adhesives businesses on the Group's balance sheet as if they had taken place at 31st March, 1996.

† using year end 31st March, 1996 data or nearest equivalent. Proceeds/consideration are net of disposal/acquisition costs and before any fair value adjustments.

For the year ended 31st March, 1996

Trading activities

Norcros p.l.c. is the holding company of an international group, primarily engaged in the supply of ceramic tiles, adhesives, showers and specialist print and packaging products. A review of the operations of the Group appears on pages 6 to 13 and an analysis of the Group's turnover and operating profit is shown on pages 32 to 34. The names and activities of the principal subsidiary undertakings and associated companies are set out on page 56.

Changes in composition of the Group

During the year the Group disposed of its interests in Temperature Limited, Crosby Sarek Limited, Crosby Kitchens Limited, Cego Limited, Crittall Windows Limited and DSRM Group PLC. Subsequent to the year end Nor Systems Limited and P.P. Payne Limited were sold and the outstanding interests in Building Adhesives Limited, Australian Building Adhesives (Pty) Limited and TAL (Proprietary) Limited which were not already held and which represented 49%, 50% and 50% respectively were acquired. In addition the Group acquired the business and assets of the Dunlop Adhesives Division of the BTR Group after the year end (note 24 to the accounts refers).

Share capital

No ordinary shares have been issued during the year. Details of the Norcros Share Option Schemes are given on pages 21 and 22.

At the last Annual General Meeting, held on 21st July, 1995, the Directors were authorised to allot relevant securities of the Company within the meaning of Section 80 of the Companies Act 1985. This authorisation expires on the date of this year's Annual General Meeting. The Directors consider that the Company should maintain an adequate margin of unissued shares for use, for example, in connection with any future acquisition, although the Directors have no present intention of issuing any shares except to satisfy options exercised under the Norcros Share Option Schemes. Accordingly, an ordinary resolution will be proposed at the Annual General Meeting to enable the Directors to continue to exercise their existing powers under the Company's Articles of Association to allot unissued shares up to an aggregate nominal amount of £16,043,778 in the capital of the Company. The authority will continue until the conclusion of the next Annual General Meeting. However, no issue will be made which would effectively alter the control of the Company without the prior approval of shareholders in General Meeting.

The Company is required to obtain the authority of shareholders under Section 95 of the Companies Act 1985 to disapply the provisions of Section 89 of that Act, in certain limited circumstances. Accordingly, a special resolution will be proposed at the Annual General Meeting to allow the Directors in certain limited circumstances to allot shares up to an amount equal to 5% of the issued Ordinary Share capital for cash other than on a strictly pro-rata basis. The authority to be conferred by this resolution is in essence no more than that granted by the passing of a similar resolution at the Annual General Meeting last year. The Company will continue to be bound by the limitations contained in its listing agreement with the London Stock Exchange.

Purchase of own shares

The authority from the shareholders to the Company to make market purchases of its Ordinary Shares up to a maximum of 5% of the Company's issued Ordinary Share capital at prices not exceeding 105% of the average of the middle market quotations for the ten business days before each purchase, expires at this year's Annual General Meeting. Accordingly, a special resolution will be proposed at the Annual General Meeting to renew the authority until the conclusion of the Annual General Meeting in 1997.

No purchases were made under the previous authority and the Directors have no immediate plans to make such purchases, but would like to be able to act quickly if circumstances arose in which they considered such purchases to be desirable.

Substantial shareholdings

The Directors have been informed that the following shareholders had interests at 31st May, 1996 amounting to 3% or more of the issued share capital of the Company:
PDFM - 25.27%
M&G Investment Management - 14.09%
Fidelity International - 5.05%
BAT Industries - 4.29%

Directors' report

Dividends
At 31st March, 1996 there was a deficit on the Company's distributable reserves and the Board is therefore unable to recommend the payment of a final dividend. No dividends have been paid during the year.

After providing for taxation and allowing for minority interests, there is a profit of £10.0m which will be transferred to the Group's reserves.

Directors
A list of the Directors of the Company as at the date of this Report is shown on page 2.

Mr G.M. Morris and Mr J.J.L.G. Sheffield resigned as Directors with effect from 31st March, 1996. Mr R.H. Alcock resigned as a Director on 30th April, 1996 and on the same date he entered into a consultancy agreement with the Company for a period of up to six months.

Mr D.W. Hamilton was appointed a Director on 4th April, 1996. In accordance with Regulation 77 of the Company's Articles of Association he will retire at the Annual General Meeting, but being eligible, offers himself for re-election. In accordance with the terms of his executive employment agreement he is entitled to two years notice of termination of his contract. Mr M.E. Doherty and Mr A.C.R. Elliott retire by rotation and, being eligible, offer themselves for re-election. Mr M.E. Doherty's previous executive employment agreement, which had a two year notice period, was terminated with effect from 4th April, 1996 in connection with Mr M.E. Doherty ceasing to be executive Chairman of the Company. Mr M.E. Doherty now has a contract in connection with his new role as non-executive Chairman of the Company which expires on 31st March, 1997 unless renewed by mutual agreement on or before that date. Mr A.C.R. Elliott does not have a service contract with the Company.

The interests of the Directors in the Ordinary Shares of the Company and in the Company's Share Option Schemes at 31st March, 1995 and at 31st March, 1996 are set out in the Remuneration Committee's Report. 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 participates in a Group Directors' and Officers' Liability Insurance Scheme on behalf of itself and its Directors and Officers, and those of its subsidiary companies.

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 continuation and growth of their businesses.

Employee involvement
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 decentralised 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.

Information about the Group and its activities is regularly reported, where applicable, in company news-sheets and magazines. Copies of the Annual Report and Accounts are made available to all employees.

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.

Creditor payment policy
The Company's current policy concerning the majority of payments to suppliers of goods and services is to follow the CBI's Prompt Payers Code. Other suppliers are paid in accordance with negotiated terms. Wherever possible UK subsidiaries follow the same policy and overseas subsidiaries are encouraged to adopt similar policies, by applying local best practices.

Share option schemes

There have been included as items of business at the forthcoming Annual General Meeting resolutions proposing the adoption of a new Executive Share Option Scheme and also proposing amendment to the Rules of the Norcros p.l.c. Savings Related Share Option Scheme.

Further details of these proposals are set out in the letter from the Chairman of the Company which accompanies this annual report and accounts.

Amendment to memorandum

The Memorandum of Association of the Company states that the main object of the Company is to carry on the business of an investment company. It is proposed that the Memorandum of Association be amended to reflect the fact that the Company's main object is to act as a holding company and not an investment company. The Company's current main objects clause only permits any surplus arising on the realisation of any investment of the Company, including any surplus arising on the disposal of any of the Company's subsidiaries, to be treated as a capital surplus, which would prevent any such surplus being paid out by way of dividend. The proposed amendment would enable the Company to distribute by way of dividend any such surplus, if payment of such dividend were considered to be appropriate by the Board. The Directors consider that the proposed amendment is in the best interests of the Company. The proposed amendment is shown on the copy of the proposed new Memorandum of Association which will be available for inspection at the offices of Slaughter and May, 35 Basinghall Street, London, EC2V 5BD and the registered office of the Company during usual business days on any weekday until the conclusion of the Annual General Meeting.

CREST

As many shareholders will be aware, it is expected that CREST, the new electronic system for buying and selling shares and other securities, will become operational in July 1996. It will enable shareholders to hold and transfer their shareholding in electronic form rather than on paper if they so wish. However, although CREST will largely replace the existing paper-based system, it is a voluntary system and shareholders who wish to retain their certificates and to buy and sell shares in certificated form will still be able to do so.

The Directors are taking this opportunity to give notice to shareholders, in accordance with the Uncertificated Securities Regulations 1995 (the "Regulations") that they intend to pass a resolution that title to the Ordinary Shares in issue or to be issued, may be transferred by means of CREST or any other relevant system.

The Directors' resolution will enable the Company's Ordinary Shares to join CREST in due course, as its effect will be to disapply those provisions of the Company's Articles of Association that are inconsistent with the holding and transfer of its Ordinary Shares in CREST, or with the Regulations, once those shares are permitted to enter the CREST system.

The Directors expect to pass the above resolution shortly and then apply to introduce the Ordinary Shares into CREST in early 1997.

Shareholders should also note that, under the Regulations, they have the right to pass an ordinary resolution at any time to prevent the Company's Ordinary Shares from being held or transferred in uncertificated form in CREST pursuant to such a Directors' resolution.

Charitable and political donations

During the year the Group donated £22,000 for charitable purposes. No donations were made to any political party.

Auditors

A resolution to reappoint Coopers & Lybrand as the Company's auditors and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board
D.W. Hamilton
D.W. Hamilton, Secretary
Norcros House, Bracknell
19th June, 1996

Report of the remuneration committee

Composition and role of the remuneration committee

The members of the Committee for the year under review were the Company's non-executive Directors, J.J.L.G. Sheffield (Committee Chairman), A.C.R. Elliott and T.D.G. Arculus. J.J.L.G. Sheffield ceased to be a member of the Committee on his resignation as a Director with effect from 31st March, 1996 as announced on 29th March, 1996. Mr A.C.R. Elliott was subsequently appointed Chairman of the Remuneration Committee.

Remuneration of the executive Directors is determined by the Remuneration Committee. The non-executive Directors, who were members of the Committee during the period under review, had no personal financial interest other than as shareholders in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business.

The Remuneration Committee meets on average three times a year and it determines the terms and conditions, including annual remuneration, grant of share options and bonus awards, of the executive Directors.

Compliance

The Company has complied throughout the year with the Greenbury Code of Best Practice as incorporated in the best practice provisions annexed to the Listing Rules of the London Stock Exchange.

Policy on remuneration of directors

The key objectives of the remuneration policy for executive Directors are:

- to attract, motivate and retain the highest calibre of executives by rewarding them with competitive salary and benefit packages;
- to ensure that individual rewards and incentives are directly aligned with personal performance and the performance of the Group.

The main components of this remuneration are set out below:

Basic salary and benefits

The level of basic salary and benefits is determined by the Remuneration Committee taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies. The companies used for comparison are chosen having regard to size, type of industry, geographical spread and the changing profile of their businesses. Individual salaries of executive Directors are reviewed annually by the Remuneration Committee. Benefits in kind normally include the provision of a car and fuel or a car allowance in lieu thereof, private medical insurance, permanent health insurance and a free annual medical check.

Performance related bonus

All senior management and executive Directors are eligible to participate in annual performance related incentive bonus schemes which reward achievement of demanding financial or other targets of the Group, Division or operating business as appropriate. These targets are established by reference to annual budgets but may include other individual objectives and targets linked to the Group's performance. The maximum achievable bonus is normally 40% of salary.

For the year under review Mr M.E. Doherty had a long term incentive bonus scheme related to improvements in the Norcros share price. The scheme has been terminated by mutual agreement and no payment is due or has been made thereunder.

Pension rights

Executive Directors in office during the period, with the exception of Mr. M.E. Doherty, are not entitled to receive a pension from the Norcros Security Plan, a defined benefit scheme, but they receive an additional payment equivalent to 25% of their salary in substitution and are free to decide what proportion of their additional payment should be contributed to either the Group defined contribution scheme or their own personal pension arrangement. The executive Directors' normal retirement age is 62.

Mr. M.E. Doherty is a member of the Norcros Security Plan but is not entitled under his contract to any Company contribution to his pension. During the year he applied £6,000 of emoluments towards pension contributions.

All the executive Directors are entitled to life assurance cover equal to four times their annual salary.

Share options

The Norcros p.l.c. Savings Related Share Option Scheme was approved by shareholders initially on 29th March, 1982 and extended for an additional 10 years on 15th July, 1991. It is an all-employee scheme at present applicable only to UK employees. Options are granted at a price not less than 80% of the market price on one of the two business days prior to the date of invitation and are normally exercisable five or seven years after the date of grant, dependent on the choice of bonus date made by the employee at the time he/she applies for the grant of option. Under current legislation an employee may not contribute in aggregate more than £250 per month. No performance or other criteria are attached to either the grant or exercise of options. Also, because this is an all-employee scheme approved by the Inland Revenue, individual grants are not subject to scrutiny by the Remuneration Committee. The rights attached to options are satisfied by the issue of new shares.

At 31st March, 1996 options under the scheme had been granted and were outstanding in respect of a total of 1,879,383 shares exercisable at dates up to August 2001.

The Norcros p.l.c. Executive Share Option Scheme was approved by shareholders on 29th July, 1985. It is a discretionary scheme under which options are granted at a price equivalent to the arithmetic average of the mid-market price on the three business days preceding the date of invitation. An employee's entitlement is determined in accordance with his job grading and guidelines approved by the Remuneration Committee. Normally no single grant may exceed 25% of an employee's maximum entitlement as permitted by the aforementioned guidelines. No performance or other criteria are attached to either the grant or exercise of options. The rights attached to options are satisfied by the issue of new shares. No further options will be granted under the Executive Share Option Scheme although outstanding options may be exercised in the future.

At 31st March, 1996 options under the Scheme had been granted and were outstanding in respect of a total of 2,590,692 shares exercisable at dates up to December 2004, at prices as follows:

411,999 : 107p	351,374 : 195p
41,560 : 116p	91,449 : 229p
25,977 : 128p	46,764 : 259p
488,500 : 129p	84,172 : 305p
18,182 : 137p	20,784 : 335p
620,000 : 153p	341,162 : 359p
15,000 : 162p	33,769 : 379p

As indicated in the Directors' report on pages 18 to 20 it is intended to introduce a new Executive Share Option Scheme to which performance criteria will be attached.

Service agreements
In accordance with the terms of their executive employment agreements Mr J. Matthews and Mr D.W. Hamilton are entitled to two years notice of termination of contract. The Remuneration Committee considers that the existing arrangements are reasonable and proper and in the interests of both the Company and its executive Directors having regard to prevailing market conditions and current practice amongst listed companies.

Mr M.E. Doherty now has a contract in connection with his new role as non-executive Chairman of the Company which commenced in April 1996 and which expires on 31st March, 1997 unless renewed by mutual agreement on or before that date. Under the terms of his new contract Mr M.E. Doherty will be entitled to remuneration (including Directors fees) totalling approximately £190,000 and certain benefits. Mr A.C.R. Elliott does not have a service contract with the Company.

Non-executive directors
The remuneration of non-executive Directors is set by the Board.

The Notes to this Report, set out on pages 23 to 24, give details of Directors' emoluments and interests in the Company's shares.

Compensation to directors
Mr R.H. Alcock was paid compensation of £250,000 in respect of his loss of office. He will also receive fees of up to £102,750 plus VAT under the terms of a six months consultancy with the Company. Mr M.E. Doherty was paid compensation for his change of status of £234,000 which was used to augment his benefits under the Norcros Security Plan. These amounts will be disclosed in full in the accounts for the year ending 31st March, 1997.

On behalf of the Board

A.C.R. Elliott
Chairman, Remuneration Committee

Notes to the Report of the remuneration committee

Emoluments of directors

The emoluments of the Directors were as follows:

	1995/6					1994/5	
	Salary & fees £000	Benefits £000	Bonus £000	Pension contributions £000	Total £000	*Total £000	Pension contributions £000
M.E. Doherty (Chairman)	219	10	-	6	235	234	-
J. Matthews	135	11	12	14	172	156	14
R.H. Alcock	176	2	-	24	202	194	23
T.D.G. Arculus	18	-	-	-	18	18	-
A.C.R. Elliott	33	-	-	-	33	33	-
G.M. Morris	127	17	10	15	169	158	15
J.J.L.G. Sheffield	25	-	-	-	25	25	-

* The 1994/5 total column includes pension contributions.

Directors' interests

The Directors' interests in the shares and share options were as follows:

	1995/6			1994/5		
	Ordinary 25p Shares	SAYE Scheme Options	Executive 1985 Scheme Options	Ordinary 25p Shares	SAYE Scheme Options	Executive 1985 Scheme Options
M.E. Doherty	238,998	25,694	345,774	238,998	25,694	345,774
J. Matthews	5,142	-	157,153	5,142	4,832	157,153
R.H. Alcock	72,250	14,473	290,877	72,250	20,786	290,877
T.D.G. Arculus	12,000	-	-	12,000	-	-
A.C.R. Elliott	25,714	-	-	25,714	-	-
G.M. Morris*	-	-	-	-	-	350,000
J.J.L.G. Sheffield**	-	-	-	44,555	-	-

* G.M. Morris resigned as a Director with effect from 31st March, 1996 and from that date his interests under the Executive 1985 Scheme lapsed.

** J.J.L.G. Sheffield resigned as a Director with effect from 31st March, 1996.

According to the Register kept by the Company, the Directors have no interest in any shares, loan stock or debenture stock of any subsidiary undertaking. Save in respect of the Norcros p.l.c. Executive Share Option Scheme and the Norcros p.l.c. Savings Related Share Option Scheme, no arrangement to which the Company was a party subsisted at the end of the year, or at any time during the year, to enable any Director or any member of any Director's immediate family to acquire any interest by the acquisition of shares or debentures of the Company or any other body corporate. R.H. Alcock resigned as a Director of the Company on 30th April, 1996. D.W. Hamilton was appointed a Director on 4th April, 1996. D.W. Hamilton's interest in the share capital of the Company at that date and on 31st May, 1996 was 36,912 Ordinary 25p Shares, 21,411 SAYE Scheme Options and 87,349 Executive 1985 Scheme Options. Save as stated above, no changes in the interests of the Directors had taken place as at 31st May, 1996.

Notes to the Report of the remuneration committee

Details of grants made to the executive Directors under both schemes, as adjusted for the June 1993 rights issue, are shown below:

Date of Grant	Price (pence)	M.E. Doherty*	R.H. Alcock**	J. Matthews	G.M. Morris†
Executive Options					
16.07.87	379	-	-	5,195	-
20.07.88	359	166,271	-	-	-
19.07.89	305	-	-	6,235	-
05.01.90	229	-	88,332	-	-
25.06.90	195	51,960	25,980	20,784	-
17.01.92	107	67,543	41,565	24,939	-
16.07.93	153	60,000	85,000	50,000	-
09.12.93	162	-	-	-	140,000
14.07.94	129	-	50,000	50,000	-
16.12.94	114	-	-	-	210,000
SAYE Options					
11.01.91	96	-	6,313	4,832	-
17.01.92	88	25,694	14,473	-	-
As at 1st April, 1995	Total	371,468	311,663	161,985	350,000
Lapsed during the year:					
Executive Options		-	-	-	(350,000)
SAYE Options		-	(6,313)	(4,832)	-
As at 31st March, 1996	**Total**	371,468	305,350	157,153	-

* M.E. Doherty ceased to be an executive Director on 4th April, 1996 when he became non-executive Chairman.
** R.H. Alcock resigned as a Director on 30th April, 1996.
† G.M. Morris resigned as a Director with effect from 31st March, 1996.

Executive Options are exercisable at the discretion of the Directors concerned not earlier than three years and no later than ten years from the date of grant and the SAYE options not earlier than five years and not later than seven years from the date of grant. No options were exercised during the year. The middle market price of an Ordinary Share on 31st March, 1996 was 87p (1995: 77p).

Directors' responsibilities

Preparation of financial statements

The Board of Directors is required each year to provide financial statements which give a true and fair view of the results and state of affairs of the Company 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 Group's business. These policies must be applied consistently, (except where an accounting policy is changed to an improved policy) 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 Group and to deter and detect fraud and other irregularities.

The Directors confirm their compliance with these requirements.

Corporate governance

The Board supports the highest standards in corporate governance and is pleased to confirm that the Company has complied throughout the period with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (the "Cadbury" Committee).

The Directors are ultimately responsible for the Group's systems of internal financial control. They have reviewed the effectiveness of the Group's systems of internal financial control which can provide only a reasonable but not absolute assurance against material misstatement or loss.

The Group's control environment is the responsibility of the Group's Directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial control responsibility for subsidiary companies is delegated to the local boards.

Management have a clear responsibility for identifying risks facing each of the Group's businesses and for developing systems to mitigate and monitor such risks. Both the Board's executive Directors and its non-executive Directors monitor this process.

The Group's accounting manual sets out the Group's policies and financial accounting procedures. The Group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual out-turn to budget. Management accounts are prepared on a monthly basis. Variances from plan are investigated and revisions to forecasts are made as appropriate. Cash flow statements and projections are performed on a monthly basis to ensure that the Group has adequate funds and resources for the foreseeable future.

Company law requires the Group's Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Group is a going concern. After making appropriate enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

By Order of the Board

D.W. Hamilton

D.W. Hamilton, Secretary
Norcros House, Bracknell
19th June, 1996

Report of the Auditors to Norcros p.l.c. on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the Directors' statement on page 25 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which are not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to Corporate Governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group or Company to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control and going concern on page 25, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 25 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers Lybrand

Coopers & Lybrand
Chartered Accountants
London
19th June, 1996

Report of the Auditors to the members of Norcros p.l.c.

We have audited the financial statements on pages 28 to 56.

Respective responsibilities of directors and auditors

As described on page 25 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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, 1996 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
19th June, 1996

Group profit and loss account

For the year ended 31st March	note	Continuing operations 1996 £000	Discontinued operations 1996 £000	Total 1996 £000	Continuing operations 1995 £000	Discontinued operations 1995 £000	Total 1995 £000
Turnover		203,529	81,933	**285,462**	213,458	180,054	393,512
Ordinary operating profit before exceptional costs		9,997	6,339	**16,336**	9,596	3,179	12,775
Provisions utilised		–	812	**812**	–	–	–
Exceptional operating costs:							
– restructuring	2	–	–	–	(12,447)	(12,600)	(25,047)
– other redundancy and related costs	2	(5,122)	–	**(5,122)**	(2,381)	(2,555)	(4,936)
		(5,122)	–	**(5,122)**	(14,828)	(15,155)	(29,983)
Operating profit/(loss) after exceptional costs		4,875	7,151	**12,026**	(5,232)	(11,976)	(17,208)
Share of associated companies' profits		1,301	575	**1,876**	1,258	1,800	3,058
Group operating profit/(loss)	3	6,176	7,726	**13,902**	(3,974)	(10,176)	(14,150)
Exceptional items:							
Profit/(loss) on disposals of businesses:							
– net tangible assets	2	–	12,014	**12,014**	–	(15,495)	(15,495)
– goodwill previously written off against reserves	2	–	–	–	–	(7,453)	(7,453)
		–	12,014	**12,014**	–	(22,948)	(22,948)
Loss on disposal of associate	2	–	(2,578)	**(2,578)**	–	–	–
Provision for (loss)/profit on disposal of fixed assets	2	(2,778)	–	**(2,778)**	(8,209)	1,345	(6,864)
Profit/(loss) on ordinary activities before interest		3,398	17,162	**20,560**	(12,183)	(31,779)	(43,962)
Net interest	4			**(6,845)**			(7,068)
Profit/(loss) on ordinary activities before taxation	5			**13,715**			(51,030)
Taxation	6			**(2,705)**			(2,810)
Profit/(loss) on ordinary activities after taxation				**11,010**			(53,840)
Minority interests				**(1,031)**			(1,115)
Profit/(loss) for the financial year				**9,979**			(54,955)
Dividends	7			–			(6,123)
Transfer to/(from) reserves	19			**9,979**			(61,078)
Earnings/(loss) per Ordinary Share of 25p each	8						
– Net distribution basis				**5.7p**			(31.4)p
– IIMR headline basis				**1.4p**			(11.8)p
– Nil distribution basis				**4.5p**			(30.9)p

Balance sheets

At 31st March	note	Group 1996 £000	Group 1995 Restated (note 1) £000	Norcros p.l.c. 1996 £000	Norcros p.l.c. 1995 Restated (note 1) £000
Fixed assets					
Tangible assets	11	**96,205**	122,684	**302**	527
Investments	12	**16,894**	17,144	**142,016**	137,330
		113,099	139,828	**142,318**	137,857
Long term debtors					
Pension fund prepayment	14/22	**47,978**	44,289	**47,978**	44,289
Current assets					
Stocks	13	**47,492**	64,550	**-**	-
Debtors	14	**54,212**	90,693	**16,168**	17,127
Cash at bank and in hand		**7,238**	7,689	**9,277**	19,384
		108,942	162,932	**25,445**	36,511
Creditors: amounts falling due within one year					
Borrowings	15	**5,567**	27,644	**45**	14,947
Other	16	**59,803**	91,051	**8,538**	5,976
		65,370	118,695	**8,583**	20,923
Net current assets		**43,572**	44,237	**16,862**	15,588
Total assets less current liabilities		**204,649**	228,354	**207,158**	197,734
Creditors: amounts falling due after more than one year					
Borrowings	15	**48,550**	69,785	**44,240**	68,105
Other	16	**1,005**	1,188	**-**	-
Provisions for liabilities and charges	17	**27,335**	42,210	**8,581**	25,298
		127,759	115,171	**154,337**	104,331
Capital and reserves					
Share capital	18	**43,706**	43,706	**43,706**	43,706
Share premium account	19	**70,310**	70,310	**70,310**	70,310
Revaluation reserve	19	**15,431**	14,178	**-**	-
Other reserves	19	**4,809**	4,809	**47,042**	47,042
Profit and loss account	19	**(9,208)**	(20,410)	**(6,721)**	(56,727)
Equity shareholders' funds		**125,048**	112,593	**154,337**	104,331
Equity minority interests		**2,711**	2,578	**-**	-
		127,759	115,171	**154,337**	104,331

Approved by the Board on 19th June, 1996
M.E. Doherty, Chairman
J. Matthews, Group Chief Executive

Group cash flow statement

For the year ended 31st March	note	1996 £000	1996 £000	1995 £000	1995 £000
Net cash inflow from continuing operating activities	23	10,299		11,035	
Net cash inflow in respect of discontinued activities	23	1,012		1,854	
Net cash inflow from operating activities			11,311		12,889
Returns on investments and servicing of finance					
Interest received		547		454	
Interest paid:					
– continuing operations		(6,675)		(5,854)	
– discontinued operations		(701)		(1,493)	
Interest paid under finance leases		(227)		(327)	
Dividends received from associated companies		1,093		863	
Dividends paid		–		(12,249)	
Dividends paid to minority shareholders		(927)		(1,013)	
Net cash outflow from returns on investments and servicing of finance			(6,890)		(19,619)
Taxation					
UK Corporation Tax paid		(1,546)		(3,073)	
Overseas taxation paid		(604)		(430)	
Tax paid			(2,150)		(3,503)
Investing activities					
Purchase of tangible fixed assets:					
– continuing operations		(8,582)		(16,670)	
– discontinued operations		(2,550)		(8,571)	
Additions and loans to associated companies		(1,370)		–	
Net proceeds from sale of tangible fixed assets:					
– continuing operations		464		811	
– discontinued operations		163		4,782	
Net proceeds from sale of businesses	23	47,196		–	
Net proceeds from sale of associate		6,140		–	
Net proceeds from sale of properties for disposal		1,925		8,076	
Net cash inflow/(outflow) from investing activities			43,386		(11,572)
Net cash inflow/(outflow) before financing			45,657		(21,805)
Financing					
Issue of Ordinary Shares	23	–		117	
Net (repayment of)/increase in loans	23	(40,945)		16,593	
Capital payments under finance leases	23	(555)		(1,881)	
New short term loans	23	–		5,766	
Net cash (outflow)/inflow from financing			(41,500)		20,595
Increase/(decrease) in cash and cash equivalents	23		4,157		(1,210)

Total recognised gains and losses

For the year ended 31st March	1996 £000	1995 £000
Profit/(loss) for the financial year	9,979	(54,955)
Revaluation adjustment	2,051	(4,656)
Foreign currency translation and other adjustments	425	(784)
Total recognised gains/(losses) for the year	12,455	(60,395)

Historical cost profits and losses

Reported profit/(loss) on ordinary activities before taxation	13,715	(51,030)
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	237	402
Realisation of property revaluation gains of previous years	994	734
Historical cost profit/(loss) on ordinary activities before taxation	14,946	(49,894)
Historical cost profit/(loss) for the year after taxation, minority interests and dividends	11,210	(59,942)

Movement in equity shareholders' funds

Profit/(loss) for the financial year	9,979	(54,955)
Dividends	–	(6,123)
Surplus/(deficit) for the year	9,979	(61,078)
New share capital	–	117
Goodwill written off against reserves	–	7,453
Currency and other adjustments	425	(784)
Revaluations	2,051	(4,656)
Net increase/(decrease) in shareholders' funds	12,455	(58,948)
Opening equity shareholders' funds	112,593	171,541
Closing equity shareholders' funds	125,048	112,593

Segmental analysis

Turnover and profit/(loss) before interest
For the year ended 31st March

	Turnover 1996 £000	Profit/(loss) before interest: Before exceptional items 1996 £000	Exceptional items (note 2) 1996 £000	After exceptional items 1996 £000	Turnover 1995 £000	Profit/(loss) before interest: Before exceptional items 1995 £000	Exceptional items (note 2) 1995 £000	After exceptional items 1995 £000
Ceramics	128,728	10,917	(887)	10,030	138,079	7,309	(12,837)	(5,528)
Group share of associated companies' profits	–	1,301	–	1,301	–	1,258	–	1,258
Segmental result	128,728	12,218	(887)	11,331	138,079	8,567	(12,837)	(4,270)
Discontinuing print & packaging businesses	74,801	2,784	(2,126)	658	75,379	5,674	(1,991)	3,683
Discontinuing property division:								
– operating loss	–	(957)	–	(957)	–	(1,649)	–	(1,649)
– write down of property portfolio	–	–	(550)	(550)	–	–	(8,220)	(8,220)
– (loss)/profit on disposal of properties	–	–	(1,537)	(1,537)	–	–	11	11
Common costs	–	(2,747)	(2,800)	(5,547)	–	(1,738)	–	(1,738)
Total continuing businesses	203,529	11,298	(7,900)	3,398	213,458	10,854	(23,037)	(12,183)
Discontinued businesses:								
– subsidiaries sold	81,933	7,151	–	7,151	180,054	3,179	(15,155)	(11,976)
– group share of associated companies' profits sold	–	575	–	575	–	1,800	–	1,800
– profit/(loss) on sale of subsidiaries	–	–	12,014	12,014	–	–	(15,495)	(15,495)
– goodwill previously written off against reserves	–	–	–	–	–	–	(7,453)	(7,453)
– profit on disposal of fixed asset	–	–	–	–	–	–	1,345	1,345
– loss on sale of associate	–	–	(2,578)	(2,578)	–	–	–	–
Group result	285,462	19,024	1,536	20,560	393,512	15,833	(59,795)	(43,962)

Net assets Business segment:	1996 £000	1995 £000
Ceramics	82,268	80,428
Print & packaging – discontinuing	33,365	34,291
Print & packaging – discontinued	13,817	11,010
Share of associated companies' net assets – continuing	16,894	8,817
– discontinued	–	8,327
Building products – discontinued	–	46,318
	146,344	189,191
Property division	12,155	11,497
Head office	(3,332)	7,628
Pension prepayment	47,978	44,289
Net borrowings	(46,879)	(89,740)
Provisions for liabilities and charges	(26,992)	(45,756)
Tax and dividends	(1,515)	(1,938)
Group net assets	127,759	115,171

Segmental analysis

Turnover and profit/(loss) before interest
For the year ended 31st March

	Turnover 1996 £000	Profit/(loss) before interest: Before exceptional items 1996 £000	Exceptional items (note 2) 1996 £000	After exceptional items 1996 £000	Turnover 1995 £000	Profit/(loss) before interest: Before exceptional items 1995 £000	Exceptional items (note 2) 1995 £000	After exceptional items 1995 £000
Geographic segment (by origin):								
Continuing operations:								
UK	146,666	13,103	(4,274)	8,829	154,055	13,992	(22,302)	(8,310)
Rest of Europe	8,067	229	(759)	(530)	6,776	68	–	68
North America	15,862	448	–	448	17,241	904	(67)	837
Australasia	14,597	(119)	–	(119)	17,236	973	(668)	305
Rest of the World	18,337	(917)	(67)	(984)	18,150	55	–	55
Group share of associated companies' profits	–	1,301	–	1,301	–	1,258	–	1,258
Total continuing operations	203,529	14,045	(5,100)	8,945	213,458	17,250	(23,037)	(5,787)
Discontinued operations:								
UK	75,944	6,652	9,436	16,088	175,416	(1,863)	(36,758)	(38,621)
Rest of Europe	1,600	35	–	35	1,204	118	–	118
North America	2,579	411	–	411	1,958	232	–	232
Rest of the World	1,810	53	–	53	1,476	34	–	34
Group share of associated companies' profits	–	575	–	575	–	1,800	–	1,800
Total discontinued operations	81,933	7,726	9,436	17,162	180,054	321	(36,758)	(36,437)
	285,462	21,771	4,336	26,107	393,512	17,571	(59,795)	(42,224)
Common costs	–	(2,747)	(2,800)	(5,547)	–	(1,738)	–	(1,738)
Group result	285,462	19,024	1,536	20,560	393,512	15,833	(59,795)	(43,962)

Geographic segment (by destination):	1996 £000	1995 £000
Continuing operations:		
UK	119,432	126,096
Rest of Europe	21,992	20,803
North America	18,135	19,219
Australasia	17,067	18,621
Rest of the World	26,903	28,719
Total continuing operations	203,529	213,458
Discontinued operations:		
UK	66,438	162,305
Rest of Europe	10,253	11,727
North America	1,544	1,824
Australasia	390	195
Rest of the World	3,308	4,003
Total discontinued operations	81,933	180,054
Group result	285,462	393,512

Segmental analysis

Net assets by geographic segment For the year ended 31st March	1996 £000	1995 £000
Continuing operations:		
UK	76,294	76,374
Rest of Europe	5,248	4,915
North America	5,925	6,585
Australasia	26,756	22,252
Rest of the World	18,304	13,389
Total continuing operations	132,527	123,515
Discontinued operations:		
UK	12,610	65,286
Rest of Europe	132	(20)
North America	997	372
Rest of the World	78	38
Total discontinued operations	13,817	65,676
Property division	12,155	11,497
Head office	(3,332)	7,628
Pension prepayment	47,978	44,289
Net borrowings	(46,879)	(89,740)
Provisions for liabilities and charges	(26,992)	(45,756)
Tax and dividends	(1,515)	(1,938)
Group net assets	127,759	115,171

The segmental result of the Ceramics division for the continuing operations (including associated companies), is as follows:

		Profit/(loss) before interest				Profit/(loss) before interest		
	Turnover 1996 £000	Before exceptional items 1996 £000	Exceptional items (note 2) 1996 £000	After exceptional items 1996 £000	Turnover 1995 £000	Before exceptional items 1995 £000	Exceptional items (note 2) 1995 £000	After exceptional items 1995 £000
Ceramics (including share of associated companies)	158,201	13,890	(887)	13,003	165,443	10,011	(12,837)	(2,826)
Group share of associated companies' interest	–	(1,672)	–	(1,672)	–	(1,444)	–	(1,444)
Segmental result	158,201	12,218	(887)	11,331	165,443	8,567	(12,837)	(4,270)

1 Accounting policies of the Group

Accounting reference date

The Groups year end is stated as 31st March in each year. All Group subsidiary undertakings make up annual accounts to the Sunday nearest to 31st March which, for this year, is 31st March, 1996.

Accounting convention

Norcros and its subsidiary undertakings prepare their annual accounts on the historical cost basis of accounting, modified to include the revaluation of certain properties, and in accordance with both applicable Accounting Standards in the United Kingdom and, except for the treatment of the pension fund prepayment, the Companies Act 1985. An explanation of the departure from the requirements of the Act is given in note 14.

Change of accounting policy and presentation
In Norcros p.l.c's accounts investments in subsidiary and associated undertakings have been stated at cost together with loans to and from those companies, less amounts written off for permanent diminution in value. This represents a change in accounting policy from that adopted in prior years when such investments were stated at attributable net asset value. The Directors consider this new accounting policy brings Norcros p.l.c. into line with the policy more commonly applied by United Kingdom companies. The effect of this change on the results and balance sheet of the company is set out in notes 12 and 19. There is no effect on the consolidated figures. The Group also now presents separately the goodwill previously written off directly to reserves and the effect of this is set out in note 19.

Provisions for reductions in the value of land and buildings for disposal are now deducted from cost rather than held within creditors.

Turnover

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

Research and development

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

Finance leases

Assets held under finance leases are recorded at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within one year or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the life of the lease.

Operating leases

Annual rentals are charged directly against profits.

Subsidiaries and associated companies

The results of subsidiary undertakings acquired are included in operating profit from the date of acquisition; the results of subsidiary undertakings disposed of are included in operating profit up to the date of disposal. Any excess of purchase price over the fair value of net assets at the date of acquisition is reflected in the Group accounts by immediately writing it off to the goodwill reserve (see "Change of accounting policy and presentation" above). 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 p.l.c. 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, after taking into account related foreign currency borrowings, are taken directly to reserves.

Reserves

Unrealised surpluses and temporary deficits on the revaluation of operational fixed assets are taken to the revaluation reserve.

1 Accounting policies of the Group – continued

Fixed asset properties

Group occupied properties

Valuations of Group occupied freehold and leasehold properties are made at intervals of three to five years by the Directors having regard to the advice received from external professional valuers. Group properties in the United Kingdom have been valued at 31st March, 1996, by St Quintin, Chartered Surveyors and overseas properties by Stanton Hillier Parker, Property Valuers. The basis of open market valuation was Existing Use Value in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Properties for disposal

Properties held for disposal are now presented within tangible fixed assets. All properties for disposal, other than development land, have been valued at 31st March, 1996 by the Directors on the basis of advice received from surveyors employed in the Group's property division. Changes in the value of these properties are disclosed as movements in the revaluation reserve to the extent that the reserve is sufficient, excess deficits being charged to the profit and loss account. Permanent diminutions in value are charged to the profit and loss account. In previous years, any provision for reduction in value of the portfolio as a whole was included under "Accruals and deferred income greater than one year". This year the presentation has been changed such that the provision is shown as an adjustment to cost. Comparative figures have been amended accordingly as shown in note 16. Development land is held at the lower of cost and book value net of provisions to reflect the current market conditions relating to this type of property. In prior years, properties held for disposal were disclosed separately within fixed assets.

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.

Stock and work-in-progress

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

Taxation

Deferred taxation is provided only in respect of liabilities that are expected to arise and become payable in the foreseeable future. No provision is made for any tax on capital gains that could arise from the future disposal of any fixed assets shown in the accounts at valuation nor for taxation which may become payable if undistributed reserves of overseas companies were remitted to the United Kingdom.

Pensions

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

2 Exceptional profits/(costs)

	1996 £000	1995 £000
Operating costs	(5,122)	(29,983)
Disposal of businesses	12,014	(22,948)
Disposal of associate	(2,578)	–
Property write-downs	(1,241)	(8,220)
(Loss)/profit on disposal of fixed assets	(1,537)	1,356
	1,536	(59,795)

Operating costs

The Board has sanctioned various measures to reduce the cost base of the discontinuing print & packaging division, as well as the relocation of the head office, which are reflected in the £5,122,000 of exceptional operating costs disclosed in the profit and loss account.

These costs have been allocated to cost of sales, administrative, distribution and other operating costs as disclosed in note 3.

Disposal of businesses

During the year, Cego Limited was sold realising a profit of £23,600,000 and Crittall Windows was sold resulting in a loss of £11,586,000.

Disposal of associate

During the year the Group's shareholding in DSRM Group PLC was sold resulting in a loss of £2,578,000.

Property write-downs

Properties for disposal have been valued in accordance with the accounting policy stated in note 1 and a devaluation amounting to £550,000 has been written off to the profit and loss account. In addition an amount of £691,000 has been written off to the profit and loss account following an external valuation in relation to a Group property that has become surplus.

(Loss)/profit on disposal of fixed assets

The net exceptional loss relates to sales of properties.

3 Group operating profit/(loss)

	Continuing operations 1996 £000	Discontinued operations 1996 £000	Total 1996 £000	Continuing operations 1995 £000	Discontinued operations 1995 £000	Total 1995 £000
Turnover	203,529	81,933	285,462	213,458	180,054	393,512
Cost of sales	(137,294)	(58,547)	(195,841)	(143,900)	(138,897)	(282,797)
Exceptional cost of sales	(137)	-	(137)	(6,577)	(2,441)	(9,018)
	(137,431)	(58,547)	(195,978)	(150,477)	(141,338)	(291,815)
Gross profit	66,098	23,386	89,484	62,981	38,716	101,697
Distribution and marketing	(32,475)	(14,149)	(46,624)	(32,486)	(28,488)	(60,974)
Exceptional distribution and marketing	(30)	-	(30)	(1,892)	(459)	(2,351)
Release of provision	-	812	812	-	-	-
	(32,505)	(13,337)	(45,842)	(34,378)	(28,947)	(63,325)
Administrative expenses	(20,401)	(1,640)	(22,041)	(23,249)	(7,372)	(30,621)
Exceptional administrative expenses	(4,955)	-	(4,955)	(5,755)	(12,255)	(18,010)
	(25,356)	(1,640)	(26,996)	(29,004)	(19,627)	(48,631)
Other operating costs	(2,405)	(1,258)	(3,663)	(2,578)	(2,118)	(4,696)
Exceptional other operating costs	-	-	-	(604)	-	(604)
	(2,405)	(1,258)	(3,663)	(3,182)	(2,118)	(5,300)
Operating costs for the discontinuing property division	(957)	-	(957)	(1,649)	-	(1,649)
Group share of associated companies' profits	1,301	575	1,876	1,258	1,800	3,056
	6,176	7,726	13,902	(3,974)	(10,176)	(14,150)

4 Interest

	1996 £000	1995 £000
Interest on bank loans, overdrafts and other loans wholly repayable within five years:		
– by instalments	4,144	1,461
– not by instalments	3,043	5,748
Interest on finance leases	217	304
Less: interest receivable	(559)	(445)
	6,845	7,068

5 Profit/(loss) on ordinary activities before taxation

	1996 £000	1995 £000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation – owned assets	10,936	13,076
– leased assets	328	782
Operating lease rentals – property	6,648	8,515
– equipment	3,064	5,519
Auditors' remuneration, including expenses (Company: £118,000 (1995: £107,000))	450	538
Hire of plant and machinery	434	1,130
Research and development expenditure	3,173	4,465

Fees paid to Coopers & Lybrand UK for other non-audit services amounted to £127,000 (1995: £139,000).

Other fees of £374,000 (1995: £51,000) were paid to Coopers & Lybrand for services relating to the sale of businesses and have been charged to exceptional items.

6 Taxation

	1996 £000	1995 £000
United Kingdom Corporation Tax at 33% (1995: 33%)	1,935	5
Prior year under/(over) provision	563	(692)
Double taxation relief	(11)	(18)
Overseas taxation	521	757
Deferred taxation	1,219	805
Group share of associated companies' taxation	517	936
(Recoverable)/irrecoverable Advance Corporation Tax	(2,039)	1,017
	2,705	2,810

The tax charge for the year reflects the benefit of a write-back of Advance Corporation Tax previously written off as irrecoverable and the utilisation of capital losses which wholly offset the net exceptional capital gains arising during the year.

7 Dividends

	1996 £000	1995 £000
Ordinary equity shareholders:		
Interim dividend nil per share (1995: 3.5p)	–	6,123
Final dividend nil per share (1995: nil)	–	–
	–	6,123

8 Earnings per share

Earnings per share on the net distribution basis are calculated on £9,979,000 (1995: losses of £54,955,000) and on 174,824,886 (1995: 174,783,802) Ordinary Shares being the weighted average number of shares in issue during the year. Earnings per share on the nil distribution basis are calculated before the write-back of recoverable ACT of £2,039,000 (1995: £1,017,000 write-off).

IIMR headline earnings per share adjusts standard earnings per share to eliminate capital items and gains/losses on the sale of businesses.

The Directors have disclosed the IIMR profit/(loss) per share as, in their opinion, this reflects a measure of actual operating performance before capital items.

IIMR profit/(loss) per share is calculated as set out below:

	1996 pence per share	1995 pence per share
Earnings/(loss) per Ordinary Share – net distribution basis	5.7	(31.4)
IIMR adjustments:		
– gain on sale of tangible fixed assets	–	(0.1)
– (gains)/losses on sale of businesses/investments	(5.4)	13.1
– property write-downs/(gains) on sale	1.6	3.9
– operating exceptional fixed asset write-offs	–	2.7
– provisions released re discontinued businesses' operating losses	(0.5)	–
IIMR earnings/(loss) per share	1.4	(11.8)

9 Employees

	1996	1995
The average number of persons employed by the Group during the year was:		
United Kingdom	3,600	5,684
Overseas	1,073	1,075
	4,673	6,759
	£000	£000
Staff costs (for above persons):		
Wages and salaries	79,995	104,633
Social security costs	6,943	9,443
Other pension credits (see note 22)	(2,591)	(1,322)
	84,347	112,754

10 Directors' remuneration

Emoluments	1996 £000	1995 £000
Aggregate emoluments of Directors of Norcros p.l.c.:		
Fees of non-executive Directors	76	75
Executive Directors – remuneration (including benefits in kind)	697	727
– performance related bonuses	22	–
– pension contributions	59	62
	854	864
– compensation for loss of office	–	200
	854	1,064
Aggregate emoluments of highest paid Director, who is also the Chairman (including pension contributions £6,000 (1995: nil))	235	234

Number of Directors whose emoluments, excluding pension contributions and compensation for loss of office, were in the bands shown:

	1996	1995
£ 15,001 – £ 20,000	1	1
£ 20,001 – £ 25,000	1	1
£ 30,001 – £ 35,000	1	1
£ 35,001 – £ 40,000	–	1
£140,001 – £145,000	–	2
£150,001 – £155,000	1	–

	1996	1995
£155,001 – £160,000	1	–
£170,001 – £175,000	–	1
£175,001 – £180,000	1	–
£225,001 – £230,000	1	–
£230,001 – £235,000	–	1

The report of the Remuneration Committee, set out on pages 21 to 24, gives details of individual Directors' emoluments and interests in the Company's shares.

11 Tangible fixed assets

	Group				Norcros p.l.c.		
	Land and buildings for disposal £000	Land and buildings Group occupied £000	Plant and vehicles £000	Total £000	Land and buildings £000	Plant and vehicles £000	Total £000
Cost or valuation							
At 31st March, 1995	5,099	42,573	178,834	226,506	–	1,878	1,878
Properties for disposal reclassified	12,092	–	–	12,092	–	–	–
Provisions for future realisations	(780)	(3,546)	–	(4,326)	–	–	–
As re-presented	16,411	39,027	178,834	234,272	–	1,878	1,878
Currency translation and other adjustments	–	1,194	3,556	4,750	–	–	–
Additions	15	418	10,455	10,888	–	95	95
Transfer from Group companies	–	–	–	–	4,196	–	4,196
Transfer from Group occupied	5,380	(5,380)	–	–	–	–	–
Disposals	(715)	(4,196)	(4,690)	(9,601)	(4,196)	(230)	(4,426)
Disposal to Joint Venture	(5,400)	–	–	(5,400)	–	–	–
Disposal of businesses	–	(3,230)	(44,107)	(47,337)	–	–	–
Property revaluations	(1,082)	(3,568)	–	(4,650)	–	–	–
At 31st March, 1996	14,609	24,265	144,048	182,922	–	1,743	1,743
Depreciation							
At 31st March, 1995	532	4,451	106,605	111,588	–	1,351	1,351
Currency translation and other adjustments	–	36	2,423	2,459	–	–	–
Charge for the year	–	721	10,543	11,264	–	289	289
Transfer from Group companies	–	–	–	–	458	–	458
Disposals	–	(475)	(4,058)	(4,533)	(458)	(199)	(657)
Disposal of businesses	–	(430)	(28,943)	(29,373)	–	–	–
Property revaluations	(532)	(4,156)	–	(4,688)	–	–	–
At 31st March, 1996	–	147	86,570	86,717	–	1,441	1,441
Net book value							
At 31st March, 1996	14,609	24,118	57,478	96,205	–	302	302
At 31st March, 1995 re-presented	15,879	34,576	72,229	122,684	–	527	527

Included in the above are assets held under finance leases with a net book value of Group £1,213,000 (1995: £1,834,000), Norcros p.l.c. £63,000 (1995: £161,000).

11 Tangible fixed assets – continued

Land and buildings comprise:	Freehold £000	Long leases £000	Short leases £000	Total £000
Group				
At cost	–	–	1,128	**1,128**
At 1996 valuation	37,746	–	–	**37,746**
	37,746	–	1,128	**38,874**
Depreciation	–	–	(147)	**(147)**
At 31st March, 1996	37,746	–	981	**38,727**

	1996 £000	1995 £000
If land and buildings had not been revalued they would have been included at:		
Cost	**34,112**	31,444
Aggregate depreciation	**(3,001)**	(4,649)
	31,111	26,795

12 Investments

	Associated companies £000	Loans to associated companies £000	Trade investments £000	Total £000
Group				
At 31st March, 1995	15,431	1,692	21	**17,144**
Additions	1,316	5,454	–	**6,770**
Disposals	(8,718)	–	–	**(8,718)**
Currency translation and other adjustments	338	–	–	**338**
Profit retained	1,360	–	–	**1,360**
At 31st March, 1996	9,727	7,146	21	**16,894**

The Group injected a further £1,316,000 into its Indian associate as part of a rights issue and also disposed of its investment in DSRM Group PLC.

In the Group accounts associated companies are held at attributable net asset value together with loans to those companies, their original cost being £1,593,000 (1995: £1,576,000).

Property with a book value amounting to £5,400,000 was sold during the year in return for loan capital to a joint venture company which is accounted for as an associated company.

Notes to the accounts

12 Investments – continued

	Shares in subsidiaries £000	Loans to subsidiaries £000	Loans from subsidiaries £000	Associated company £000	Trade investments £000	Total £000
Norcros p.l.c.						
At 31st March, 1995	48,456	148,530	(59,721)	8,327	–	**145,592**
Change in accounting policy	66,416	(67,650)	–	(7,028)	–	**(8,262)**
As restated	114,872	80,880	(59,721)	1,299	–	**137,330**
Movements during the year	(2,164)	(29,847)	42,032	(1,299)	6	**8,728**
Permanent diminution in value	(4,042)	–	–	–	–	**(4,042)**
At 31st March, 1996	108,666	51,033	(17,689)	–	6	**142,016**

In the Company's accounts, investments in subsidiary undertakings have now been stated at cost together with loans to and from those companies less amounts written off for permanent diminution in value rather than at attributable net asset value, which was the former accounting policy.

Details of the principal subsidiary undertakings and associated companies are set out on page 56.

13 Stocks

	1996 £000	1995 £000
Group		
Manufacturing businesses:		
Raw materials	**11,249**	17,993
Work-in-progress	**7,485**	11,678
Finished stock	**28,758**	34,879
	47,492	64,550

14 Debtors

	Group 1996 £000	Group 1995 £000	Norcros p.l.c. 1996 £000	Norcros p.l.c. 1995 £000
Trade debtors	47,042	77,104	-	-
Amounts owed by subsidiary undertakings	-	-	540	710
Dividends due from subsidiary undertakings	-	-	11,055	10,184
Amounts owed by associated companies	202	1,164	1,727	2,455
Corporation Tax	-	-	-	1,474
Other debtors	3,314	4,947	1,706	2,184
Property disposals debtors	161	2,924	-	-
Prepayments and accrued income	3,493	4,554	1,140	120
	54,212	90,693	16,168	17,127
Included above are amounts due after more than one year of:				
Other debtors and prepayments	-	324	-	-

The pension fund prepayment has been presented separately in the Company and Group balance sheets 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 Company and Group at 31st March, 1996, since to present the pension fund prepayment as part of current assets would not fairly reflect the true liquidity position of the Company and 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 £91,550,000 (1995: £88,526,000) and the net current assets of Norcros p.l.c. to £64,840,000 (1995: £59,877,000).

15 Borrowings

	Group 1996 £000	Group 1995 £000	Norcros p.l.c. 1996 £000	Norcros p.l.c. 1995 £000
Secured:				
Obligations under finance leases	2,113	2,437	63	161
Other loans	2,631	1,982	–	–
	4,744	4,419	63	161
Unsecured:				
Bank loans and overdrafts	49,373	93,010	44,222	82,891
	54,117	97,429	44,285	83,052
Repayable:				
Within one year	5,567	27,644	45	14,947
After more than one year:				
Between one and two years	618	568	18	51
Between two and five years	47,631	68,887	44,222	68,054
Over five years by instalments	301	330	–	–
	48,550	69,785	44,240	68,105
	54,117	97,429	44,285	83,052

The interest rates on bank loans and overdrafts range from 6% to 19% and on other loans and finance leases at rates from 9% to 19%. At 31st March, 1996 there were £50m of structured swaps covering the sterling loan capital, of which £32m mature early in the current financial year. The balance of £18m will cap the interest rate at 8% over the next two years, whilst allowing the Group to benefit from lower actual rates.

Finance leases are secured on the assets to which the obligations relate and other loans are secured on the debtors of the relevant individual company.

16 Creditors

	Group		Norcros p.l.c.	
	1996	1995 Restated	1996	1995
	£000	£000	£000	£000
Amounts falling due within one year:				
Payments received on account	–	23	–	–
Trade creditors	34,991	54,499	–	–
Bills of exchange payable	414	174	–	–
Amounts owed to subsidiary undertakings	–	–	2,315	362
Amounts owed to associated companies	174	495	–	–
Corporation Tax	1,522	415	377	–
Other taxation and social security payable	3,547	7,483	159	373
Other creditors	5,870	6,380	2,187	419
Accruals and deferred income	10,594	17,925	1,109	1,989
ACT payable	–	1,523	–	1,523
Reorganisation and restructuring accruals	2,691	2,134	2,391	1,310
	59,803	91,051	8,538	5,976
Amounts falling due after more than one year:				
Other creditors	790	12	–	–
Accruals and deferred income	215	1,176	–	–
	1,005	1,188	–	–

Other creditors falling due after more than one year at 31st March, 1995 have been restated by £780,000 to reflect the change of accounting presentation for properties for disposal described in note 1.

17 Provisions for liabilities and charges

	Deferred taxation	Reorganisation and restructuring provisions	Total
Group	£000	£000	£000
At 31st March, 1995 as previously reported	5,757	39,999	45,756
Transfer to fixed assets	–	(3,546)	(3,546)
At 31st March, 1995 as re-presented	5,757	36,453	42,210
Profit and loss account	1,219	2,271	3,490
Utilisation – realised on company disposals	–	(11,681)	(11,681)
– cash	–	(5,945)	(5,945)
ACT offset	(739)	–	(739)
At 31st March, 1996	6,237	21,098	27,335

Reorganisation and restructuring provisions at 31st March, 1995 have been restated by £3,546,000 to reflect the change of accounting presentation for fixed assets described in note 1.

17 Provisions for liabilities and charges – continued

Norcros p.l.c.	Deferred taxation £000	Reorganisation and restructuring provisions £000	Total £000
At 31st March, 1995	5,757	19,541	**25,298**
Profit and loss account	1,219	2,344	**3,563**
Transfer to other group companies	-	(16,178)	**(16,178)**
Utilisation – realised on company disposals	-	(1,733)	**(1,733)**
– cash	-	(1,630)	**(1,630)**
ACT offset	(739)	-	**(739)**
At 31st March, 1996	6,237	2,344	**8,581**

	Group		Norcros p.l.c.	
Deferred taxation	**1996 £000**	1995 £000	**1996 £000**	1995 £000
The amount of deferred taxation dealt with above is made up as follows:				
Pension fund prepayment	**15,833**	14,614	**15,833**	14,614
ACT offset	**(9,596)**	(8,857)	**(9,596)**	(8,857)
	6,237	5,757	**6,237**	5,757
The full potential (asset)/liability for deferred taxation is as follows:				
Capital allowances	**(574)**	(129)	**(91)**	(66)
Other timing differences	**(8,544)**	(12,669)	**(2,783)**	(291)
Pension fund prepayment	**15,833**	14,614	**15,833**	14,614
ACT offset	**(11,272)**	(12,299)	**(11,272)**	(12,299)
	(4,557)	(10,483)	**1,687**	1,958

18 Share capital

	1996 £000	1995 £000
Authorised:		
239,000,000 (1995: 239,000,000) Ordinary Shares of 25p each	59,750	59,750
Allotted, called up and fully paid:		
174,824,886 (1995: 174,824,886) Ordinary Shares of 25p each	43,706	43,706

	Ordinary Shares of 25p each
In issue at 31st March, 1995	174,824,886
Allotments during the year	–
In issue at 31st March, 1996	174,824,886

Analysis of shareholders at 31st March, 1996	Number of shareholders	%	Total shares	%	Average shareholding
0 – 1,000	3,794	59.9	1,521,779	0.9	401
1,001 – 10,000	2,151	34.0	5,782,687	3.3	2,688
10,001 – 100 000	210	3.3	7,626,201	4.4	36,315
Over 100,000	178	2.8	159,894,219	91.4	898,282
	6,333	100.0	174,824,886	100.0	27,605
Private individuals	5,576	88.0	8,492,528	4.9	1,523
Insurance companies	21	0.3	2,319,520	1.3	110,453
Nominees	592	9.4	149,689,017	85.6	252,853
Pension funds	6	0.1	1,812,730	1.0	302,122
Investment companies/trusts	46	0.7	5,682,132	3.3	123,525
Others	92	1.5	6,828,959	3.9	74,228
	6,333	100.0	174,824,886	100.0	27,605

19 Reserves

	Share premium £000	Revaluation reserve £000	Merger reserve £000	Goodwill reserve £000	Other reserves £000	Profit and loss £000
Group						
At 31st March, 1995 as previously reported	70,310	14,178	–	–	21,579	(37,180)
Separate presentation of goodwill on consolidation	–	–	25,728	(42,361)	(137)	16,770
As restated	70,310	14,178	25,728	(42,361)	21,442	(20,410)
Currency translation and other adjustments	–	503	–	–	–	(78)
Transfer to profit and loss account	–	–	–	–	–	9,979
Transfers between reserves	–	(1,301)	–	–	–	1,301
Revaluations during the year	–	2,051	–	–	–	–
At 31st March, 1996	70,310	15,431	25,728	(42,361)	21,442	(9,208)

Goodwill amounting to £42,361,000 (1995: £42,361,000) which had previously been written off against reserves, is now presented separately, resulting in the reinstatement of the merger reserve and the exclusion of goodwill from the profit and loss account. Had this change not occurred the balance in the Group profit and loss account at 31st March, 1996 would have been £(25,841,000).

"Other reserves" include £21,314,000 relating to the original pension fund prepayment less the deferred tax thereon.

	Share premium £000	Revaluation reserve £000	Merger reserve £000	Other reserve £000	Profit and loss £000
Norcros p.l.c.					
At 31st March, 1995 as previously reported	70,310	–	–	21,451	(22,874)
Change in accounting policy	–	–	25,728	(137)	(33,853)
As restated	70,310	–	25,728	21,314	(56,727)
Currency translation and other adjustments	–	–	–	–	(375)
Transfer to profit and loss account	–	–	–	–	50,381
At 31st March, 1996	70,310	–	25,728	21,314	(6,721)

The Other reserve relates to the original pension fund prepayment less the deferred tax thereon. The profit of Norcros p.l.c. for the year was £50,381,000 (1995: £17,517,000 loss). The change in accounting policy referred to in note 1 has resulted in the reinstatement of the merger reserve and the exclusion of goodwill from the profit and loss account. The result of Norcros p.l.c. under the previous policy for the year ended 31st March, 1996 would have been £74,905,000.

20 Contingent liabilities

Group

As at 31st March, 1996 the Group had contingent liabilities of £3,637,000 (1995: £4,500,000) in respect of rental guarantees relating to the sale of certain of its properties, which expire between March 1998 and September 2008.

Norcros p.l.c.

Norcros p.l.c. and its wholly owned UK trading subsidiaries have given unlimited joint guarantees to each of the Group's principal bankers in respect of the UK bank facilities of the Group. None of the Group's assets are secured under the guarantees. At 31st March, 1996 the contingent liability of Norcros p.l.c. under the guarantees was £nil (1995: £5,194,000). In addition, Norcros p.l.c. had, at 31st March, 1996, contingent liabilities of £7,585,000 (1995: £7,220,000) in respect of guarantees of loan capital and finance lease obligations of certain subsidiary undertakings and £3,637,000 (1995: £4,500,000) in respect of guarantees of the rental obligations of its property companies.

21 Future capital expenditure and operating lease commitments

Group

Capital expenditure

Outstanding contracts for capital expenditure not provided for in these accounts amount to approximately £4,751,000 (1995: £3,232,000) including £1,320,000 in relation to the rights issue of the Group's Indian associate.

Operating leases	1996 Property £000	1996 Equipment £000	1995 Property £000	1995 Equipment £000
Annual rentals payable on leases which expire:				
Within one year	10	443	140	1,928
Two to five years	1,302	1,117	630	2,088
Over five years	7,014	351	8,429	962
	8,326	1,911	9,199	4,978

22 Pension commitments

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

	1996 £000	1995 £000
Norcros Security Plan	(3,665)	(2,405)
Other UK defined benefit schemes	5	31
UK defined benefit schemes	(3,660)	(2,374)
Other UK and overseas schemes	1,069	1,052
Net pension credit	(2,591)	(1,322)

UK defined benefit schemes

The principal UK defined benefit scheme is the Norcros Security Plan.

Norcros Security Plan

The Norcros Security Plan is a defined benefit scheme funded by a separate trust fund. Actuarial valuations of the assets and liabilities of the scheme are carried out triennially by external professional actuaries to determine the financial position of the scheme and to enable the Group to determine the level of contributions to be made to the scheme.

The last valuation was made at 31st March, 1995 at which date the market value of the scheme assets was £330,342,000. The valuation was prepared on the projected unit cost method and showed that the level of funding at that date was 142%.

The main financial assumptions used in the valuation were:

Pension Increases	3%
Dividend Growth	4.5%

Investment returns to be 1.5% above salary increases.

The March 1995 valuation has been incorporated into the accounts for the first time in 1995/6. The experience surplus at 31st March, 1995 was £80m. After allowing for benefit improvements this represented an increase in the surplus of £36m above the pension prepayment shown on the Group balance sheet at 31st March, 1995 and this increase is being credited to the profit and loss account over the average remaining service life of the existing members of 10.2 years, at the rate of 8.6% of pensionable earnings.

After taking into account the regular pension cost of 9.4% of pensionable earnings and notional interest on the pension prepayment at 9.0%, the net credit to the profit and loss account for the Norcros Security Plan amounts to £3,665,000 (1995: £2,405,000).

On the basis of advice received from the actuaries, the Trustees of the Norcros Security Plan have agreed an employer contribution holiday with the Board of Norcros p.l.c.. This will continue during the year ending 31st March, 1997.

Other pension schemes

Contributions are made to other UK and overseas schemes on the basis of local independent advice and amounted to £1,069,000 (1995: £1,052,000).

23 Cash flow statement

(a) Reconciliation of Group profit/(loss) before interest to net cash inflow from operating activities:	Continuing operations 1996 £000	Discontinued operations 1996 £000	Total 1996 £000	Continuing operations 1995 £000	Discontinued operations 1995 £000	Total 1995 £000
Profit/(loss) before interest	3,398	17,162	20,560	(12,183)	(31,779)	(43,962)
Group share of associated companies' profits	(1,301)	(575)	(1,876)	(1,258)	(1,800)	(3,058)
Provision for loss/(profit) on disposal of fixed assets	2,778	–	2,778	8,209	(1,345)	6,864
Depreciation	9,397	1,867	11,264	9.432	4,426	13,858
Loss/(profit) on sale of tangible fixed assets	58	(53)	5	(284)	25	(259)
Loss on sale of investment	–	2,578	2,578	–	–	–
Cash outflow against reorganisation provisions	(4,068)	(2,772)	(6,840)	–	–	–
Provision for (profit)/loss on sale of businesses	–	(12,014)	(12,014)	–	22,899	22,899
Increase in pension fund prepayment	(2,616)	(1,073)	(3,689)	(169)	(2,256)	(2,425)
Provision/accrual for exceptional operating costs	4,818	–	4,818	13,528	13,989	27,517
Other adjustments	344	–	344	187	–	187
(Increase)/decrease in stocks	(3,692)	1,971	(1,721)	(3,310)	(3,316)	(6,626)
Decrease/(increase) in debtors	2,339	(812)	1,527	(5,095)	(3,932)	(9,027)
(Decrease)/increase in creditors	(1,156)	(5,267)	(6,423)	1,978	4,943	6,921
Net cash inflow from operating activities	10,299	1,012	11,311	11.035	1,854	12,889

(b) Analysis of changes in financing during the year:	Share capital (including premium) 1996 £000	Loans and finance lease obligations 1996 £000	Share capital (including premium) 1995 £000	Loans and finance lease obligations 1995 £000
Balance at 31st March	114,016	89,532	113,899	69,427
Share issues	–	–	117	–
Currency adjustments	–	2,852	–	(1,543)
Finance lease inceptions	–	–	–	1,170
Capital repayments of finance leases	–	(555)	–	(1,881)
Cash flow from other financing	–	(40,945)	–	22,359
Balance at 31st March	114,016	50,884	114,016	89,532

(c) Analysis of changes in cash and cash equivalents during the year:	1996 £000	1995 £000
Balance at 31st March	(208)	782
Net cash inflow/(outflow)	4,157	(1,210)
Currency adjustments	56	220
Balance at 31st March	4,005	(208)

23 Cash flow statement – continued

(d) Analysis of the balances of cash and cash equivalents as shown in the balance sheets:	1996 £000	1996 Change in year £000	1995 £000	1995 Change in year £000	1994 £000
Cash at bank and in hand	7,238	(451)	7,689	(315)	8,004
Bank overdrafts and short term loans	(3,233)	4,664	(7,897)	(675)	(7,222)
	4,005	4,213	(208)	(990)	782

(e) Sale of businesses:	1996 £000	1995 £000
Net assets disposed of:		
Fixed assets	22,478	–
Stocks	19,566	–
Debtors	30,771	–
Creditors	(24,643)	–
	48,172	–
Utilisation of provisions for losses made in 1995	(12,990)	–
Profit on disposal	12,014	–
Satisfied by:		
Cash	47,196	–

24 Post balance sheet events

Subsequent to the year end the Company entered into the following agreements:

On 4th April, 1996 the entire share capital of Nor Systems Limited, a wholly owned subsidiary, was sold to Sato Corporation for an initial gross consideration of £21.5m less the aggregate at completion of any bank borrowings (net of cash balances) of Nor Systems Limited. The inital gross consideration will be adjusted by a payment to or by the Group to the extent that the audited net operating assets of Nor Systems Limited are more or less than £4.0m. The estimated exceptional profit on the sale is £16.5m.

On 7th May, 1996 the entire share capital of a wholly owned subsidiary, P.P. Payne Limited and its subsidiary undertakings P.P. Strapping Systems Limited, Supastrip (Asia) Pte Limited, Supastrip GmbH and Supastrip Inc. ("the Payne Group") was sold to Bunzl plc. The initial gross consideration was £43.4m less the aggregate at completion of any outstanding bank borrowings (net of cash balances) and non-trading intra-group indebtedness of the Payne Group. The initial gross consideration will be adjusted by a payment to or by the Group to the extent that the audited net operating assets of the Payne Group at completion are greater or less than £9.3m subject to a maximum increase of £2.5m. The estimated exceptional profit on the sale is £31.3m.

On 24th May, 1996 the Group acquired from BTR Group those of the issued shares in Building Adhesives Limited (BAL), TAL (Proprietary) Limited (TAL) and Australian Building Adhesives Pty. Limited (ABA) which were not already held (and which represent 49% of the issued share capital of BAL and 50% of TAL and ABA). In addition the Group acquired the business and assets of the Dunlop Adhesives Division of the BTR Group The consideration for the acquisition is £27.3m subject to an upward or downward adjustment to the extent that the net operating assets of the Dunlop Adhesives business are greater or less than £1.2m subject to a maximum increase of £1.0m.

The effects of these disposals and acquisitions on the Group balance sheet on a pro-forma basis are shown on page 17.

rive-year summary

	1996	1995	1994	1993[3]	1992
Turnover[3]	**£285.5m**	£393.5m	£378.0m	£352.0m	£354.7m
Group operating profit/(loss)	**£13.9m**	£(14.1m)	£23.9m	£19.4m	£24.3m
Group share of associated companies' profits	**£1.9m**	£3.1m	£4.1m	£2.1m	£2.9m
Operating profit/(loss)[3]	**£12.0m**	£(17.2m)	£19.8m	£17.3m	£21.4m
Operating margin	**4.2%**	(4.4%)	5.3%	4.9%	6.0%
Profit/(loss) before taxation	**£13.7m**	£(51.0m)	£17.1m	£2.6m	£15.6m
Profit/(loss) for the financial year	**£10.0m**	£(55.0m)	£11.1m	£(3.3m)	£10.1m
Earnings/(loss) per share					
– net distribution basis	**5.7p**	(31.4p)	6.6p	(2.4p)	7.2p
Dividends per Ordinary Share	**-**	3.5p	7.0p	7.0p	7.0p
Dividend cover (times)	**-**	-	0.9	-	1.0
Funds employed	**£174.6m**	£204.9m	£242.6m	£247.0m	£268.5m
Return on funds employed[1]	**7.9%**	(6.9%)	9.9%	7.9%	9.1%
Capital and reserves	**£127.7m**	£115.2m	£174.0m	£126.8m	£140.4m
Net borrowings	**£46.9m**	£89.7m	£68.6m	£120.2m	£128.1m
Net debt to equity[2]	**36.7%**	77.9%	39.5%	94.8%	91.3%
Average number of employees	**4,673**	6,759	6,692	7,161	7,704
Sales per employee	**£61,088**	£58,220	£56,485	£49,155	£46,042
Operating profit/(loss) per employee	**£2,574**	£(2,546)	£2,959	£2,416	£2,778

[1] Return on funds employed is defined as Group operating profit expressed as a percentage of the total of shareholders' funds, minority interests and net borrowings

[2] Net debt to equity is defined as net borrowings expressed as a percentage of capital and reserves (including minority interests).

[3] 1993 has been restated in accordance with FRS3. Prior years are unadjusted for FRS3, but turnover and operating profit for all years are now shown excluding the Group share of associated companies' turnover and profits. In all other respects, the five year summary is prepared under current Accounting Standards and Group accounting policies.

Principal subsidiary and associated companies

Ceramics

United Kingdom

Building Adhesives Ltd. (51%)#
– Dunlop Adhesives (acquired 24th May, 1996)
H & R Johnson Tiles Ltd.
Triton Plc*

Overseas

Australian Building Adhesives Pty. Ltd.*+# Associated company – 50%, Incorporated in Australia, Issued Share Capital £9,000, Reserves £5,323,000
Johnson Tiles Pty. Ltd.* Incorporated in Australia
Philkeram-Johnson SA*+ Associated company – 50%, Incorporated in Greece, Issued Share Capital £2,280,000, Reserves £(456,000)
H & R Johnson (India) Ltd.*+ Associated company – 40%, Incorporated in India, Issued Share Capital £1,052,000, Reserves £12,375,000
Johnson Tiles (Pty) Ltd.* Incorporated in South Africa
TAL (Pty) Ltd.*# Associated company – 50%, Incorporated in South Africa, Issued Share Capital £117,000, Reserves £997,000

Print & Packaging

United Kingdom

Autotype International Ltd.
Norprint International Ltd.:
– Norprint UK
– Fisher Clark
– Magnordata International
P.P. Payne Ltd.†
Nor Systems Ltd.†

Overseas

Autotype Americas Inc.* Incorporated in the state of Delaware, in the United States of America, trading as Autotype USA
Norprint USA Inc. Incorporated in the state of Delaware, in the United States of America
Supastrip Inc.*† Incorporated in the state of Virginia, in the United States of America

Other Interests

DSRM Group PLC Associated company – 50% (sold March 1996)

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 p.l.c.
+The accounts of these companies were audited by firms other than Coopers & Lybrand.
†Subsidiaries sold after year end.
#Balance of shareholding purchased after year end.
Only those subsidiary undertakings and associated companies whose results principally affect the financial statements of the Group are included.

Notice of meeting

Notice is hereby given that the thirty-ninth Annual General Meeting of the Members of Norcros p.l.c. will be held at Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ on 15th July, 1996 at 11.00am for the following purposes:

1 To receive and adopt the Reports of the Directors and Auditors and Statement of Accounts for the year ended 31st March, 1996 (Resolution 1).

To re-elect as Directors of the Company:
2 Mr M.E. Doherty (Resolution 2).
3 Mr A.C.R. Elliott – Chairman of the Remuneration Committee (Resolution 3).
4 Mr D.W. Hamilton (Resolution 4).

5 To re-appoint Coopers & Lybrand as auditors of the Company and to authorise the Directors to fix their remuneration (Resolution 5).

As special business
6 To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

THAT the Directors be and they are hereby generally and unconditionally authorised in substitution for any subsisting authorities to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £16,043,778 representing 36.70% of the issued share capital of the Company as at the date of this notice provided that this authority shall expire at the conclusion of the next Annual General Meeting after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities of the Company to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority hereby conferred had not expired (Resolution 6).

7 To consider and, if thought fit, pass the following Resolution as a Special Resolution:

THAT subject to the passing of the foregoing resolution the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of sub-section 94(2) of that Act) pursuant to the authority conferred by Resolution 6 as if sub-section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with any rights issue in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interest of all such holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them provided that the Directors may make such exclusions or other arrangements in respect of overseas holders of shares and in respect of fractional entitlements as they consider necessary or convenient; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £2,185,310 Ordinary Shares representing 5% of the issued equity share capital of the Company as at the date of this notice

and shall expire at the conclusion of the next Annual General Meeting after the passing of this Resolution or, if earlier, 14th October, 1997, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired (Resolution 7).

Notice of meeting

8 To consider and, if thought fit, pass the following Resolution as a Special Resolution:

THAT the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares of 25p each of the Company ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares which may be purchased shall be 8,741,240;

(b) the price at which Ordinary Shares may be purchased shall not exceed 105% of the average of the middle market quotations for Ordinary Shares as derived from the London Stock Exchange Daily Official List for the 10 business days preceding the date of purchase but shall exceed 25p (in both cases, excluding expenses); and

(c) this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiration of this authority (Resolution 8).

9 To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

THAT

(a) The Norcros 1996 Share Option Plan, a summary of the rules of which is set out in Appendix I to the letter from the Chairman of the Company to shareholders dated 19th June, 1996 be and is hereby approved and that the Directors be and they are hereby authorised to do all acts and things necessary to establish and carry it into effect; and

(b) the Directors be and they are hereby authorised to vote at any meeting on any matter connected with the Plan and to be counted for the purpose of any resolution regarding the Plan in the quorum at the meeting notwithstanding that they be interested in it and the provisions of the Articles of Association of the Company shall accordingly be relaxed to that extent provided that no Director may vote or be counted in the quorum on any matter solely concerning his own participation in the Plan (Resolution 9).

10 To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

THAT the amendments to the rules of the Norcros p.l.c. Savings Related Share Option Scheme, as summarised in Appendix II to the letter from the Chairman of the Company to shareholders dated 19th June, 1996 be and are hereby approved and the Directors be and they are hereby authorised to do all acts and things necessary to carry it into effect. (Resolution 10).

11 To consider and, if thought fit, pass the following Resolution as a Special Resolution:

THAT the Memorandum of Association of the Company be amended by the deletion of the existing sub-clause (1) of Clause 4 and the replacement thereof with the following new sub-clause (1):

"(1) (a) To carry on the business of a general commercial company and to carry on any trade or business whatsoever.

(b) To act as a holding company and to acquire any of the following:

(i) shares, stocks, debentures, debenture stock, perpetual or otherwise, bonds, obligations and securities issued or guaranteed by any company, government, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, whether at home or abroad; and

(ii) land, buildings, houses and other real and personal property, wheresoever situate and of any tenure, and any estate or interest or right therein, including freehold or leasehold ground rents, reversions, mortgages, charges and annuities,

and to realise all or any part of the property and assets of the Company." (Resolution 11).

By Order of the Board

D.W. Hamilton, Secretary
Norcros House Bracknell
19th June, 1996

Notes

1 A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not also be a Member of the Company.

2 The following documents will be available for inspection at the offices of Slaughter and May at 35 Basinghall Street, London, EC2V 5BD and at the Registered Office of the Company during usual business hours on any week-day (Saturdays excluded) from the date of this notice until the conclusion of the Annual General Meeting; and at the place of meeting for at least 15 minutes prior to and at the Meeting:

(i) a statement of all transactions during the year of each Director and, so far as he can reasonably ascertain, of his family interests in the share capital of the Company;

(ii) a statement concerning Directors' contracts of service; and

(iii) copies of those contracts;

(iv) the Rules of the Norcros p.l.c. Savings Related Share Option Scheme incorporating the proposed amendments;

(v) the proposed Rules of the Norcros p.l.c. 1996 share option plan;

(vi) a copy of the proposed new Memorandum of Association incorporating the proposed amendments.

Shareholder information

Registered office

Norcros House, Bagshot Road, Bracknell, Berkshire RG12 9SW
Registered in England, number 566694

Registrars

Independent Registrars Group
PO Box 163, Southmark Building, Barrington Road, Altrincham, Cheshire WA14 1HA
Address for shareholders' enquiries:
Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BQ. Tel: 0181 650 4866

Annual General Meeting

The thirty-ninth Annual General Meeting of Norcros p.l.c. will be held at Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ on 15th July, 1996 at 11.00am.

Financial calendar

Interim results for the half year to 30th September, 1996 announced and published:	November 1996
Preliminary announcement of results and report and accounts for 1997 published:	June 1997

Taxation

Market values of 25p Ordinary Shares on 6th April, 1965 were 56.2p and on 31st March, 1982 were 107.5p, as calculated for the purpose of Capital Gains Tax.

Private shareholders' discount scheme

All Norcros p.l.c. private shareholders holding more than 500 shares are entitled to a 10% discount on purchases of certain Norcros Group products valued at £20 or more. To obtain a refund, send a receipted invoice to the Company Secretary's Department at Norcros following your purchase, together with a letter confirming that the goods have been purchased for your personal use, and they will refund the appropriate amount.