norcros

Annual report and accounts

2014

Focused on showers, taps, bathroom accessories, tiles and adhesives.

We have four complementary UK businesses: Triton Showers, Vado, Johnson Tiles and Norcros Adhesives, as well as significant operations in South Africa.

Our businesses have a long, successful track record of serving consumers, architects, designers, retailers and wholesalers. Our emphasis is on innovation,quality and service combined with a strong understanding of our customers' needs.

We aim to use our strong brands, our innovative products and our leading market positions to drive investment returns and shareholder value.

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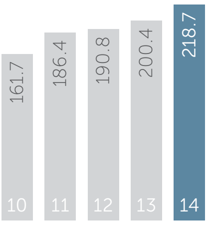
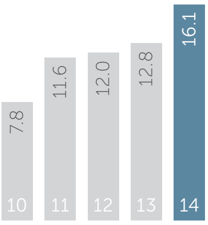
Financial highlights

Total revenue
(£m)



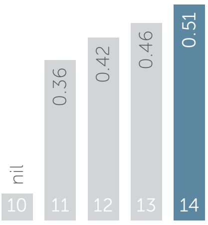
£218.7m
+9.2%

Underlying operating profit
(£m)



£16.1m
+25.5%

Dividends per share
(p)



0.51p
+10.9%

Highlights

Fifth consecutive year of revenue and underlying operating profit growth

Revenue increased by 16.6% on a constant currency basis

Underlying operating profit increased by 25.5% to £16.1m (2013: £ 12.8m)

Strong cash performance

Vado acquisition successfully integrated

Disposal of Australian business May 2014 – geographic focus

Underlying ROCE 15.0% (2013: 12.6%)

Progress with legacy matters

Full year dividend up 10.9%

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The Group has made good progress on delivering its strategic objectives, with the successful integration of the Vado business acquired in March 2013 driving excellent revenue and profit growth.

Martin Towers
Chairman

Summary

Fifth consecutive year of revenue and profit growth

Good progress on delivering strategic objectives

Full year dividend up 10.9%

Board of Directors p28

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Overview

I am pleased to report that Norcros has made significant progress during the year to 31 March 2014, recording a fifth consecutive year of revenue and underlying operating profit growth. Despite mixed market conditions in the UK and a challenging environment in South Africa, Group revenue from continuing operations grew by 9.2% and by 16.6% on a constant currency basis. Underlying operating profit from continuing operations was 25.5% higher at £16.1m.

The Group has made good progress on delivering its strategic objectives, with the successful integration of the Vado business acquired in March 2013 driving excellent revenue and profit growth. Tight cost control and cash management across all our businesses improved underlying return on capital employed from continuing operations to 15.0% (2013: 12.6%), towards the top end of our strategic target. The disposal of Johnson Tiles Australia announced in March 2014 and completed on 30 May 2014 now allows management to fully focus on its target geographies of the UK, Africa and the Middle East. We will continue to seek out opportunities to expand the Group through a combination of organic growth initiatives and acquisition of businesses in our target geographies and product groups.

Strong conversion of operating profit to cash meant that net debt at the end of the year was lower at £26.9m (2013: £30.7m), representing leverage of just 1.2x EBITDA, leaving the Group well placed to execute its growth strategy.

Further progress on the Group's legacy issues has also been made in the year with the agreement to sub-let the vacant surplus leasehold property at Groundwell, Swindon, to Network Rail. It is, however, disappointing to report that the sale of part of our surplus freehold land at Tunstall to Morrisons has not proceeded as expected.

Dividend

The Board is recommending a final dividend for the year of 0.34p (2013: 0.305p) per share. When added to the interim dividend of 0.17p (2013: 0.155p) per share which was paid on 9 January 2014 this will make the total dividend for the year 0.51p (2013: 0.46p) per share, a 10.9% increase on the previous year.

Governance

As Chairman, one of my primary responsibilities is to ensure that the Group operates to the highest standards in all aspects of governance and risk management. Our aim within Norcros is to manage a growing business effectively, while ensuring that proper operating procedures and internal controls are

maintained at all times. Transparency is central to this objective and you will find more detail about our approach and progress over the last year in the Corporate Governance section. The Remuneration Committee Report is in accordance with the new reporting requirements of the Large and Medium-sized Companies Regulations which came into force in October 2013.

Board changes

In September 2013, Vijay Aggarwal resigned from the Board. Mr Aggarwal had been a Non-executive Director of the Company since October 2009 and has represented Lifestyle Investments Pvt Ltd, which was also a significant shareholder in the Company until its complete exit in September 2013.

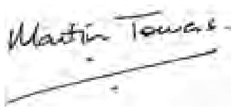
People

The people who work for the Group are undoubtedly our key asset and I am certain that the existing opportunities for long-term growth will ensure that our employees find Norcros a place where they will continue to enjoy rewarding careers. On behalf of the Board I congratulate them all for delivering another year of progress.

Summary

Norcros has continued its strong growth momentum and has again delivered a robust financial performance in line with market expectations. The Group remains in a strong financial position.

I believe that the Group will continue to make progress towards its strategic targets of doubling revenue to £420m by 2018 through both organic and acquisitive growth, and achieving an underlying return on capital employed between 12% and 15% across the cycle. Underpinned by our strong brands, leading market positions and continued self-help initiatives focused on market share gain and operating efficiencies, I look forward to the future with confidence.



M. G. Towers
Chairman
19 June 2014

With our strong brands, leading market positions and continued self-help initiatives focused on market share gain, the Board remains confident that the Group should continue to make progress for the year to 31 March 2015.

Nick Kelsall
Group Chief Executive

Summary

Vado acquisition performing in line with expectations and well positioned to make further progress

Continued improvement in South Africa

Strong cash conversion in our businesses leaves the Group well positioned for future growth

Australian business disposed of on 30 May 2014 for total consideration of £4.2m

Strategy and objectives p7

Business model p8

Overview

The Group results for the year and comparatives have been adjusted to reflect the re-classification of our Australian business as held for disposal at 31 March 2014.

Group revenue for the year increased by 9.2% to £218.7m (2013: £200.4m) and by 16.6% on a constant currency basis. On a like for like basis, excluding Vado (acquired in March 2013) and Nortec (disposed of in November 2012), revenue was 4.5% lower on a reported basis, but 1.9% higher on a constant currency basis.

UK market conditions during the year have been mixed, with the trade sector recovery driven by improving new house build and housing transactions. The retail sector remained weak for most of the year although there have been signs of improvement in the last quarter of our financial year. UK revenue for the year at £148.0m (2013: £122.8m) was 20.6% higher on a reported basis reflecting the Vado acquisition in March 2013. On a like for like basis excluding Vado, UK revenue was 3.2% lower than last year with good progress in Triton Showers and Norcros Adhesives offset by lower revenue at Johnson Tiles.

In its first year under Norcros ownership, Vado has performed in line with our expectations and although the comparatives are not reported in our results, revenue for the full year was 16.5% ahead of last year. This strong performance, together with the successful integration of the business during the year, leaves Vado well positioned to make further progress.

Despite a challenging market environment, our South African business performed well with full year revenue growth of 9.1% on a constant currency basis and 11.8% on a like for like basis (excluding Nortec which was disposed of in November 2012). A 19.5% weaker Rand compared to last year resulted in full year reported Sterling revenue being 8.8% lower than prior year at £70.7m (2013: £77.6m) and 6.6% lower on a like for like basis.

Group underlying operating profit at £16.1m (2013: £12.8m) was 25.5% higher than prior year, with operating margins also ahead at 7.3% (2013: 6.4%). This was achieved despite the weaker South African Rand which impacted reported South African profits by £0.4m.

Strong cash conversion in our businesses resulted in closing net debt lower at £26.9m (2013: £30.7m) and leaves the Group well positioned for future growth.

Strategy

As reported in March 2013, the Board has set itself three strategic targets. These are to double Group revenue to £420m by 2018, to maintain revenue derived outside of the UK at approximately 50% of Group revenue, and to sustain a pre-tax return on capital employed of 12% to 15% over the economic cycle. I'm pleased to say that good progress has been made on a number of fronts towards these targets.

The acquisition of Vado has helped drive revenue growth of 9.2% in the year and 16.6% on a constant currency basis. Vado has been integrated quickly and seamlessly into the Norcros Group, and has been

significantly earnings enhancing in its first year of ownership. Furthermore, exciting synergy benefits between Vado and the rest of the Group are being developed, including Vado's first ever range of top end electric showers aimed at high street bathroom boutiques.

Towards the end of the financial year, the Group entered into a conditional agreement to dispose of 100% of the share capital of Norcros Industry (Pty) Ltd which owns the Group's Australian tiles business, Johnson Tiles (Pty) Ltd (JTA) to Kim Hin Industries Berhad (KHIB), a company listed on the Malaysian Bursa. This transaction was completed on 30 May 2014 for total consideration of £4.2m. This sale represents an excellent outcome for our shareholders, and allows management to fully focus on its target geographies of the UK, Africa and the Middle East.

Property

Progress on resolving legacy property issues has been mixed.

Excellent progress has been made through the sub-let of the vacant and surplus property at Groundwell, Swindon, to Network Rail Infrastructure Limited for the period through to 31 December 2018. This sub-lease will reduce the Group's net cash outflow on legacy leases by approximately £4.0m over the five year period starting from 1 April 2014. There is no exceptional income statement charge or credit as a result of this transaction.

Progress on the conditional sale of surplus land at Tunstall, Stoke on Trent, to a subsidiary of WM Morrison Supermarkets plc (Morrisons) has, however, been disappointing. Following a contractual dispute, this transaction has not progressed as planned, and the Board continues to seek compensation from Morrisons as well as to investigate alternative buyers for the site.

Summary and outlook

UK construction activity and an improving housing market has driven trade sector recovery during the year but the UK retail sector, as expected, is taking longer to benefit, although there have been some encouraging signs more recently. Whilst the medium-term outlook in South Africa is positive, the weak Rand continues to have an adverse effect on Rand profit translation to Sterling. Nevertheless, with our strong brands, leading market positions and continued self-help initiatives focused on market share gain, the Board remains confident that the Group should continue to make progress for the year to 31 March 2015.

N. P. Kelsall
Group Chief Executive
19 June 2014

The Strategic Report outlines the developments and performance of the Group.

To the members of Norcros plc

The Strategic Report provides a review of the business for the financial year and describes how we manage risks.

The report outlines the developments and performance of the Group during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future.

Key performance indicators are published to show the performance and position of the Group. Also provided is an outline of the Group's strategy and objectives, along with the business model.

The Strategic Report discusses the following areas:

Approval
The Group Strategic Report on pages 6 to 27 of Norcros plc was approved by the Board and signed on its behalf by:

N.P. Kelsall

Group Chief Executive
19 June 2014

A focused growth strategy and strong results.

Our strategy:

01 Pursue a faster and focused growth strategy to scale up the size of the Group organically and by acquisition

02 Maintain investment in our strong brands and new product development

03 Leverage revenue synergies within our portfolio of complementary businesses

04 Target acquisitions in complementary markets with attractive returns on capital

05 Continue to ensure high standards of corporate governance and responsibility

Our strategic targets:

01 Grow Group revenue to £420m by 2018

02 Maintain approximately 50% of Group revenue derived outside the UK

03 Achieve a sustainable underlying return on capital employed of 12–15%

About our strategy

The Board believes the implementation of this strategy will enhance shareholder value.

Organic growth will continue to be driven by capitalising on our leading market positions in the UK and South Africa. Our strategic initiatives will ensure we maintain the provision of innovative new product programmes, excellent customer service and investment in our brand portfolio. We will also reinforce our "designed and built in Britain" credentials as well as capture the growth opportunities in South Africa and sub-Saharan Africa, where medium-term growth rates are likely to be higher than the more developed markets. We will continue to drive faster revenue growth in our existing export markets and develop new emerging export opportunities.

Acquisitions will be targeted at complementary market and industry segments exhibiting attractive returns on capital which are likely to be bathroom and kitchen products with exposure to commercial and specification segments. The acquisition of Vado in 2013 represents a first step in this approach.

Business model p8

Principal risks and uncertainties p22

Driving investment and leveraging shareholder value.

We have a long, successful track record of serving consumers, architects, designers, retailers and wholesalers. Our emphasis is on innovation, quality and service. We base our business on understanding our customers' needs. Norcros is a substantial group with consistent, high quality standards and considerable resources. We invest significantly and continuously in our people, product development and processes and we aim to develop our business in both the quality of our products and the scale of our activities.

UK

In the UK we offer a wide range of quality bathroom and kitchen products both for domestic and commercial applications. Our portfolio of businesses is well established, services a broad customer base and benefits from leading market positions and strong brands. The recent acquisition of Vado has strengthened our proposition, adding to our product range, opening new distribution channels and new overseas markets.

	What we do	How we do it	How we create value
	Triton Manufacturer and distributor of electric and mixer showers and accessories	Providing high quality and innovative electric and mixer showers to a wide range of retail and trade customers, assembled in the UK using parts sourced from Europe and the Far East	Triton is the market leader in the UK with a strong brand, an extensive product range, leading edge technical capability and exceptional customer service at affordable prices
	Vado Manufacturer and distributor of taps, mixer showers, bathroom accessories and valves	Providing a wide range of high end brassware and accessories to retail and trade customers, assembled in the UK using parts sourced from Europe and the Far East	Vado is an aspirational brand with modern attractive product design targeted at the mid to high end consumer in the UK and in over 60 countries worldwide, offering excellent customer service
	Johnson Tiles Manufacturer and distributor of ceramic wall and floor tiles	Offering a mixture of own manufactured wall tile from our plant in Stoke on Trent, and wall and floor tile sourced from around the world, it is a "one-stop shop" for all customers' ceramic tile needs, from high volume floor tiles all the way to bespoke individual projects	The UK's leading ceramic tile manufacturer with a heritage extending back over 100 years, Johnson Tiles' knowledge of wall and floor tile design, innovative techniques such as ink jet printing, manufacturing and sourcing is second to none. It also has significant expertise in logistics enabling it to provide a differentiated offer to some of the UK and Europe's leading DIY retailers
	Norcros Adhesives Manufacturer of tile and stone adhesives and ancillary products	From our state-of-the-art manufacturing facility in Stoke on Trent, we supply ceramic tile adhesives and self-levelling compounds as well as backing boards and other requirements for wet rooms to both retail and trade customers	Excellent technical knowledge in adhesive and compound formulation and application means our customers can rely on us to provide solutions to the most demanding of specifications

South Africa

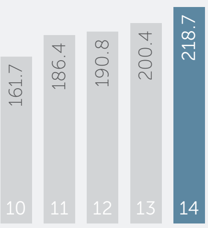
Our complementary businesses in South Africa operate principally from a shared manufacturing and administrative site near Johannesburg, allowing them to maximise operational, revenue and cost synergies.

	What we do	How we do it	How we create value
TILEAFRICA	**Tile Africa** Leading retailer of local and international tiles and associated bathroom and kitchen products	A network of 35 showrooms throughout South Africa and sub-Saharan Africa selling both own manufactured tiles and adhesives from its sister companies and sourced products	With a diverse product range and a focus on customer service, Tile Africa is the number two tile retailer in South Africa
tal	**TAL** Leading manufacturer of tile adhesives, pourable floor coverings and tiling tools	Offering a range of products and accessories to be a "one-stop shop" for tile fixing solutions	TAL is the leading ceramic tile adhesive brand in South Africa with a reputation for quality products, technical expertise, innovation and excellent customer service
JOHNSON TILES	**Johnson Tiles – SA** Manufacturer and distributor of ceramic wall and floor tiles	A well invested plant and technological know-how has positioned JTSA as the number two ceramic tile manufacturer in South Africa	Leveraging its well established and respected Johnson Tiles brand, JTSA supplies high quality bespoke tiles for Tile Africa and a host of independent retailers across South Africa and sub-Saharan Africa. Its quality products are particularly suited to the commercial segment

Measuring our progress

We use the following key performance indicators (KPIs) to measure our progress against our strategic priorities.

Total revenue
(£m)

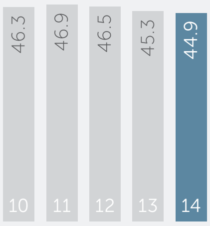


Definition
Reported Group revenue for the year which excludes discontinued operations.

Performance
Total revenue for the year increased by £18.3m (9.2%) as a result of constant currency growth and a full year of contribution from Vado.

£218.7m
+9.2%

Group revenue outside the UK
(%)

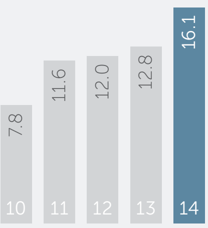


Definition
Revenue from the Group's South African operating segment plus export revenue from the Group's UK operating segment.

Performance
Group revenue outside the UK fell slightly to 44.9% which was mainly due to the adverse translation impact of the weaker South African Rand.

44.9%
-0.4%

Underlying operating profit
(£m)

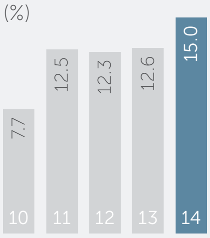


Definition
Reported operating profit as adjusted for non-underlying and exceptional operating items, as defined in note 8 to the financial statements.

Performance
Underlying operating profit increased by £3.3m (25.5%) due to improved performance in the Group's South African operating segment and the acquisition of Vado.

£16.1m
+25.5%

Underlying return on capital employed
(%)

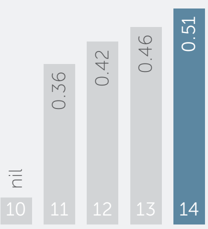


Definition
Underlying operating profit expressed as a percentage of the average of opening and closing underlying capital employed, as defined in note 8 to the financial statements.

Performance
Underlying ROCE increased to 15.0% in the year from 12.6%, due to improved profitability and strong cash generation, and the disposal of the Johnson Tiles Australia business.

15.0%
+2.4%

Dividends per share
(p)

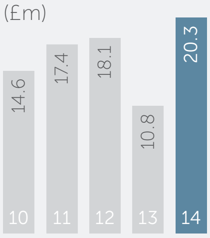


Definition
The total of the interim dividend and the proposed final dividend for the financial year.

Performance
In line with the Board's progressive dividend policy the dividend per share increased to 0.51p per share from 0.46p per share.

0.51p
+10.9%

Underlying operating cash flow
(£m)



Definition
Cash generated from continuing operations as adjusted for cash flows from exceptional items and pension fund deficit recovery contributions, as defined in note 8 to the financial statements.

Performance
Underlying operating cash generation increased by £9.5m due to increased profits and disciplined working capital management.

£20.3m
+88.0%

Business performance

Norcros has made significant progress during the year, recording a fifth consecutive year of revenue and underlying operating profit growth. A summary of our key financials can be found below.

	2014 £m	2013 (restated) £m
Revenue	218.7	200.4
Operating profit	12.8	6.9
Non-underlying operating items	1.8	1.5
Exceptional operating items	1.5	4.4
Underlying operating profit	16.1	12.8
	2014 £m	**2013 (restated) £m**
Revenue – UK	148.0	122.8
Revenue – South Africa	70.7	77.6
Revenue – Group	218.7	200.4
Underlying operating profit – UK	14.2	11.9
Underlying operating profit – South Africa	1.9	0.9
Underlying operating profit – Group	16.1	12.8
Underlying operating profit margin – UK	9.6%	9.7%
Underlying operating profit margin – South Africa	2.7%	1.2%
Underlying operating profit margin – Group	7.3%	6.4%
	2014 £m	**2013 (restated) £m**
Underlying operating profit	16.1	12.8
Depreciation	5.9	6.1
Underlying EBITDA	22.0	18.9
Net working capital movement	(2.6)	(7.4)
Share-based payments	0.9	0.7
Other non-cash items	—	(1.4)
Underlying operating cash flow	20.3	10.8

Case study

Vado has recently supplied Té products to Hotel Football on the doorstep of Old Trafford football stadium. This is what the Manchester Evening News had to say about it...

The 138-bed Hotel Football will feature a five-a-side pitch on the roof and house a supporters' club – with the 10-storey building having capacity for around 1,500 fans on match days.

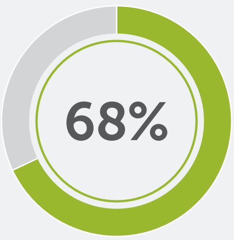
United legends Neville and Giggs joined forces to form a new business, GG Hospitality, and have ambitious plans to make it a worldwide hit while creating jobs for youngsters.

When complete at the end of this year Hotel Football will stand in the shadows of United's Old Trafford ground.

It is located across the road from the stadium where they made their names – but the pair insist they will welcome fans of all allegiances.

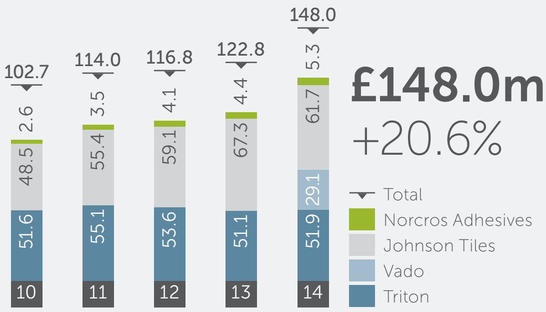
UK

Share of Group revenue



£148.0m
+67.7%

UK revenue (£m)



Our divisions

Triton
Market leader in the manufacture and marketing of showers with a strong position in UK electric and mixer shower markets. It also exports to Ireland and other overseas markets

Vado
Leading manufacturer and global distributor of bathroom controls including taps, mixer showers, bathroom accessories and valves

Johnson Tiles
The UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles

Norcros Adhesives
Manufacturer and supplier of adhesives, grouts, surface preparation and aftercare products for fixing tiles, mosaics, natural stone and marble

Revenue increased in the year by 20.6% to £148.0m (2013: £122.8m) reflecting the Vado acquisition in March 2013. On a like for like basis excluding Vado, UK revenue was 3.2% lower than last year with good progress in Triton Showers and Norcros Adhesives offset by lower revenue in Johnson Tiles. Underlying operating profit increased to £14.2m (2013: £11.9m) with margins broadly maintained at 9.6% (2013: 9.7%). This is a strong performance given the mixed market conditions which have prevailed and the retail destocking effects which impacted Johnson Tiles performance in the period.

Triton Showers

Triton, our UK domestic shower business, has maintained its market leading position despite a flat UK market and continued tough conditions in the Irish market, with revenue for the year 1.6% higher at £51.9m (2013: £51.1m).

In the UK, revenue for the year was 2.4% ahead of prior year and, excluding the effect of some low margin business exited last year, was 4.2% higher. Trade sector revenue was in line with last year and excluding the exit of marginal business last year was 4.4% higher. Revenue in the retail sector grew by 4.5% reflecting the success of Triton's category management approach and promotional programmes.

Export revenue, which represents approximately 13% of overall revenue, was 3.4% lower compared to prior year. The primary export market for Triton is Ireland, and although revenue was lower than last year, this is a respectable performance given the Irish shower market is estimated to have halved since 2007.

Performance of the thermostatic electric products for the care market including the Safeguard and T150 range has been encouraging. This success should be further underpinned by the recently launched Safeguard+ range with the unique grab rail shower kit and remote on/off control.

This new product range forms the central pillar of the newly launched "Inclusive Showering" product offering. This new range has been extremely well received across all of Triton's trade customers. Its success reflects the investment and research with both industry respected occupational therapists and the Royal National Institute for the Blind to develop a product range suitable for people with additional needs, but at the same time acceptable to the whole market, hence the concept of "Inclusive Showering".

The T80Z Fast Fit range, which focuses on the increased speed of fit for installers, continues to gain momentum and has grown substantially in both merchant and electrical wholesale segments.

Margins and profits were higher than last year, reflecting input cost reductions combined with an improvement in revenue mix. The business continued to be strongly cash generative.

Vado

Vado, which was acquired on 31 March 2013, is our leading manufacturer of taps, mixer showers, bathroom accessories and valves. Vado recorded revenue of £29.1m for the period, 16.5% higher than last year (although not under Norcros ownership last year and not included in our comparatives).

UK revenue was 22.6% higher than the prior year with strong performances in both the retail and trade sectors. UK retail revenue was 19.7% higher, reflecting the success of the Vado Partnership Programme which was launched last year and stronger relationships with buying groups increasing brand penetration. UK trade revenue was 26.1% higher benefitting from increased business from existing customers as well as new specification wins including St. George (part of Berkeley Group Holdings plc) and Redrow.

Export revenue, which accounts for approximately 42% of overall revenue, was 9.1% higher with encouraging growth both in the specification and retail sectors in the Middle East and Africa more than offsetting a large project in Hong Kong in the first half of last year that was not repeated this year.

Revenue and gross margins increased in the period with further revenue investment made in sales resource and marketing initiatives to support future growth. Underlying operating profit for the year was in line with expectations and higher than prior year.

In January 2014, Vado opened the Hydrologics Studio, its new customer training facility. This innovative facility is designed to increase customers' understanding of the Vado business, its product range and the brand. Early customer reaction has been very positive. Investment in product development remains key to Vado's strategy with two new tap ranges launched in 2013 alongside an enhancement of their core shower offering, all of which has contributed to the strong growth momentum of the business.

Integration of the Vado business into the Group was completed quickly and seamlessly following acquisition, and a number of exciting incremental revenue initiatives with other Group companies are progressing well.

Case study

TAL develops new mosaic adhesive for 300 on Kent

TAL recently developed a customised ultra-white mosaic adhesive to install colourful glass mosaic tiles at 300 on Kent, the new office building of the JD Group's Financial Services business in Randburg.

The four storey building features a different colour scheme on each floor and this colour scheme is replicated in the bathrooms through the use of colourful floor-to-ceiling glass mosaics that are locally manufactured.

Glass products are very brittle and rigid and therefore require a flexible high-strength adhesive system. "For this project a special ultra-white mosaic adhesive was developed to install the glass mosaics thereby ensuring that the aesthetics of the mosaics were highlighted," says TAL's technical representative, Schalk Pelzer.

TAL Mosaicflex Ultra White is a rapid-setting, flexible, high-strength and water resistant adhesive that allows the mosaic tiles' bright colours to come to the fore.

Johnson Tiles

Johnson Tiles, the UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, saw revenue decrease by 8.4% to £61.7m (2013: £67.3m).

In the UK revenue fell by 12.6% with a decline in the retail sector more than offsetting growth in the trade sector. UK retail revenue was 21.4% lower than last year reflecting tough comparatives with last year benefitting from the significant pipeline fill for the B&Q tile range review, together with weaker sales and destocking by a number of large retail customers in the year. UK trade revenue has continued to improve, particularly in the second half of the year, and was 3.4% ahead of last year. This reflected improved market conditions with increased activity from house builders and increased specification business following last year's refurbishment of the Material Lab and the launch of the new, specification focused website in September 2013. Notable successes in the period include further specifications with Marks and Spencer, John Lewis, Premier Inn and Costa Coffee.

Export revenue, which represents approximately 13% of overall revenue, increased by 32.7%. This was driven by the successful introduction of a new large format ink jet range in the French retailer Leroy Merlin combined with a strong contract performance in the Middle East. These projects included the Supreme Court in Muscat Oman, Al Barsha Tower project in UAE, Saudi Embassy in Cairo and the Geant Hypermarket in UAE.

Furthermore, a significant project at the flagship Waikiki Beach Hawaii Hilton Hotel was completed, where a 31 storey bespoke external mural panel was fixed.

A major review and restructuring of the business was undertaken during the first quarter of the financial year following weak sales and destocking by a number of large retail customers. This resulted in a headcount reduction of 59 across all areas of the business and the closure of the USA warehouse operations. The majority of the restructuring redundancies were made by the end of the first half at a cost of £1.3m.

Following a difficult first half which saw the business fall into a loss making position, financial performance in the second half substantially improved reflecting the benefits of the reduced cost base following the restructuring, coupled with growth in our trade and export business, resulting in an overall profit for the year, albeit lower than prior year.

Norcros Adhesives

Norcros Adhesives, our manufacturer and supplier of tile and stone adhesives and ancillary products, continued its strong momentum and grew revenue by 21.1% in the year to £5.3m (2013: £4.4m).

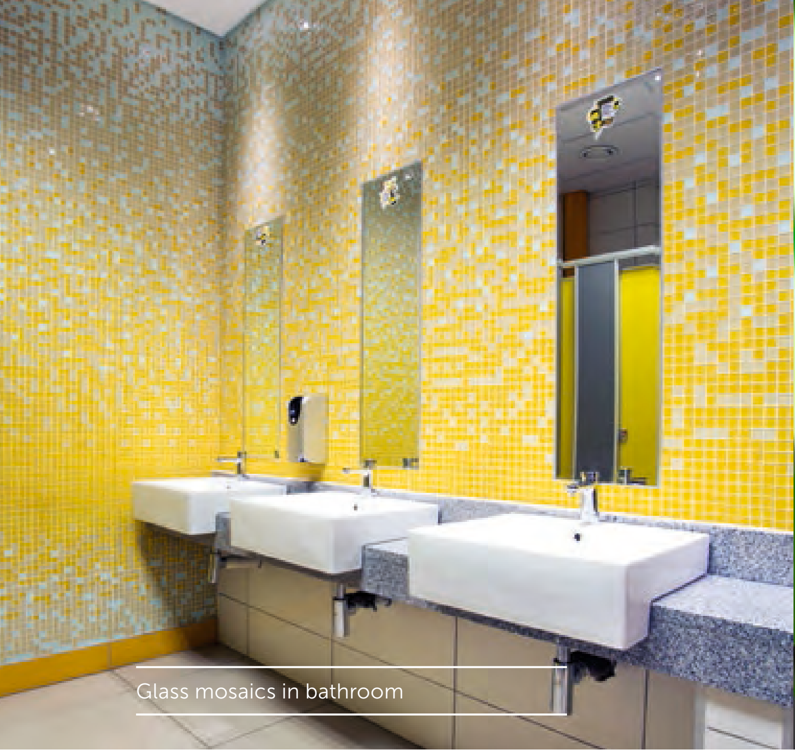
Growth in the year was driven by market share gain from significant new accounts in both the retail and distribution channels. We have secured a further three years of our exclusive specification with Barratt Homes and this will continue to drive take up in our distribution base.

Progress has been made in the year in the DIY multiples channel, a segment which had previously been difficult to penetrate. High quality products and our service proposition has proved successful in gaining our first listing, and our offering in this sector will further develop as range review opportunities become available in other retailers.

The launch of our new ready-mixed range in January 2014 has been successful with the new formulation receiving positive feedback from our fixer customers, driving greater levels of acceptance and penetration into this sector of the market. Our new wet-room backer board and adhesive system launched in April 2013 has capitalised on the growing popularity of this type of shower solution and our reputation as a "one-stop shop" for our customers.

As the business grows, it has been imperative that our manufacturing systems are robust to ensure that the quality and consistency of our products is maintained. To this end, ISO9001 accreditation was achieved in April 2014.

Strong revenue growth and improved margins resulted in underlying operating profit higher than last year and at a record level for this business.

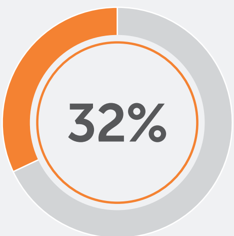


Glass mosaics in bathroom

Exterior showing main entrance

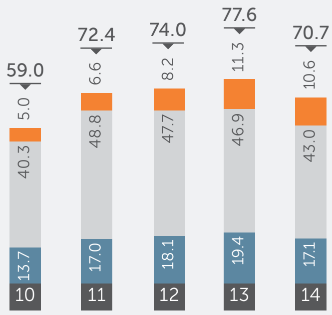
South Africa

Share of Group revenue



£70.7m
32.3%

South Africa revenue (£m)



£70.7m
-8.8%

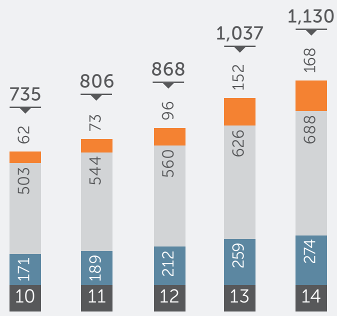
Our divisions

Tile Africa
Tile Africa is our South African retailer of tiles, adhesives, sanitaryware and bathroom fittings. The business operates from 35 showrooms located mainly in South Africa but also in Namibia and Botswana

Johnson Tiles
Johnson Tiles South Africa is the number two ceramic tile manufacturer in South Africa supplying the Tile Africa stores as well as other independent retailers, distributors and contractors

TAL
TAL is our market leading adhesives business with manufacturing plants in Olifantsfontein, Durban and Cape Town. TAL not only supplies a wide range of product into the South African market, but also exports into sub-Saharan Africa

South Africa revenue (ZAR m)



ZAR1,130m
+9.1%

> **"Another strong year of growth in our South African business saw revenue 9.1% higher on a constant currency basis.**

Another strong year of growth in our South African business saw revenue 9.1% higher on a constant currency basis and 11.8% higher on a like for like constant currency basis (excluding Nortec which was disposed of in November 2012). The average exchange rate for Sterling to Rand for the year was 19.5% weaker at ZAR15.97 (2013: ZAR13.37), resulting in full year reported revenue of £70.7m (2013: £77.6m), which was 8.8% lower than prior year and 6.6% lower on a like for like basis. Underlying operating profit for the year doubled to £1.9m (2013: £0.9m) despite a 19.5% weaker Rand adversely impacting Sterling reported profits by approximately £0.4m.

Johnson Tiles South Africa

Johnson Tiles South Africa continued to make strong progress despite the impact of a much weaker local currency on energy and raw material costs. This was driven off the back of an excellent manufacturing performance. Independent sector revenues increased by 12.3% on a constant currency basis but, at £10.6m (2013: £11.3m), were 6.5% lower on a reported basis. Further gains in the DIY sector have been achieved as we continue our successful strategy of importing ceramic tile products to complement our own manufactured product to create a "one-stop shop" for larger retailers, particularly Builders Warehouse.

The focus of the last two years has been on operational improvements and it is therefore pleasing to report that the manufacturing plant is now operating extremely well and in line with our plans. The substantial progress in this area has been the key driver behind the significantly reduced loss in this year. The second phase of the profit improvement programme aims to improve margins via an improved product offer both in terms of design and format. This process commenced towards the end of the financial year with the successful installation of state-of-the-art ink jet printing equipment and the introduction of new larger format tiles which are due to be launched in Q2 of 2014/15.

The business is currently experiencing a legal strike by a number of employees at its manufacturing facility in Olifantsfontein. The strike involves members of NUM (The National Union of Mineworkers), who are currently the majority union in the plant and relates to a failure to agree a collective recognition agreement regarding employment terms. With the support of the minority union BCAWU, who have remained at work, we have managed to maintain production levels with minimal disruption to the business. Management remains confident that, in the absence of any escalation, they will be able to maintain budgeted production performance for as long as is necessary.

TAL Adhesives

TAL, our market leading adhesives business in South Africa, saw independent sector revenue grow 5.2% on a constant currency basis and an 11.8% decline on a Sterling reported basis to £17.1m (2013: £19.4m). On a like for like basis, excluding the Nortec business which was disposed of in November 2012, constant currency revenue growth was 16.7%.

Improving markets and continued market share gain particularly in the DIY retail sector have helped drive South African revenue, whilst significant progress in sub Saharan Africa, particularly Zimbabwe and Namibia, saw export revenue grow 60.7% compared to the same period last year. Focus on product quality and technical support are fundamental to TAL's success, and to reinforce this position, a £0.1m investment in a new laboratory at our main Olifantsfontein site was completed in the first half of the year, resulting in improved production control, product formulations and margins.

Underlying operating profits for the period improved compared to prior year and remain strong.

Following the sale of the business and assets of TAL's small but loss making Nortec business in November 2012, the premises at Spartan in which this business had been located and had been leased to the new owners for a short period were vacated. These premises were disposed of in the first half of the year, generating proceeds of £0.7m and a profit of £0.5m, which has been treated as an exceptional gain in the income statement.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesive, showers, sanitaryware and bathroom fittings, saw revenue increase 9.9% on a constant currency basis but reduce 8.2% on a Sterling reported basis to £43.0m (2013: £46.9m).

Sales growth reflected a slower than anticipated Christmas period following shipping delays out of China of imported product required for our peak trading period. Notwithstanding this, Tile Africa delivered a strong underlying operating profit performance.

The successful implementation of new inventory optimisation software is now delivering the expected benefits. Improved in-stock levels supported by increased investment in marketing have contributed to constant currency like for like store revenue growth of 13.6% in the year.

Store relocations in Klerksdorp and Montana were completed in the year. Of our 29 owned stores, 23 have now been successfully upgraded, and our new store programme is progressing well, with new sites secured for Southgate and Vanderbijlpark.

Group underlying operating profit at £16.1m increased by 25.5%.

Martin Payne
Group Finance Director

Summary

Group revenue increased by 9.2% to £218.7m (2013: £200.4m)

Group underlying operating profit of £16.1m was 25.5% ahead of the prior year

Group underlying return on capital employed was 15.0% (2013: 12.6%)

Underlying operating cash flow of £20.3m was 88% ahead of the prior year

Net debt reduced to £26.9m from £30.7m

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Financial overview

Continuing operations	2014 £m	2013 (restated) £m
Revenue	218.7	200.4
Underlying operating profit	16.1	12.8
Non-underlying operating items	(1.8)	(1.5)
Exceptional operating items	(1.5)	(4.4)
Operating profit	12.8	6.9
Net finance costs	(7.0)	(1.7)
Profit before taxation	5.8	5.2
Taxation	4.3	0.2
Profit for the year from continuing operations	10.1	5.4
(Loss)/profit for the year from discontinued operations	(1.4)	0.2
Profit for the year	8.7	5.6

Revenue

Group revenue at £218.7m (2013: £200.4m) increased by 9.2% of which acquisitions and disposals accounted for 13.6%, with organic revenue growth of 1.9% and foreign exchange impacts accounting for a 6.3% decline.

Underlying operating profit

Underlying operating profit increased by 25.5% to £16.1m (2013: £12.8m). Our UK businesses delivered underlying operating profits of £14.2m against £11.9m, driven largely by the acquisition of Vado. Following last year's return to profitability, our South African businesses generated an underlying operating profit of £1.9m (2013: £0.9m). On a constant currency basis the improvement in underlying operating profit in South African businesses was £1.4m. Group underlying operating profit margins improved to 7.3% (2013: 6.4%).

Non-underlying and exceptional operating items

Non-underlying costs totalling £1.8m (2013: £1.5m) were made up of £1.4m (2013: £1.5m) non-cash pension fund administration costs following the implementation of the revised IAS 19, 'Employee Benefits', accounting standard and £0.4m (2013: £nil) arising from the amortisation of acquired intangibles relating to the Vado acquisition.

Exceptional items of £1.5m (2013: £4.4m) predominantly related to costs associated with the restructuring exercise in our Johnson Tiles business undertaken in the first half of the year. A full analysis of both non-underlying and exceptional operating items can be found in note 5 to the financial statements.

Operating profit for the year after deducting non-underlying and exceptional operating costs was £12.8m (2013: £6.9m).

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Parent Company accounts

> The Board is recommending a final dividend of 0.34p (2013: 0.305p) per share.

Net finance costs
Net finance costs increased to £7.0m (2013: £1.7m) although £4.6m of this increase related to the movement on fair value of foreign exchange contracts. Bank interest payable of £1.5m (2013: £1.3m) was slightly higher than the prior year and reflects the increase in average net debt following the acquisition of Vado.

Following the implementation of the revised accounting standard, IAS 19, 'Employee Benefits', the Group has recognised a £1.3m interest cost in respect of pension scheme liability (2013: £0.9m) which increased by £0.4m principally due to a higher opening liability.

Taxation
The tax credit for the year was £4.3m (2013: credit of £0.2m). Due to the continued strong performance of the Group, a further review of the position with regard to deferred tax assets was undertaken. As a result of this, the remaining unrecognised deferred tax assets in relation to both the UK and South African businesses of £4.4m have now been recognised in respect of tax losses and capital allowances, on the grounds that it is considered probable that the Group will benefit from these assets in the foreseeable future.

Recognition of these assets is likely to mean that future effective tax rates will increase to approximately 25% in the coming year. The standard rate of UK corporation tax from 1 April 2014 will reduce to 21%, with a further reduction to 20% from 1 April 2015, and the standard rate of tax in South Africa is 28% (2013: 28%). The Group's effective tax rate is expected to be higher than the standard UK rate because of the geographic mix of profits and because certain expenses, such as amortisation, are generally not allowable for tax purposes.

Profit before tax
Underlying profit before tax was £14.6m (2013: £11.5m), reflecting the increased underlying operating profit noted above. Underlying profit before tax is reconciled as shown below:

	2014 £m	2013 (restated) £m
Profit before taxation	5.8	5.2
Adjusted for:		
– non-underlying operating items	1.8	1.5
– exceptional operating items	1.5	4.4
– amortisation of costs of raising finance	0.3	0.2
– net movement on fair value of derivative financial instruments	3.7	(0.9)
– discount on property lease provisions	0.2	0.2
– IAS 19R finance cost	1.3	0.9
Underlying profit before tax	14.6	11.5

The Group reported profit before tax of £5.8m (2013: £5.2m).

(Loss)/profit from discontinued operations
On 25 March 2014, the Company entered into a conditional agreement to dispose of 100% of the issued share capital of Norcros Industry (Pty) Limited (NIPL), which owns its Australian tiles business, to Kim Hin Industries Berhad (KHIB). As KHIB is listed on the Malaysian Bursa, it required shareholder approval to allow the transaction to take place. This was duly received allowing the disposal to be completed on 30 May 2014, with total consideration of £4.2m being received.

A loss of £1.6m relating to this sale has been included in these accounts, which, together with the results of the year for NIPL of £0.2m, has been disclosed within (loss)/profit for the year from discontinued operations.

As NIPL represented a major line of business for the Group, it has been classified as held-for-sale in the consolidated balance sheet and its operations have been treated as discontinued with a single amount shown on the face of the consolidated income statement.

Further details on discontinued operations are provided in note 29 to the financial statements.

Restatement of prior year results
As NIPL is no longer classed as a continuing operation the prior period has also been restated in accordance with the presentational requirements of IFRS 5.

Furthermore, the introduction of a revised IAS 19, 'Employee Benefits', accounting standard (see pension schemes below), also requires prior year results to be restated.

The table shown opposite demonstrates the impact of these restatements on the consolidated income statement.

Earnings per share
Underlying diluted earnings per share amounted to 2.8p (2013: 1.8p). Excluding the effect of deferred tax assets recognised in the year, underlying diluted earnings per share was 2.1p. Basic earnings per share was 1.5p (2013: 1.0p).

Dividends

As previously announced it is the Board's intention to continue a progressive yet prudent dividend policy subject to the Group's earnings, cash flow and balance sheet position. As such the Board is recommending a final dividend of 0.34p (2013: 0.305p) per share, which, if approved, together with the interim dividend of 0.17p (2013: 0.155p), makes a total dividend of 0.51p (2013: 0.46p) in respect of the year ended 31 March 2014.

This final dividend, if approved at the Annual General Meeting, will be payable on 30 July 2014 to shareholders on the register on 27 June 2014. The shares will be quoted ex-dividend on 25 June 2014.

Balance sheet

The Group's balance sheet is summarised opposite.

Property, plant, equipment and investment properties fell by £7.6m, of which £3.8m was due to exchange rate movements. Additions in the year were £4.3m.

Deferred tax increased principally as a result of the full recognition of certain assets in the year, net of a reduction of £2.5m as a result of the decrease in the pension scheme liability.

Pension schemes

The Group contributed £2.1m (2013: £3.2m) into its UK defined benefit pension scheme during the year. This included deficit recovery contributions of £2.0m (2013: £2.0m) as part of the 2012 deficit recovery plan.

The gross defined benefit pension scheme valuation on the UK scheme showed a deficit of £21.8m compared to a deficit of £30.0m last year. The lower deficit reflects decreased liabilities due to a higher discount rate of 4.30% (2013: 4.20%) and a higher than expected return on scheme assets.

Restatement of prior year results

	2013 as previously reported £m	IAS 19 (revised) £m	Discontinued operations £m	**2013 as restated £m**
Revenue	210.7	–	(10.3)	**200.4**
Underlying operating profit	13.0	–	(0.2)	**12.8**
Non-underlying operating items	–	(1.5)	–	**(1.5)**
Exceptional operating items	(4.4)	–	–	**(4.4)**
Operating profit	8.6	(1.5)	(0.2)	**6.9**
Net finance costs	1.4	(3.1)	–	**(1.7)**
Profit before taxation	10.0	(4.6)	(0.2)	**5.2**
Taxation	(0.9)	1.1	–	**0.2**
Profit for the year from continuing operations	9.1	(3.5)	(0.2)	**5.4**
Profit for the year from discontinued operations	–	–	0.2	**0.2**
Profit for the year	9.1	(3.5)	–	**5.6**

Summarised balance sheet

	2014 £m	2013 (restated) £m
Property, plant, equipment and investment properties	**41.3**	48.9
Goodwill and intangible assets	**27.1**	28.4
Deferred tax	**11.6**	8.7
Net current assets excluding assets held-for-sale	**36.7**	45.0
Pension scheme liability	**(21.8)**	(30.0)
Other non-current assets and liabilities	**(6.3)**	(8.7)
Cash and borrowings	**(27.4)**	(30.7)
Net assets before assets held-for-sale	**61.2**	61.6
Assets held-for-sale	**4.3**	–
Net assets	**65.5**	61.6

> Net cash generated from operating activities was £6.0m higher than in the previous year at £10.3m, largely due to improved underlying operating cash flow.

Pension schemes continued

During the year the Group implemented the revised IAS 19, 'Employee Benefits', accounting standard and in line with the requirements, has restated comparative financial information accordingly. Whilst this had no impact on the value of the liability or net assets, the analysis of amounts charged to the income statement and other comprehensive income have changed. A summary of the impact is shown opposite.

Fund administration expenses of £1.4m (2013: £1.5m) which had previously been netted off actuarial gains are now included in the income statement. The method of calculating the interest cost has also changed leading to a finance cost of £1.3m (2013: £0.9m). Further details on the change in accounting policy are provided in note 1 to the financial statements.

The Group's contributions to its defined contribution pension schemes were £2.2m (2013: £1.2m) and have increased, as expected, due to the closure of the UK defined benefit scheme to future accrual.

Cash flow and net debt

Net debt decreased by £3.8m in the year to £26.9m (2013: £30.7m). A summary of the movement in net debt is shown opposite.

Underlying operating cash flow was £9.5m higher than in the previous year at £20.3m, as a result of higher operating profits and management of working capital. The Group's working capital outflow was £2.6m (2013: £7.4m), principally reflecting investment in inventory at Vado and Tile Africa to support future growth.

Net cash generated from operating activities was £6.0m higher than in the previous year at £10.3m, largely due to improved underlying operating cash flow net of higher outflows in respect of exceptional items.

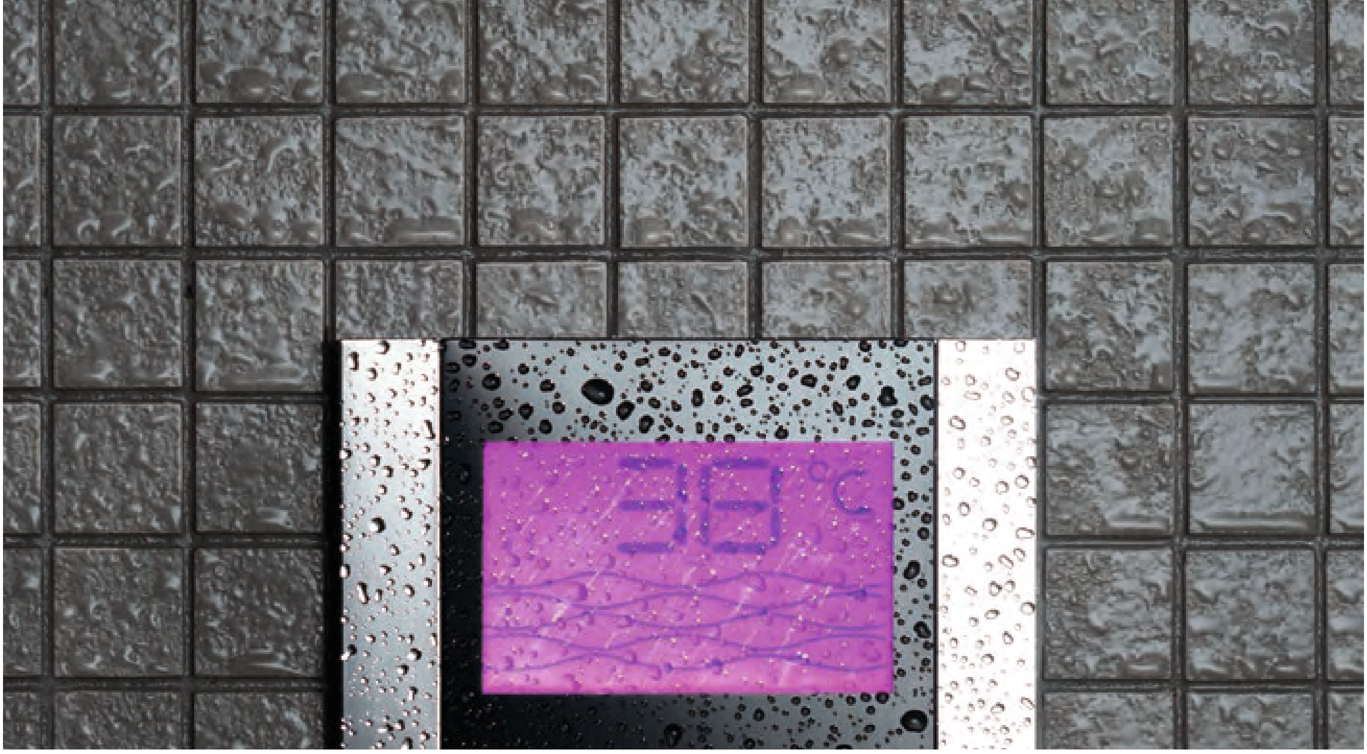
Impact of the implementation of IAS 19R on comprehensive expense

	Income statement £m	Other comprehensive expense £m	Total comprehensive expense £m
As previously reported	9.1	(17.1)	(8.0)
IAS 19 finance income – old basis	(2.2)	2.2	–
Pension administration expenses – new basis	(1.5)	1.5	–
IAS 19 finance cost – new basis	(0.9)	0.9	–
Deferred tax effect	1.1	(1.1)	–
As restated	**5.6**	**(13.6)**	**(8.0)**

Cash flow and net debt

Key cash flow components and movement in Group net debt

	2014 £m	2013 £m
Underlying operating cash flow	**20.3**	10.8
Cash flows from exceptional items	(4.4)	(2.2)
Pension fund deficit recovery contributions	(2.0)	(2.0)
Cash used in discontinued operations	(0.3)	–
Cash flow from operations	**13.6**	6.6
Net interest paid	(1.6)	(1.3)
Taxation	(1.7)	(1.0)
Net cash generated from operating activities	**10.3**	4.3
Issue of share capital	0.4	0.3
Capital expenditure	(4.2)	(6.7)
Acquisitions	0.1	(10.6)
Dividends	(2.8)	(2.5)
Other items including other disposal proceeds, foreign exchange, rolled up interest and amortised financing costs	–	2.3
Movement in net debt	3.8	(12.9)
Opening net debt	(30.7)	(17.8)
Closing net debt	**(26.9)**	(30.7)



Capital expenditure at £4.2m (2013: £6.7m) included a new tile press at Johnson Tiles UK, continued investment in tooling for new product in Triton Showers and a customer training facility at Vado. In South Africa, capital investment was in ink jet tile manufacturing equipment at Johnson Tiles South Africa together with store upgrades as part of the normal store improvement programme in Tile Africa.

Bank funding

The Group has a committed facility of £70m with a club of three banks, and headroom on facilities was £34.1m at 31 March 2014. This facility expires in October 2015 and is currently subject to a margin of 2% above LIBOR.

Foreign currency translation

Pre-tax profits from our overseas operations are translated at the average exchange rate for the year and balance sheets of these operations translated at the closing rate of exchange. The table opposite sets out the relevant exchange rates used.

The movement in average exchange rates compared to 2013 had the effect of reducing 2013 reported Group revenue and Group underlying operating profit by £12.8m and £0.4m respectively.

Key performance indicators

Management uses a full suite of measures to manage and monitor the performance of its individual businesses. The Board considers that its key performance indicators are the measures most relevant in monitoring its progress to creating shareholder value. The relevant statistics for 2014 and 2013 are shown opposite.

M. K. Payne
Group Finance Director
19 June 2014

Foreign currency translation

	Average rate vs £	
	2014	2013
South African Rand	**15.97**	13.37
Australian Dollar	**1.72**	1.54
Euro	**1.19**	1.23
US Dollar	**1.59**	1.58

	Closing rate vs £	
	2014	2013
South African Rand	**17.63**	13.93
Australian Dollar	**1.80**	1.46
Euro	**1.21**	1.18
US Dollar	**1.66**	1.52

Key performance indicators

	2014 £m	2013 £m	Change %
Revenue	**218.7**	200.4	+9.2%
Underlying operating profit*	**16.1**	12.8	+25.5%
Underlying profit before tax	**14.6**	11.5	+26.7%
Underlying diluted earnings per share – pence	**2.8p**	1.8p	+55.6%
Underlying return on capital employed**	**15.0%**	12.6%	+2.4%
Underlying operating cash flow***	**20.3**	10.8	+88.0%
Net debt	**(26.9)**	(30.7)	-12.4%

* Underlying operating profit is defined as operating profit before non-underlying and exceptional operating items.

** Underlying return on capital employed is defined as underlying operating profit divided by the average of opening and closing underlying capital employed. Underlying capital employed is defined in note 8 to the financial statements.

*** Underlying operating cash flow is defined in note 8 to the financial statements.

Norcros has a system of risk management which seeks to mitigate risks as far as possible.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance. The key risks to which the Group is exposed, together with the potential effects and mitigating actions taken pertaining to them, are noted on the next page.

Risk and description	Potential effects	Mitigating actions	Change
Key commercial relationships Whilst the Group has a diverse range of customers there are nevertheless certain key customers who account for high levels of revenue.	Many of the contractual arrangements with customers are short term in nature (as is common in our markets) and there exists some risk that the current performance of a business may not be maintained if such contracts were not renewed or extended, or were maintained at lower volumes due to a decline in economic activity.	The importance of relationships with key customers is recognised and managed by senior personnel within the Group who have direct and regular access to their counterparts at the highest levels of management. Rebate schemes and incentive programmes help maintain these key relationships in a competitive market situation. The Group stresses key selling points such as continuity of supply, financial strength of the Group and level of customer service to help maintain relationships. As well as an excellent product offering, the Group is also able to take care of customers' sourcing, storage and logistics requirements. The existence of a flexible cost base helps alleviate this potential risk in certain of the Group's businesses.	None
Competition The Group operates within a highly competitive environment in all its markets.	The Group accepts there is a risk to its results and financial condition caused by the actions of its competitors, including competitors' marketing strategies and product development.	To help identify such risks the competitive environment, specific marketplace and the actions of particular competitors are discussed at both Group and operating divisional board meetings. In addition each market is carefully monitored to identify any significant shift in policy by any competitor.	None
Reliance on production facilities The Group has a small number of automated manufacturing facilities for the manufacture of tiles and adhesives.	If any of these facilities (including technology used to operate them) were to fail, the effect on the Group could be significant.	The Group has a well established ongoing preventative maintenance programme as well as a comprehensive "annual shutdown" programme throughout its manufacturing operations. Furthermore the Group has developed an experienced globally co-ordinated product sourcing function which could mitigate the risk of failure. Finished inventory holdings across the operations acts as a limited buffer in the event of operational failure. A business interruption insurance policy is maintained to mitigate losses caused by a serious event affecting manufacturing capability.	None
Staff retention and recruitment The Group employs around 1,700 people worldwide.	The Group's ability to grow and increase its market share depends significantly on its continuing ability to recruit and retain highly skilled employees in each area of its activities. Future growth plans may be restricted or delayed by difficulties experienced in recruiting and retaining appropriate staff.	Group policy is to remunerate its personnel in line with market rates and practice. In addition to competitive salaries there are annual bonus schemes, share options and other benefits offered. Executives and key management are incentivised via an Approved Performance Share Plan (APSP) which was approved at the 2011 AGM. A second grant of options under the APSP took place in 2012 and a third in 2013. Succession planning is an agenda item at Group Board level. The Group is able to offer employees appropriate training and opportunities for advancement and has a demonstrable track record of internal promotion.	None

Principal risks and uncertainties continued

Risk and description	Potential effects	Mitigating actions	Change
Foreign currency exchange risk A significant amount of the Group's business is conducted in currencies other than Sterling (primarily South African Rand, US Dollar, Australian Dollar and Euro). Sterling has become stronger relative to the major currencies on the back of improved UK economic data.	The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates.	The Group typically seeks to hedge its foreign exchange transactional flows for up to twelve months forward. The Group may, where it is considered appropriate, denominate some of its borrowings in other currencies to hedge translational profit and asset risk although this is not considered necessary at present given the level of earnings made by its overseas businesses at present compared to the Group as a whole.	None
Interest rate risk The Group pays interest and other facility fees based on local base rates and LIBOR rates.	A significant increase in interest rates would affect the Group's profitability and cash flow.	Given the current low interest rates negotiated as part of the refinancing of bank debts in 2011, it is not considered advantageous to enter into hedging arrangements for the time being. The Group's interest rate risk is reviewed regularly by Executive Management and at least annually as part of the Group budget process.	None
Pension scheme management The UK companies in the Group participate in a defined benefit pension scheme.	The Group's financial results show an aggregate deficit in this scheme, as at 31 March 2014 of £21.8m (2013: £30.0m) assessed in accordance with IAS 19 (revised). There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations.	The scheme was closed to new members and future accrual with effect from 1 April 2013 and replaced by an auto-enrolment compliant defined contribution scheme. Risks from rising costs of providing a final salary pension scheme have therefore been materially reduced. Executive Management regularly monitors the funding position of the scheme and is represented on both the Trustee's board and its investment sub-committee to monitor and assess investment performance and other risks to the Group. The Group considers each actuarial valuation (annual IAS 19R valuation and each triennial valuation) to re-assess its position with regard to its pension commitments in conjunction with external actuarial advice.	Down
Energy price risk Energy costs are a significant proportion of the Group's manufacturing costs, especially in its tile manufacturing businesses.	Sustained increases in energy costs could significantly affect the Group's profitability.	Prices are monitored on a regular basis and, where believed to be appropriate, a proportion of energy costs are hedged. Energy costs tend to increase worldwide at similar rates; therefore competitors will generally face the same pressures of any sustained increase.	None
Additional capital requirements to fund ongoing operations	The Group must ensure it has adequate funding to meet capital demands within its current available facilities.	The Group's current and forecast performance against its banking facilities in monitored regularly by the Executive Directors. This has historically shown there are ample facilities available to meet the current and future needs of the existing Group. The Group refinanced its facilities in 2011 and successfully increased the facility in 2013 by a further £19m on the same commercial terms to finance the acquisition of Vado. This facility remains in place until October 2015.	None
Performance against banking covenants The Group is subject to key banking covenants including interest cover and debt cover.	Failure to meet these covenants could result in the Group being in default of its banking facilities.	Performance against banking covenants is regularly and closely monitored and is a key element of the forecasting and budgeting process.	None

Risk and description	Potential effects	Mitigating actions	Change
Many of the products the Group sells are subject to changing consumer preferences	The Group's revenues and profits can be sensitive to these changing preferences. Failure to anticipate, identify or react swiftly to changes in consumer preferences could result in lower sales, higher mark-downs to reduce excess inventories and lower profits. Conversely, failure to anticipate increased consumer demand for its products may lead to inventory shortages, negatively impacting customer goodwill, brand image and profitability.	The Group invests significantly in sales and marketing including design, new product development and market research. All these are discussed at each operating divisional board meeting and are regular agenda items. Each divisional board has appropriate sales and marketing representation. This ensures the Group is aware of changes in the marketplace and can adapt resources accordingly.	None
South African operations Approximately one third of the Group's activities are conducted in South Africa.	The Group may be exposed to risks outside of its control including political, social and economic instability, industrial action, unexpected changes in the regulatory environment, exposure to different legal standards or employment relations and potentially adverse tax consequences. In addition, the geographical spread of the Group's operations means management co-ordination of effort and communications with employees are subject to certain challenges.	The Group Executives and Head Office finance staff are in regular contact with their South African counterparts via electronic communication. In addition Group Executives make regular visits to the Group's SA operations and specific internal audit visits are made annually.	None
Management of property estate The Group has several leasehold interests in properties which are no longer used by the Group.	In a number of cases the rent paid by the Group exceeds the rents received from sub-letting these properties.	The Groups maintains a leasehold provision specifically to cover these rental shortfalls. This was reviewed in 2013 and a further £3.0m provision was recognised. The property portfolio is managed on a day to day basis by a property consultant who is engaged by the Group. The Group seeks to enter long-term leases with tenants to give it as much security over future revenues as possible and minimise rent free periods and voids. The lease for Drakes Way expires in 2014 and the Groundwell property has been sub-let until at least the end of 2018.	Down
Vado acquisition risk The Group acquired Vado at the end of the last financial year.	Business performance may not reach expectations impacting Group profitability and cash flows.	Key management have been incentivised to stay with the business. They participate with Executive Directors at monthly board meetings to monitor business performance. The Vado Managing Director reports directly to the Group Chief Executive and there is regular dialogue between business management and Head Office finance staff. The terms of purchase were such that a significant proportion of the consideration is deferred and contingent upon future business performance over the next three years. The business has performed to expectations in its first year and has been successfully integrated into the Group.	Down

The Board takes regular account of the significance of environmental, ethical and social factors affecting the Group and recognises that management of these matters is key to ensuring the long-term sustainability of its businesses.

The environment
The Board recognises the Group's activities do have an impact on the environment. Norcros is committed to minimising this impact by continually improving its efficiency in terms of energy, water and material consumption.

For example, Triton Showers has stringent targets to recycle, not just its products, but also all site waste. The target has been to get waste to landfill down to below 3 tonnes per annum from the height of 183 tonnes in 2005. This target has now been met and is still dropping further. In addition, new product introduction is very much focused around more environmentally friendly products and ultimately with less energy and better utilisation of water. Triton has a number of "Eco" products included in their range and similarly the Vado business has recognised that saving water is increasingly becoming a focus for its customers and accordingly it has a range of products which specifically meet this objective.

The Group aims to minimise its carbon footprint. Its greenhouse gas emissions are reported on in detail on page 52.

For further information on Norcros' commitment to the environment and sustainability please visit the "Corporate Responsibility" section of www.norcros.com.

Ethics
The Group aims to act with integrity towards all stakeholders in its businesses and respects the laws, regulations and customs in all the counties within which it operates. The Group makes every effort to ensure its employees are aware of, and comply with, the relevant business' ethical code.

The Group has implemented an anti-bribery policy to comply with the Bribery Act 2010. Appropriate procedures are in place at each location to mitigate the risk of any employee committing an offence under this Act.

In order to ensure an open culture of legal and ethical compliance, all of the businesses in the Group have in place "whistleblowing" procedures, so that any concerns can be raised.

Social
Companies in the Group are encouraged to become involved in and support local initiatives where possible.

An example of this commitment is in South Africa where Norcros SA supported a wide variety of charities, including disadvantaged schools, homes for the elderly and children's homes as well as social organisations such as Round Table and medical research charities. Giving took the form of tiles and related goods as well as monetary donations. In addition to such donations from the company, staff were encouraged to give material items such as non-perishable food, blankets and clothing at various times and events during the year. In the UK, Vado is supporting local charity "Help The Child", which aims to provide specialist equipment to improve the lives of local children with special needs and Johnson Tiles likewise raises money for charity through various events and supports a local special needs nursery and various local organisations.

Employees

The necessity for, and importance of, good relations with all employees is well recognised and accepted throughout the Group. However, because the Group's activities are organised on a de-centralised basis, with each operating business having autonomy over its operations, there is no uniform set of arrangements for employee involvement imposed throughout the Group. Nevertheless, all businesses in the Group are strongly encouraged to devise and adopt whatever means of employee consultation best suits their circumstances.

Norcros also recognises the need to train their staff in order to give them the necessary skills to perform their duties to the high standards required. The Group's businesses invest in a range of development activities; for example Norcros South Africa is committed to invest at least 1% of its annual payroll in training and development initiatives, ranging from management development to adult literacy programmes.

Training and development of employees is also high on the agenda at Triton Showers, every manager is given ongoing management training on key skills and Triton is also a strong supporter of vocational training.

In addition, Triton runs training programmes and local projects to help support our employees and their local communities.

The Group is fully committed to keeping its employees informed about their work unit and the wider business.

The Group recognises its responsibilities towards disabled persons and therefore all applications from such persons are fully and fairly 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 an able-bodied person.

Gender of directors and employees

The number of people employed by the Group of each gender can be shown as follows:

	Male	Female	Total
Company Directors	4	1	5
Other senior managers[1]	36	9	45
Total employees	1,017	646	1,663

1 As defined by the Companies Act this category includes all employees responsible for planning, directing or controlling the activities of the Group, excluding Company Directors.

Our people are key to our success as a business and we value the individuality and diversity that each employee brings.

At senior leadership levels 20% of employees are female.

Prior to any senior appointment the Nominations Committee ensures the best person for the role is appointed and in doing so gives due consideration to gender and diversity.

Human rights

The Directors do not consider human rights to be a material risk for the Group, principally due to the existing regulatory frameworks in place in the UK and South Africa, being the primary geographical locations in which we operate.

Whilst the Group does not have any policies which specifically address human rights at the present time, our values focus on respect, integrity and fairness, and consequently we welcome the debate on the role of business in promoting human rights.

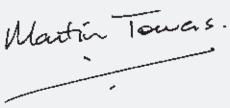
A strong leadership team committed to driving growth.

Introduction to governance

Dear shareholder,

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc and is accountable to the Company's shareholders for good corporate governance. Its policy is to manage the affairs of the Company in accordance with the principles of the UK Corporate Governance Code referred to in the Listing Rules of the UK Listing Authority.

For the year under review, the Company has complied with the UK Corporate Governance Code issued in 2012 ("the Code") in all respects save for those mentioned within this statement. The following sections of this statement describe the Board's approach to corporate governance and how the principles of the Code are applied.



M. G. Towers
Chairman
19 June 2014

Governance structure

The Board
Martin Towers (C)

Audit Committee	Remuneration Committee	Nominations Committee
David McKeith (C)	Jo Hallas (C)	Martin Towers (C)
Martin Towers	Martin Towers	David McKeith
Jo Hallas	David McKeith	Jo Hallas

1. Martin Towers
Chairman
Joined the Board in July 2011 and was appointed Chairman in November 2012. He is also a Non-executive director of RPC Group plc, KCOM Group plc and Tyman plc. He was formerly chief executive officer of Spice plc and prior to that group finance director of Kelda Group plc, Spring Ram Corporation plc and McCarthy and Stone plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

5. Jo Hallas
Non-executive Director
Appointed to the Board in September 2012, Jo also serves as Chairman of the Remuneration Committee. She is a Business Group Director for Spectris plc with responsibility for the In-Line Instrumentation and Industrial Controls segments. Prior to that Jo was general manager of the Invensys Residential Controls business and she has held a number of senior management positions with Bosch and Procter & Gamble both in the UK and overseas. Jo is a Chartered Engineer.

2. Nick Kelsall
Group Chief Executive
Joined Norcros as Finance Director of H&R Johnson Tiles Limited in 1993. Formerly, Nick had held a number of senior financial management positions with Touche Ross, Manchester and, immediately prior to joining Norcros, with Waterford Wedgwood Group plc. Nick was appointed as Group Chief Executive on 1 April 2011 having previously served as Group Finance Director since October 1996. He is a member of the Institute of Chartered Accountants in England and Wales.

3. Martin Payne
Group Finance Director
Appointed Group Finance Director in March 2011. He has most recently held senior financial positions at JCB and IMI plc. Earlier in his career he spent six years as Finance Director of H & R Johnson Tiles Limited. He is a Fellow of the Chartered Institute of Management Accountants.

4. David McKeith
Non-executive Director
Appointed to the Board in July 2013, David is Senior Independent Director and Chairman of the Audit Committee. David was a senior partner of the Manchester and Liverpool offices of PricewaterhouseCoopers LLP and served on its UK supervisory board. David is a non-executive director and audit committee chairman of Sportech PLC, and is the chairman of the Halle Orchestra and of Greater Manchester Chamber of Commerce. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

6. Richard Collins
Company Secretary
Richard joined the Company in June 2013 as Company Secretary and Group Counsel. He qualified as a solicitor in 1988 and was previously company secretary and director of risk and compliance at Vertex Financial Services. Prior to that, Richard was company secretary and head of legal with Tribal Group plc, Blick plc and Aggregate Industries plc.

The Board is committed to ensuring high standards of corporate governance.

Martin Towers
Chairman

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc and is accountable to the Company's shareholders for good corporate governance. Its policy is to manage the affairs of the Company in accordance with the principles of the UK Corporate Governance Code referred to in the Listing Rules of the UK Listing Authority. For the year under review, the Company has complied with the UK Corporate Governance Code issued in 2012 (the "Code") in all respects save for those mentioned within this statement. The following sections of this statement describe the Board's approach to corporate governance and how the principles of the Code are applied.

Board balance and independence

The Board currently comprises a Non-executive Chairman, two Non-executive Directors and two Executive Directors, who are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this report and their biographical details are given on pages 28 and 29.

Taking into account the provisions of the Code, the Chairman and the two Non-executive Directors are considered by the Board to be independent of the Company's Executive Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The terms and conditions of appointment of the Chairman and the Non-executive Directors are available for inspection at the registered office of the Company. The letters of appointment set out the expected time commitment. Other significant commitments of the Chairman and Non-executive Directors are disclosed to the Board on a regular basis throughout the year. The Board is satisfied that the Chairman's other significant commitments do not prevent him from devoting sufficient time to the Company.

David McKeith is the Senior Independent Non-executive Director. He is available to shareholders if they have reasons for concern for which contact through the normal channels of Chairman, Group Chief Executive or Group Finance Director have failed to resolve.

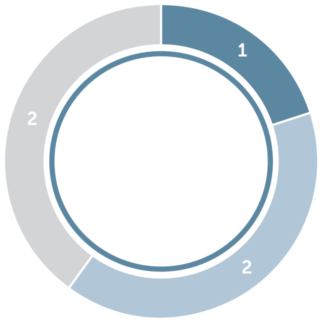
All Directors are supplied, in a timely manner, with all relevant documentation and financial information to assist them in the discharge of their duties by the making of well informed decisions that are in the best interests of the Company as a whole. The Board regularly reviews the management and financial performance of the Company, as well as long-term strategic planning and risk assessment. Regular reports are given to the Board on matters such as pensions, health and safety, and litigation.

Any concerns that a Director may have about how the Group is being run or about a course of action being proposed by the Board will, if they cannot be resolved once those concerns have been brought to the attention of the other Directors and the Chairman, be recorded in the Board minutes. In the event of the resignation of a Non-executive Director, that Director is encouraged to send a written statement setting out the reasons for the resignation to the Chairman who will then circulate it to the other members of the Board and the Company Secretary.

Chairman and Group Chief Executive

The positions of Chairman and Group Chief Executive are held by separate individuals and the Board has clearly defined their responsibilities. The Chairman is primarily responsible for the effective working of the Board, ensuring that each Director, particularly the Non-executive Directors, is able to make an effective contribution. The Group Chief Executive has responsibility for running the Group's businesses and for the implementation of the Board's strategy, policies and decisions.

Breakdown of Executive and Non-executive Directors



Board of Directors p28

Board, Committee and Director evaluation

The performance of the Board is appraised by the Chairman. The Executive and Non-executive Directors are evaluated individually by the Chairman. The Board, led by the Senior Independent Non-executive Director, appraises the Chairman, and the Board evaluates the performance of its three Committees. Evaluation processes are conducted periodically and they are organised to fit in with Board priorities and succession planning activity. A formal evaluation took place in the year under review in accordance with the requirements of the Code. The Chairman is responsible for the review of each Director's development and ongoing training requirements to ensure that the performance of each Director continues to be effective.

Advice for Directors

Procedures have been adopted for the Directors to obtain access through the Company Secretary to independent professional advice at the Company's expense, where that Director judges it necessary in order to discharge their responsibilities as a Director of the Company.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board policies and procedures are complied with. Both the appointment and removal of the Company Secretary is a matter reserved for decision by the Board.

Board procedures

The Board has a formal schedule of matters specifically reserved to it for decision which it reviews periodically. This ensures the Board takes all major strategy, policy and investment decisions affecting the Company. In addition, it is responsible for business planning and risk management policies and the development of policies for areas such as safety, health and environmental policies, Directors' and senior managers' remuneration and ethical issues. The Board provides direction to the management of the Company, and it is ultimately accountable for the performance of the Group.

The Board operates in such a way as to ensure that all decisions are made by the most appropriate people in a timely manner that will not unnecessarily delay progress. The Board has formally delegated specific responsibilities to Board Committees, namely the Nominations Committee, Audit Committee and Remuneration Committee. The terms of reference of those Committees are published on the Company's website at www.norcros.com. The report of the Nominations Committee is on page 36, the report of the Audit Committee is on page 33 and the report of the Remuneration Committee is on page 37.

The Board will also appoint committees to approve specific processes as deemed necessary.

The Directors and management teams of each Group company are responsible for those business entities. They are tasked with the delivery of targets approved by the Board on budgets, strategy and policy.

Directors' roles

The Executive Directors work solely for the Group and none has taken on any non-executive directorship. However, in appropriate circumstances, Executive Directors will be encouraged to take on one non-executive directorship in another non-competing company or organisation.

The terms and conditions of appointment of the Non-executive Directors are available upon written request from the Company. All the Non-executive Directors confirm that they have sufficient time to meet the requirements of their role. They also confirm to disclose to the Company their other commitments and to give an indication of the time involved in each such commitment. The annual evaluation process includes an assessment of whether the Non-executive Director is spending enough time to fulfil his duties. If a Non-executive Director is offered an appointment elsewhere, the Chairman is informed before any such offer is accepted and the Chairman will subsequently inform the Board.

The Board has suitable procedures in place for ensuring that its powers to authorise conflict situations are operated effectively. Such powers are operated in accordance with the Company's Articles of Association by means of each Director having a responsibility to notify the Board of any conflict situation and for the Board to deal with that situation as appropriate.

The Board ensures that all new Directors (including Non-executive Directors) will receive a full, formal and tailored induction on joining the Company. As part of that induction procedure, the Chairman will offer to major shareholders the opportunity to meet a new Non-executive Director. The Chairman also periodically assesses the training and development needs of all Directors and ensures that any suitable training and updates are provided to Directors.

Retirement by rotation

Each of the Directors is subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter, in accordance with the Company's Articles of Association, all of the Directors are subject to retirement by rotation such that one third of the Directors retire from the Board each year and each Director must seek re-election at intervals of no more than three years. However, the Board has decided that every Director should, where appropriate, offer themselves for re-election at each Annual General Meeting. Accordingly, each continuing Director will seek re-election at the next Annual General Meeting. Biographical details of all of the Directors are set out on pages 28 and 29.

Financial reporting

When releasing the annual and interim financial statements the Directors aim to present a fair, balanced and understandable assessment of the Group's results and prospects. The Directors have a collective responsibility for the preparation of the Annual Report and Accounts which is more fully explained in the Statement of Directors' Responsibilities on page 54.

Attendance by individual Directors at meetings of the Board and its Committees

The attendance of Directors at the Board and principal Board Committee meetings during the year is detailed in the table below:

	Main Board 8 meetings	Audit Committee 3 meetings	Remuneration Committee 6 meetings	Nominations Committee 3 meetings
M. G. Towers, Chairman	8/8	3/3	6/6	3/3
J. E. Brown (resigned 24 July 2013)	2/3	1/1	2/2	2/2
V. Aggarwal (resigned 20 September 2013)	1/3	2/3	1/2	1/2
G. Patnaik (as alternate to V. Aggarwal) (resigned 31 August 2013)	2/3	1/3	1/2	1/2
J. C. Hallas	8/8	3/3	6/6	3/3
D. W. McKeith (appointed 24 July 2013)	5/5	2/2	4/4	1/1
N. P. Kelsall	8/8	–	–	–
M. K. Payne	8/8	–	–	–
D. W. Hamilton (resigned 24 July 2013)	3/3	–	–	–

Relations with shareholders

The Company recognises the importance of maintaining good communications with shareholders. The Company takes a number of steps to ensure that the Board, and in particular, the Non-executive Directors, develops an understanding of the views of major shareholders about the Company. The Directors have regular meetings with the Company's major shareholders and have regular feedback on the views of those shareholders through the Company's brokers. Reports of these meetings, and any shareholder communications during the year, are given to the Board. In addition, the Company publishes any significant events affecting the Group and updates on current trading. The Chairman and the Non-executive Directors are also offered the opportunity to attend meetings with major shareholders and the Non-executive Directors, and in particular the Senior Independent Director, would attend such meetings if requested to do so by any major shareholder.

The Board regularly receives copies of analysts' and brokers' briefings.

The Annual and Interim Reports, together with all announcements issued to the London Stock Exchange, are published on the Company's website at www.norcros.com.

The Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the meeting. It is the Company's practice to propose separate resolutions on each substantially separate issue.

For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The Company ensures that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution the Company ensures that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the Company:

- the date of the meeting;
- the text of the resolution;
- the number of votes validly cast;
- the proportion of the Company's issued share capital represented by those votes;
- the number of votes cast in favour of the resolution;
- the number of votes against the resolution; and
- the number of shares in respect of which the vote was withheld.

The Chairman seeks to arrange for the Chairmen of the Audit, Remuneration and Nominations Committees (or deputies if any of them are unavoidably absent) to be available at the Annual General Meeting to answer those questions relating to the work of these Committees.

Accountability and audit

The respective responsibilities of the Directors and auditor in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 54 and the auditor's report on pages 55 to 57. The Directors ensure the independence of the auditor by requesting annual confirmation of independence which includes the disclosure of all non-audit fees.

Risk management and internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness (covering all material controls including financial, operational, risk management and compliance). This is undertaken via an annual programme to review the internal control environment at each business unit. Each review is carried out by senior finance staff independent of that business unit. The results of these reviews are communicated to the Audit Committee.

The Board has identified and evaluated what it considers to be the significant risks faced by the Group and has also assessed the adequacy of the actions taken to manage these risks. This has been disclosed on pages 22 to 25.

The Group's insurance continues to be managed and co-ordinated centrally with the assistance of insurance brokers. This gives the Group full visibility of both claims history and the insurance industry's perception of the Group's overall risk via the respective insurance premiums. The Company examines the size and trend of these premiums and the extent to which it can mitigate the risk and reduce the overall risk burden in the business by considering the appropriate level of insurance deductible and the potential benefit of self-insurance in some areas.

Operational structure, review and compliance

In addition to the Group Finance Director, the Group has Senior Financial Managers at its Head Office. The Board has considered whether the Company should have an internal audit department and has deemed that given both its risk management and internal control programme noted previously, together with the size and complexity of the Group, it is not necessary to employ such a department at the present time. The Board will, however, continue to keep this matter under review.

The key elements of the controls framework within which the Group operates are:

- an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;
- an embedded culture of openness of communication between operational management and the Company's Executive Management on matters relating to risk and control;
- defined expenditure authorisation levels; and
- a comprehensive system of financial reporting. An annual budget for each business unit is prepared in detail and approved by the Group Executive Management. The Board approves the overall Group's budget and plans. Monthly actual results are reported against budget and the prior year and the forecast for the year is revised where necessary. Any significant changes and adverse variances are questioned by the Board and remedial action is taken where appropriate. There is weekly cash and treasury reporting to the Group Finance Director and periodic reporting to the Board on the Group's tax and treasury position.

The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The control framework as outlined above gives reasonable assurance that the structure of controls in operation is appropriate to the Group's situation and that risk is kept to acceptable levels throughout the Group.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and that this has been in place for the period under review and up to the date of approval of the Annual Report and Accounts.

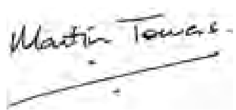
Takeover directive

Share capital structures are included in the Directors' Report on page 53.

Going concern

The Directors consider, after making appropriate enquiries at the time of approving the financial statements, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

Approved by the Board of Directors on 19 June 2014 and signed on its behalf by:



M. G. Towers
Chairman

The Committee considers and challenges significant financial reporting issues and judgments.

David McKeith
Audit Committee Chairman

Role of the Audit Committee

The main responsibilities of the Audit Committee are:

— reviewing the Company's financial reporting;

— monitoring the Company's risk management and internal control procedures; and

— overseeing the appointment and work of the external auditor.

Members

The Committee consists of all the Non-executive Directors including the Chairman. Biographies of the members of the Committee appear on page 28 and 29.

David McKeith, who is considered to have recent and relevant financial experience, was appointed as Chairman of the Committee when he took office on 24 July 2013, following the retirement of John Brown on the same date.

The Board is satisfied that the Committee has the appropriate level of expertise to fulfil its Terms of Reference.

Responsibilities

The Committee is a sub-committee of the Board whose main responsibilities include:

— reviewing the Company's Annual and Interim Reports and other results announcements, including considering and challenging significant financial reporting issues and judgments;

— monitoring the Company's risk management and internal control procedures; and

— overseeing the appointment and work of the external auditor.

The Committee also advises the Board on whether it considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's strategy, business model and performance.

Terms of Reference

The Committee's Terms of Reference, which are in compliance with the UK Corporate Governance Code, were reviewed and updated on 10 December 2013. A copy can be obtained from the Company's website, www.norcros.com.

Meetings of the Committee

The Committee met formally three times during the year ended 31 March 2014. The Group Chief Executive, Group Finance Director, Company Secretary and Group Financial Controller also attended each of these meetings together with the engagement partner and other members of the audit team from the external auditor.

The Committee may invite other individuals either from within the Company or external technical advisers to attend meetings to provide information or advice as it sees fit.

At each meeting the Committee receives regular papers on incidences of fraud and whistleblowing and reviews any financial communications issued to the market.

Significant financial reporting matters in the 2014 Annual Report

The key area of judgment considered by the Committee in connection with the 2014 Annual Report and Accounts was the valuation of the Group's UK defined benefit pension scheme. In order to value the liability, management had engaged an independent firm of qualified actuaries. The Committee reviewed the outputs from this work and benchmarked the assumptions, particularly the net discount rate, with those applied by other companies with the same year end. The Committee concurred with the assumptions put forward by management to value the liability.

Principal activities during the year
A wide variety of issues were addressed in the year and they are summarised in the table below:

Date	Activities
April 2013	Review of the Company's year end trading statement
June 2013*	Review of the Company's Annual Report and Accounts for the year ended 31 March 2013, together with a report from the external auditor covering the findings of their work Review of the Company's preliminary announcement for the year ended 31 March 2013 Review of the Company's risk register Review of the analyst presentation communicating the results for the year ended 31 March 2013
July 2013	Review of the Company's interim trading statement
September 2013	Review of the Company's analyst and investor day presentation Review of the Company's interim trading statement
November 2013*	Review of the Company's Interim Report for the six months ended 30 September 2013, together with a report from the external auditor covering the findings of their work Determination and assessment of the principal financial reporting risks facing the Company with the external auditor Update of the Terms of Reference of the Audit Committee Review of the constitution of the Audit Committee Review of the internal control testing work programme Review of the external auditor's proposed audit work plan for the year ended 31 March 2014 Review of the external auditor's proposed fees Assessment of the external auditor's independence, objectivity, qualifications and expertise, including a review of their internal quality control checks Review of the analyst presentation communicating the results for the half year ended 30 September 2013
February 2014	Review of the Company's interim management statement
March 2014*	Adoption of a policy in respect of the engagement of the external auditor for non-audit services Review the expected significant financial reporting matters for the year ended 31 March 2014 (see below) Evaluate the Company's compliance, whistleblowing and fraud prevention procedures Conduct an appraisal of the performance of the Committee Assessment of the work carried out to test and review internal controls Agreement of a policy in respect of the employment of former employees of the external auditor Consideration of whether an internal audit function is required Review of management's drafts of the narrative sections of the Annual Report

* Formal meeting of the Committee.

Significant financial reporting matters in the 2014 Annual Report continued

Other areas of judgment considered by the Committee in connection with the 2014 Annual Report and Accounts were as follows:

- **Valuation of acquired intangibles.** As part of its consideration of Vado acquisition accounting, the Committee reviewed management's assessment of Vado's intangible assets. Due to the technical complexity of this area, the Committee attended a training session which was provided by the external auditor to assist it with its review. The Committee agreed with management's recommendation to recognise an intangible asset in respect of the Vado trade name, together with the valuation of that asset at £5.4m and its useful life of 15 years.
- **Potential impairment of Johnson Tiles South Africa tangible fixed assets.** The Committee reviewed management's paper which considered whether a trigger for an impairment review was in evidence. Having reflected on the paper and consulted with the external auditor, the Committee was satisfied that no impairment trigger was present and consequently an impairment review was not required.
- **Recoverability of assets held in respect of the surplus Tunstall properties.** Management had engaged an external surveyor to value the surplus Tunstall properties and based on this assessment determined that no impairment was required at this time. The Committee considered this report and agreed with management.
- **Deferred taxation.** The Committee reviewed a paper from management proposing full recognition of the Company's deferred tax assets in respect of capital allowances and trading losses. The Committee challenged the assumptions concerning the time period over which the assets would be utilised and, being satisfied with the responses, agreed with management's recommendation to move to a full recognition basis.
- **Classification of assets held-for-sale.** Given the disposal of the Company's Australian tiles business which completed on 30 May 2014, the Committee considered whether this business segment should be presented as discontinued in the Company's Annual Report. After consulting with the external auditor, the Committee agreed with management that the Australian tiles business should be shown as held-for-sale at the balance sheet date and that comparative financial information, where required, should be restated to reflect this classification.

Internal controls and internal audit

The Committee undertakes a review, at least annually, of the effectiveness of the Company's system of internal controls and the Board will take into account the Committee's report, conclusions and recommendations in this regard.

The significant risks facing the Company, together with the actions taken to mitigate them, are highlighted on pages 22 to 25 of the Strategic Report. Lower-level risks are discussed at monthly divisional management meetings and highlighted to the Board as appropriate.

The Company operates a robust monthly financial reporting and forecasting process and an annual budgeting cycle. This incorporates several levels of management review to provide assurance that the data is reconciled to the underlying records, and each month's performance and the annual budget is ultimately approved by the Board.

Transaction-level financial reporting risks are identified and managed by each business within the Group completing an annual self-assessment questionnaire, the responses to which are considered during the internal controls reviews. To bolster this, a new management representation process was put in place during the year requiring each division to confirm that all known material facts have been appropriately communicated to the Executive Directors.

Although there is no dedicated Group-wide internal audit resource, internal control work is performed by members of the Group Finance function who are appropriately qualified to undertake this type of work. Additionally, due to the particular risks faced by the Group's retail and satellite manufacturing operations in South Africa, the Group employs a dedicated internal auditor focused on those risks. The work undertaken principally involves performing a cycle of Tile Africa store audits to ensure standard operating procedures are being followed and conducting internal controls reviews of other satellite facilities in southern Africa operated by the Group.

At its meeting in March the Committee considered whether there was a need to have a dedicated Group-wide internal audit function and concluded that due to the size and nature of the Company there is no requirement at the present time.

The strategy for reviewing internal controls is discussed with the external auditor and agreed with the Committee. Findings from the internal control reviews together with any recommendations from the external auditor are considered by the Committee with improvements and weaknesses highlighted being followed up as appropriate. During the year there has been a focus on controls concerning accounts payable, expenses and capital expenditure.

External auditor

The Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor. The Committee keeps under review the scope and results of the audit and its effectiveness, as well as the independence and objectivity of the auditor.

The external auditor, PricewaterhouseCoopers LLP, was re-appointed in November 2011 following a competitive tender process. The Committee has committed to conducting a tender process for the role of external auditor at least every ten years.

The Committee is aware of the need to safeguard the auditor's objectivity and independence and the issue is discussed by the Committee and periodically with the audit engagement partner from PricewaterhouseCoopers LLP. As required by Auditing Practices Board requirements, external auditor independence is maintained by the rotation of the engagement partner every five years. The current engagement partner, Mr. M. Heath, has been in place for three years. In addition to this, new policies on the award of non-audit work to the external auditor and the employment of ex-employees of the external auditor have been put in place.

The external audit starts with the design of a work plan that tackles the key risks of the audit which were determined at the November 2013 meeting of the Committee. At each meeting the Committee had the opportunity to discuss matters with the external auditor without management being present. The Chairman of the Committee also has regular discussions with the external audit partner outside the formal Committee process.

For the year ended 31 March 2014, the Committee was satisfied with the independence, objectivity and effectiveness of the relationship with PricewaterhouseCoopers LLP as external auditor. In the light of this the Committee has recommended to the Board that PricewaterhouseCoopers LLP be re-appointed for the forthcoming year and a resolution proposing this will be put to the 2014 Annual General Meeting.

D. W. McKeith
Chairman of the Audit Committee
19 June 2014

The Committee evaluates the balance of skills, knowledge, diversity and experience of the Board.

Martin Towers
Nominations Committee Chairman

Role of the Nominations Committee

The main responsibilities of the Nominations Committee are:

— evaluating the balance of skills, knowledge, diversity and experience of the Board; and

— determining the scope of the role of a new Director, the skills and time commitment required and makes recommendations to the Board about filling Board vacancies and appointing additional Directors.

The Nominations Committee and the Board seek to maintain an appropriate balance between the Executive and Non-executive Directors. The Nominations Committee is chaired by the Chairman and consists of all the Non-executive Directors. The Chairman will not chair the Committee when it deals with the appointment of a successor to the Chairmanship.

The Terms of Reference of the Committee are available for inspection upon written request to the Company and on its website at www.norcros.com.

The Nominations Committee evaluates the balance of skills, knowledge, diversity and experience of the Board. In light of this evaluation and, if deemed necessary, it determines the scope of the role of a new Director, the skills and time commitment required and makes recommendations to the Board about filling Board vacancies and appointing additional Directors. The Committee utilises external search and selection consultants as appropriate. The search for Board candidates will continue to be conducted and appointments made on the basis of merit and the most appropriate experience against objective criteria in the best interests of shareholders. In selecting candidates due regard will be given to the balance of the Board, and to the benefits of different backgrounds and experience, and to diversity on the Board including gender.

If a new Director is selected, the Nominations Committee will use the appropriate selection process. In the case of the appointment of David McKeith during the year under review, he was selected as a Non-executive Director from a number of candidates.

Martin Towers

M. G. Towers
Chairman of the Nominations Committee
19 June 2014

Remuneration Committee annual statement

The Committee is focused on ensuring the Group's remuneration policy is closely aligned with shareholders' interests while also enabling us to attract, retain and motivate our executive leadership.

Jo Hallas
Remuneration Committee Chairman

Annual statement

Dear shareholders,

I am pleased to present the Directors' Remuneration Report for the year to 31 March 2014.

In line with the new reporting regulations, this report is split into three parts:

— this Annual Statement;

— a Policy Report, which presents the Group's forward-looking Directors' remuneration policy; and

— an Annual Report on Remuneration, which details how our remuneration policy was implemented during the year to 31 March 2014 and how we intend to apply the policy in the year to 31 March 2015.

The Policy Report will be put to a binding shareholder vote at the 2014 AGM, while the Annual Report on Remuneration is subject to an advisory vote. The Remuneration Committee hopes you find the new layout to be clear and transparent and that we can count on your support at the AGM.

The Committee's overall approach to executive remuneration remains unchanged. We are focused on ensuring the Group's remuneration policy is closely aligned with shareholders' interests while also enabling us to attract, retain and motivate our executive leadership. We do this with a simple remuneration structure comprising base salary and benefits, an annual bonus and a single long-term incentive. Targets for these two incentive plans are set at challenging levels and provide a clear link between pay and our strategic objectives.

Ahead of the detail in the balance of this Report, I would like to outline key highlights of the Committee's activities in respect of the year to 31 March 2014 and in setting our remuneration policy going forward.

Year in review

As highlighted by the Board Chairman and Group Chief Executive in their annual reviews on pages 2 to 5, Norcros continues to perform strongly. Particular highlights include:

— revenue growth of 9.2% (16.6% on constant currency basis) to £218.7m;

— underlying operating profit up 25.5% to £16.1m;

— strong performance of the Vado business in its first year of Norcros ownership (revenue up 16.5%);

— continued progress with the South African business (like for like constant currency revenue up 11.8%);

— disposal of the Australian business in line with Group strategy; and

— continued progress on legacy pension and property issues.

This strong in-year performance delivered underlying operating profit in excess of the on-target performance level set by the Committee at the start of the year for the annual bonus, which resulted in annual bonuses of 54% of base salary being paid to Executive Directors for the year to 31 March 2014. This will be delivered half in cash and half in the form of nil-cost options under the 2011 Deferred Bonus Plan.

The Group has also exceeded its targets for aggregate underlying earnings per share (EPS) over the period from 1 April 2011 to 31 March 2014. As a result, 100% of the APSP awards granted in 2011 will vest on 31 August 2014. The Committee considers this outcome to appropriately reflect the Group's very strong performance over the period.

Executive Director remuneration review

Since July 2010 when the current Group Chief Executive was appointed, Norcros has made substantial progress on several fronts, all of which have contributed to the Group's market capitalisation increasing from c. £45m to c. £120m over the period. Key achievements include:

- five consecutive years of revenue growth (£161.7m in 2010; £218.7m in 2014) and underlying operating profit growth (£7.8m in 2010; £16.1m in 2014) from continuing operations;
- return to the dividend list in November 2010 and progressive policy maintained since;
- full review of Group strategy with establishment of clear strategic goals;
- acquisition of Vado, which is already proving to be significantly earnings enhancing;
- return to profitability of South African operations and UK Tiles business;
- substantial progress in resolving surplus legacy leasehold properties generating annual cash savings of £4.1m;
- closure to future accrual of final salary scheme and progress in reducing pension liabilities and limiting risk/volatility; and
- broadening of the shareholder base across blue-chip and long-only funds through the placing of the Lifestyle 29.9% stake.

These and other actions have contributed to the substantial growth in the Group's market value and the significant TSR outperformance of the FTSE All-Share Construction & Materials Index over the last five years (see page 48).

Recognising this, the Committee recently undertook a review of Executive Director remuneration. This concluded that our Executive Director base pay levels were very materially below market rates for comparable roles at FTSE-listed companies of similar sector and size (by market cap and revenue), whereas levels of pension and car allowance were above market norms. The Committee therefore consulted shareholders on the following changes to Executive Director remuneration to apply with effect from 1 April 2014:

- rebalance fixed pay by:
  a) increasing base salaries to market median; and
  b) decreasing employer pension contributions and car allowances to bring them in line with market norms;
- introduce a post-vesting holding period on future APSP awards;
- introduce Executive shareholding requirement of 100% of salary; and
- accrue dividends over the vesting period on deferred bonus and APSP awards (subject to shareholder approval of a change to the APSP and DBP Plan Rules by separate resolutions at the AGM).

The significant majority of shareholders consulted were supportive of these changes, and so we have included them in the Remuneration Policy set out on pages 39 to 43 of this Report for shareholder approval. The Committee believes these changes will help more closely align Executive pay with shareholders' best interests by shifting the balance of the package from fixed to variable pay and extending the time horizons for Norcros incentives.

In addition, the Board Chairman's fee was also reviewed for the first time since 2007. Following a similar approach to the Executive Director remuneration review, market rates for comparable roles were considered. It was concluded that the Board Chairman's fees were significantly below market and so the Committee (excluding the Board Chairman) recommended increasing the fee to £95,000.

The Committee believes that these decisions will ensure the Directors' Remuneration Policy being put to a binding vote at the 2014 AGM will, with best intentions, remain fit for purpose over its three-year life.

On behalf of the Board, I would like to thank shareholders for their continued support.

J. C. Hallas
Chairman of the Remuneration Committee
19 June 2014

Remuneration disclosure

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules. In this Report we describe how the principles of good governance relating to Directors' remuneration, as set out in the UK Corporate Governance Code (the Code), are applied in practice. The Remuneration Committee confirms that throughout the financial year the Group has complied with these governance rules and best practice provisions.

Directors' Remuneration Policy

This section of the report sets out the Remuneration Policy for Executive Directors and Non-executive Directors and will be subject to a binding vote at the 2014 AGM. The Committee intends that the policy will come into effect on 23 July 2014, immediately after the 2014 AGM.

Executive Director remuneration policy table

This Policy has been designed to support the principal objective of enabling the Group to attract, motivate and retain the people it needs to maximise the value of the business.

Component and objective	Operation	Opportunity	Performance measures
Base salary To enable the Group to attract, motivate and retain the people it needs to maximise the value of the business	Generally reviewed each year, with increases effective 1 April with reference to salary levels at other FTSE companies of broadly similar size or sector to Norcros. The Committee also considers the salary increases applying across the rest of the UK business when determining increases for Executive Directors. Base salary increases are applied in line with the outcome of the annual review.	Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. Salary increases for Executive Directors will normally not exceed those of the wider workforce over the period this policy will apply. Where increases are awarded in excess of the wider employee population, for example if there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	n/a
Pension To provide a level of retirement benefit that is competitive in the relevant market	Executive Directors receive pension contributions (either as a direct payment or a cash allowance). Base salary is the only element of remuneration that is pensionable.	Maximum of 15% of base salary.	n/a
Benefits Provision of benefits in line with the market	Executive Directors are provided with a company car (or a cash allowance in lieu thereof) and medical insurance. Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the needs and circumstances of the Group and individual Executive Director.	Benefits may vary by role, and the level is determined each year to be appropriate for the role and circumstances of each individual Executive Director. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy will apply. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment, etc.) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs).	n/a
Annual bonus and Deferred Bonus Plan (DBP) To focus Executive Directors on achieving demanding annual targets relating to Group performance and encourage retention	Performance targets are set at the start of the year and aligned with the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved. 50% of the total bonus payment is paid in cash, and 50% is converted into nil-cost options over Norcros shares under the 2011 Deferred Bonus Plan (DBP). These options are exercisable after three years, subject to continued employment and malus (in whole or in part) during the deferral period in the event of a material mis-statement in accounting records or gross misconduct. A payment equivalent to the dividends that would have accrued on deferred bonus awards that vest will be made to participants on vesting.	Maximum opportunity: 100% of base salary Target opportunity: 50% of base salary For threshold performance, the bonus payout is 25% of maximum.	The bonus will be based primarily on the achievement of financial performance targets and may, from time to time as considered appropriate by the Committee, include non-financial performance measures (the weighting of which, if any, will be capped at 20% of the total opportunity). The primary measure is Group underlying operating profit, although the Committee may, in its discretion and from time to time, supplement operating profit with additional financial measures that reflect the strategic priorities for Norcros for the financial year. The Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) within the limits of the scheme to ensure alignment of pay with performance. Further details including targets attached to the bonus for the year under review are given on page 45 of the Annual Report on Remuneration.

Component and objective	Operation	Opportunity	Performance measures
Approved Performance Share Plan (APSP) To incentivise Executive Directors to deliver long-term performance by aligning their performance with shareholders' interests	APSP awards comprise annual conditional awards of nil-cost options following the announcement of the Group's final results. Awards normally vest after three years, subject to the achievement of a performance condition and continued employment with the Group until the vesting date. To the extent an award vests, Executive Directors will be required to hold net vested shares for an additional holding period of one year (for 2014 APSP awards) and two years for future awards. A payment equivalent to the dividends that would have accrued on APSP awards that vest will be made to participants on vesting. APSP awards are also subject to malus over the vesting period and clawback over the holding period (in both cases in whole or in part) in the event of a material mis-statement in accounting records or gross misconduct.	Maximum opportunity: 100% of base salary. In exceptional circumstances, such as to facilitate the recruitment of an external hire, the Committee may, in its absolute discretion, exceed this maximum annual opportunity, up to 150% of salary. Threshold performance results in 25% vesting. Details of actual APSP awards in respect of each year will be disclosed in the Annual Report on Remuneration.	Vesting of APSP awards is dependent upon the Group's earnings per share (EPS) performance over a three-year period. At the start of each cycle, the Committee will determine the targets that will apply to an award. If the performance targets are not met at end of the performance period, awards will lapse. The Committee has discretion to adjust the formulaic APSP outcomes within the limits of the scheme if certain relevant events take place (e.g. a capital restructuring, a material acquisition/divestment etc.) with any such adjustment to result in the revised targets being no more or less challenging to achieve. The Committee will consult major shareholders on changes to the APSP, although retains discretion to make non-significant changes to the performance measure without reverting to a full shareholder vote. Further details, including the targets attached to the APSP in respect of each year, are disclosed in the Annual Report on Remuneration.
SAYE To encourage the ownership of Norcros plc shares	An HMRC approved scheme where employees (including Executive Directors) may save up to the individual monthly limit set by HMRC from time to time over three years. Options granted at a discount of up to 20%.	Savings capped at the individual monthly limit set by HMRC from time to time.	n/a
Shareholding requirements To align Executive Director and shareholder interests and reinforce long-term decision-making	Executive Directors are required to retain at least 50% of any DBP or APSP awards that vest (net of tax) until they have built up a personal holding of Norcros plc shares worth 100% of salary. Only shares that are held beneficially count in the assessment of whether an Executive Director has met the required ownership level.	n/a	n/a

Notes to the policy table

Payments from previous awards

The Group will honour any commitment entered into, and Executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the remuneration policy detailed in this report, i.e. before 23 July 2014. Details of these awards are, and will be, disclosed in the Annual Report on Remuneration.

Performance measure selection and approach to target setting

The use of Group underlying operating profit in the annual bonus directly reinforces our medium-term growth-oriented strategy (see page 7 of the Annual Report for further details). For the APSP, the Committee considers that EPS is a transparent, objective and effective measure of performance which is in the long-term interests of all of our shareholders.

Targets applying to the bonus and APSP are reviewed annually, based on a number of internal and external reference points. Bonus targets are aligned with the annual budget agreed by the Board. Annual bonus targets are considered to be commercially sensitive but will be disclosed retrospectively in next year's Annual Report on Remuneration. APSP targets reflect industry context, expectations of what will constitute appropriately challenging performance levels, and factors specific to the Group. The Committee will determine the APSP targets at the time awards are made and these targets (along with other relevant details of the grant) will be disclosed in next year's Annual Report on Remuneration.

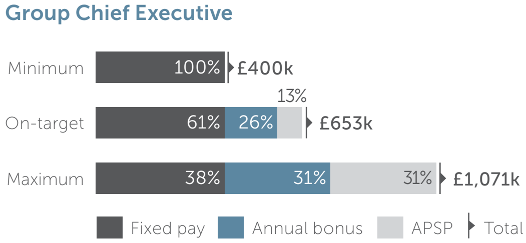
Differences from remuneration policy for other employees

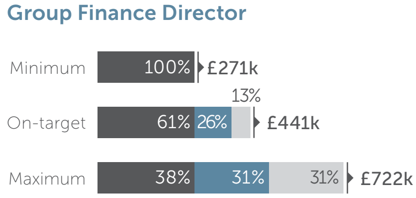
The remuneration policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies.

Executives and senior managers are eligible to participate in annual bonus schemes. Opportunities and performance measures vary by organisational level, geographical region and an individual's role. Other members of the Group senior leadership team participate in the APSP on similar terms as the Executive Directors, although award sizes may vary by organisational level. All UK employees are eligible to participate in the Group's SAYE scheme on identical terms.

Performance scenario charts

The graphs opposite provide estimates of the potential future reward opportunity for Executive Directors, and the potential mix between the different elements of remuneration under three different performance scenarios: "Minimum", "On-target" and "Maximum".





Potential opportunities illustrated above are based on the policy applied to the base salary at 1 April 2014. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 March 2015. It should be noted that any bonus deferred into the DBP and APSP awards do not normally vest until the third anniversary of the date of grant. This illustration is intended to illustrate the relationship between executive pay and performance. The values of the DBP and APSP assume no increase in the underlying value of the shares, and actual pay delivered will further be influenced by changes in factors such as the Group's share price and the value of dividends paid.

Valuation assumptions

The "Minimum" scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance.

The "On-target" scenario reflects fixed remuneration as above, plus target bonus payout (50% of salary) and APSP threshold vesting at 25% of the maximum award level.

The "Maximum" scenario reflects fixed remuneration, plus full payout under all incentives (100% of salary under each of the annual bonus and APSP).

Approach to Executive Director recruitment remuneration

External appointment

In cases of hiring or appointing a new Executive Director from outside the Group, the Remuneration Committee may make use of all existing components of remuneration, as follows:

Component	Policy
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of the incumbent in the role. Where a new appointee has an initial base salary set below market, the Committee may make phased increases over a period of three years, subject to the individual's development and performance in the role.
Benefits	As set out in the Policy table, benefits may include (but are not limited to) the provision of a company car or car allowance, medical insurance, and any necessary expatriation allowances or expenses relating to an executive's relocation.
Pension	New appointees will receive pension contributions into a defined contribution pension arrangement or an equivalent cash supplement, or a combination of both. The maximum employer contribution will be 15% of salary on the same terms as other Executive Directors.
SAYE	New appointees will be eligible to participate on identical terms to all other employees.
Annual bonus	The bonus structure described in the policy table will apply to new appointees. The maximum opportunity will be 100% of salary, pro-rated in the year of joining to reflect the proportion of that year employed. Performance measures may include strategic and operational objectives tailored to the individual in the financial year of joining. 50% of any bonus earned will be deferred into the DBP on the same terms as other Executive Directors.
APSP	New appointees will be granted annual awards under the APSP on the same terms as other Executive Directors, as described in the policy table.

In determining the appropriate remuneration structure and level for the appointee, the Remuneration Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of our shareholders. It is not the intention of the Committee that a cash payment such as a 'golden hello' would be offered. However, the Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, over and above the approach and award limits outlined in the table above. Any such award will be made under existing incentive structures, where appropriate, and will be subject to the normal performance conditions of those incentives. The Committee may also consider it appropriate to make "buy out" awards under a different structure, using the relevant Listing Rule, where necessary to replicate the structure of forfeited awards. Any "buy out" award (however this is delivered) would have a fair value no higher than that of the awards forfeited, taking into account relevant factors including performance conditions, the likelihood of those conditions being met and the proportion of the vesting period remaining. Details of any such award will be disclosed in the first Annual Report on Remuneration following its grant.

Approach to Executive Director recruitment remuneration continued

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the policy will be consistent with that for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, and it is agreed that a commitment is to continue, the Group will continue to honour these arrangements even if there are instances where they would not otherwise be consistent with the prevailing Executive Director remuneration policy at the time of promotion.

Service contracts and policy for payment for loss of office

Executive Directors have signed rolling contracts, terminable on 12 months' notice by either the Group or the Director. The Group entered into a contract with Nick Kelsall on 1 April 2011, and with Martin Payne on 18 March 2011. Copies of these contracts are available to view at the Group's registered office.

The Committee's policy for Directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements. Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Committee on a case by case basis taking into account the circumstances of the termination. Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Committee on the same basis. The Committee will monitor and where appropriate enforce the Directors' duty to mitigate loss. When the Committee believes that it is essential to protect the Group's interests, additional arrangements may be entered into (for example post-termination protections above and beyond those in the contract of employment) on appropriate terms.

Under the current service contract for each of Nick Kelsall and Martin Payne, the Company has the discretion to terminate the employment lawfully without any notice by paying to the Director a sum equal to, but no more than, the salary and other contractual benefits of the Director. The payment would be in respect of that part of the period of notice which the Director has not worked, less any appropriate tax and other statutory deductions. The Director would be entitled to any holiday pay which may otherwise have accrued in what would have been the notice period. The Company may pay any sums due under these pay in lieu of notice provisions as one lump sum or in instalments of what would have been the notice period. If the Company elects to pay in instalments, the Director is under an express contractual duty to mitigate his losses and to disclose any third-party income he has received or is due to receive. The Company reserves the right to reduce the amount of the instalments by the amount of such income. The Committee would expect to include similar pay in lieu of notice provisions in any future executive director's service contract. These pay in lieu of notice provisions can also be activated by the Director if they exercise their contractual right to terminate their employment upon a change of control of the Company or a transfer of their employment to an acquirer of the Company's business. The Committee would not envisage including a similar right to terminate in any future executive director's service contract.

Also under their service contracts, if the Director's employment is terminated for whatever reason, he agrees that he is not entitled to any damages or compensation to recompense him for the loss or diminution in value of any actual or prospective rights, benefits or expectations under or in relation to the APSP, DBP, SAYE plan or the annual discretionary bonus scheme. This is without prejudice to any of the rights, benefits or entitlements which may have accrued to the Director under such arrangements at the termination of employment.

The table below summarises how awards under the annual bonus, DBP and APSP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Reason for cessation	Calculation of vesting/payment	Timing of vesting
Annual bonus		
Voluntary resignation or summary dismissal	No bonus paid	n/a
All other circumstances	Bonuses are paid only to the extent that the associated objectives, as set at the beginning of the plan year, are met. Any such bonus would normally be paid on a pro-rata basis, taking account of the period actually worked	At the normal vesting date unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment
DBP		
Summary dismissal	Awards lapse	n/a
Injury, illness, disability, death, retirement with the agreement of the Group, redundancy or employing company leaving Group	Unvested awards vest	At the normal vesting date unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment
Voluntary resignation or other reason not stated above	Unvested awards lapse unless the Committee, in its absolute discretion, determines that an award should vest	If the Committee determines that an award should vest, then awards will vest on their normal vesting date, unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment

Reason for cessation	Calculation of vesting/payment	Timing of vesting
Change of control	Unvested awards will be pro-rated for the portion of the vesting period elapsed on change of control, unless the Committee, in its absolute discretion, determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate	On change of control
APSP		
Summary dismissal	Awards lapse	n/a
Voluntary resignation, injury, retirement with the agreement of the Group, redundancy or other reason that Committee determines in its absolute discretion	Unapproved option awards lapse unless the Committee, in its absolute discretion, determines that awards should vest, subject to being pro-rated for time and performance to the date of cessation of employment. Approved option awards lapse, except in the case of retirement with the agreement of the employer, when awards will vest, subject to pro-rating as stated above.	On cessation of employment unless the Committee, in its absolute discretion, determines otherwise
Death	Unapproved option awards vest in full, but may be subject to the application of the performance conditions attached to them. Approved option awards are pro-rated for time and performance to that date.	Immediately
Change of control	Awards vest, subject to being pro-rated for time and performance to the date of cessation of employment, unless the Committee determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.	On change of control

External appointments
Executive Directors are permitted to take up non-executive positions on the boards of other companies, subject to the prior approval of the Board. The Executive Director may retain any fees payable in relation to such appointment. Details of external appointments and the associated fees received are included in the Annual Report on Remuneration.

Consideration of employment conditions elsewhere in the Group
The Group seeks to promote and maintain good relations with employees and (where relevant) their representative bodies as part of its broader employee engagement strategy. The Committee is mindful of salary increases applying across the rest of the business in relevant markets when considering salaries for Executive Directors, but does not currently consult with employees specifically on executive remuneration policy and framework.

Consideration of shareholder views
The Committee considers shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping remuneration policy. The vast majority of shareholders continue to express support of remuneration arrangements at Norcros. The Committee keeps the remuneration policy under regular review, to ensure it continues to reinforce the Group's long-term strategy, and aligns Executive Directors with shareholders' interests. We will consult shareholders before making any significant changes to our remuneration policy.

Non-executive Director remuneration policy
Non-executive Directors (including the Chairman) have letters of appointment which specify an initial term of at least three years, although these contracts may be terminated at one month's notice by either the Company or Director. In line with the UK Corporate Governance Code guidelines, all Directors are subject to re-election annually at the AGM.

Details of terms and notice periods for Non-executive Directors are summarised below:

Non-executive Director	Date of appointment	Notice period
Martin Towers	28 July 2011	1 month
Jo Hallas	27 September 2012	1 month
David McKeith	24 July 2013	1 month

It is the policy of the Board of Directors that Non-executive Directors are not eligible to participate in any of the Group's bonus, long-term incentive or pension schemes. Details of the policy on fees paid to our Non-executive Directors are set out in the table below:

Component and objective	Operation	Opportunity	Performance measures
Fees To attract and retain Non-executive Directors of the highest calibre with broad commercial experience relevant to the Group	The fee paid to the Chairman is determined by the Committee excluding the Chairman. The fees paid to the other Non-executive Directors are determined by the Chairman and the Executive Directors. Fee levels are reviewed periodically, with any adjustments effective 1 April. Fees are reviewed by taking into account external advice on best practice and fee levels at other FTSE companies of broadly similar size and sector to Norcros. Time commitment and responsibility are also taken into account when reviewing fees. Additional fees are payable for acting as Chairman of the Audit and Remuneration Committees.	Aggregate fees are limited to £350,000 p.a. by the Group's Articles of Association. Fee increases will be applied taking into account the outcome of the review. The fees paid to Non-executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.	n/a

Approach to Non-executive Director recruitment remuneration
In recruiting a new Non-executive Director, the Remuneration Committee will use the policy as set out in the table above. A base fee in line with the prevailing fee schedule would be payable for serving as a Director of the Board, with additional fees payable for acting as Chairman of the Audit or Remuneration Committees.

Annual Report on Remuneration

The following section provides details of how our policy was implemented during the year to 31 March 2014.

Remuneration Committee membership in the year to 31 March 2014

The Remuneration Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the members of the Group's senior management and for setting the remuneration packages for the Board Chairman and each Executive Director. The Committee's responsibilities are set out in its Terms of Reference which can be found on the Company's website at www.norcros.com.

During the year under review, the following Directors were members of the Remuneration Committee:

— Jo Hallas (Chair);

— David McKeith; and

— Martin Towers.

All members of the Committee are independent. They serve on the Committee for a minimum three-year term and a maximum of six years. As part of an effectiveness review for the entire Board, an evaluation of the Remuneration Committee was undertaken in the year to 31 March 2014. We are pleased to report this review concluded that the Committee has operated effectively.

In addition, the Group Chief Executive and the Group Finance Director were invited to attend Committee meetings to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers, other than in relation to their own remuneration. The Group Counsel and Company Secretary acts as Secretary to the Committee. No individual was present while decisions were made regarding their own remuneration.

The Committee met six times during the year. Attendance by individual members at meetings is detailed on page 31.

Main activities of the Committee during the year to 31 March 2014

The main activities carried out by the Committee during the year under review were:

— reviewing and setting salary levels for Executive Directors and senior management;

— determining the annual bonus outcome for the year ended 31 March 2013;

— setting operating profit targets for the annual bonus for the year to 31 March 2014;

— calibrating EPS targets for, and granting of, 2013 APSP awards;

— appointing an independent remuneration advisor following a comprehensive tender process;

— reviewing our remuneration policies in the context of the new reporting regime;

— benchmarking Executive Director package structure and levels, and consulting with shareholders on the resulting proposals; and

— preparing the 2014 Directors' Remuneration Report in line with the new reporting regulations.

Advisers

The Committee received ad hoc advice in the course of the year under review from Deloitte LLP. In February 2014, following a competitive tendering process, the Company appointed Kepler Associates as the independent remuneration advisers to the Remuneration Committee. Kepler Associates and Deloitte are founding members and signatories of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In the year to 31 March 2014, Kepler Associates and Deloitte provided the following services:

	Services provided	Fees £
Kepler Associates	Benchmarking remuneration, shareholder consultation, remuneration policy, general support	15,334
Deloitte	Ad hoc advice prior to appointment of Kepler Associates	6,500

Kepler provides no other services to the Company or its Directors and the Committee considers them to be independent.

Summary of shareholder voting at the 2013 AGM

The results of the advisory vote on the 2013 Remuneration Report at the 2013 AGM are summarised below:

	Total number of votes	% of votes cast
For (including discretionary)	457,401,541	99.98%
Against	79,612	0.02%
Total votes cast (excluding withheld votes)	457,481,153	100.0%
Votes withheld	51,600	
Total votes (including withheld votes)	457,532,753	

The Committee welcomes the strong support received from shareholders at the 2013 AGM for remuneration at Norcros.

Single figure for total remuneration for Executive Directors (audited information)

The following table provides a single figure for total remuneration of the Executive Directors for the year to 31 March 2014, together with comparative figures for the year to 31 March 2013. The values of each element of remuneration are based on the actual value delivered, where known. The value of the annual bonus includes the element of bonus deferred under the Deferred Bonus Plan.

	Nick Kelsall		Martin Payne		David Hamilton[1]	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Base salary	274,495	266,500	190,035	184,500	34,167	102,500
Taxable benefits[2]	30,462	30,597	21,312	21,447	8,977	25,638
Annual bonus[3]	148,228	133,250	102,618	92,250	—	—
APSP[4]	473,518	n/a	327,820	n/a	—	n/a
Pension benefit[5]	90,263	95,935	42,148	44,620	—	—
Total	**1,016,966**	**526,282**	**683,933**	**342,817**	**43,144**	**128,138**

1. D. W. Hamilton resigned from the Board on 24 July 2013; his salary reflects his service to that date.
2. Taxable benefits consist of car allowance (N. P. Kelsall - £29,150 p.a., M. K. Payne - £20,000 p.a., D. W. Hamilton – 2014: £6,617; 2013: £19,850) and private medical insurance
3. Annual bonus comprises both the cash annual bonus for performance during the year and the face value of the deferred bonus element on the date of deferral. The deferred share element (50% of the figures shown in the table above) is deferred for 3 years. See 'Annual Bonus in respect of 2014 performance' below for further details.
4. For 2014, the APSP value reflects the estimated value of APSP awards granted in September 2011 which will vest in full on 31 August 2014. The value of awards is estimated using the 3-month average share price to 31 March 2014 of 22.31p, and will be trued-up to reflect the vest-date value of awards in next year's Annual Report on Remuneration. See the relevant sections on page 46 for further details.
5. The pension benefit provided to Nick Kelsall and Martin Payne in 2014 comprises cash in lieu (N. P. Kelsall – £72,363, M. K. Payne – £41,748) and amounts related to the defined benefit scheme (N. P. Kelsall – £17,900, M. K. Payne – £400). In 2013, pension benefits comprised cash in lieu (N. P. Kelsall – £70,255, M. K. Payne – £13,510), amounts related to the defined benefit scheme (N. P. Kelsall – £25,680, M. K. Payne – £360) and contributions into a personal pension plan (N. P. Kelsall – £nil, M. K. Payne – £30,750). See "total pension entitlements" on page 46 for further details.

Incentive outcomes for the year to 31 March 2014 (audited information)

Annual bonus in respect of performance in the year to 31 March 2014

The 2014 annual bonus plan was based 100% on Group underlying operating profit performance for the year to 31 March 2014. Based on the Company's performance in 2014, against targets set at the start of the year for each performance measure, the Committee has decided to make an annual bonus award of 54% of base salary to each of the Group Chief Executive and Group Finance Director. Further details, including the profit targets set and actual performance, are provided below:

	Underlying profit target £m	Payout (% of max.)	2014 outturn	Bonus (% of max.)
Maximum	17.5	100		
Stretch	16.9	50		
Target	16.2	50	16.3	54%
Threshold	14.9	25		

Note that the profit target and outturn in the above table includes the Group's Australian business, which was disposed of after the year end. 50% of the annual bonus award of 54% of base salary for each Executive Director, i.e. 27% of salary, will be deferred into shares under the DBP. This DBP award will vest on the third anniversary of grant, subject to continued employment.

The table below sets out the actual bonuses paid in cash and deferred shares for each Executive Director for the year to 31 March 2014:

	Annual cash bonus		Deferred share bonus	
	% of salary	£	Value of deferred shares	Total
Nick Kelsall	27%	£74,114	£74,114	£148,228
Martin Payne	27%	£51,309	£51,309	£102,618

Deferred Bonus Plan (DBP)

The grant of options under the DBP in respect of the year to 31 March 2014 has not yet been made. As a result of this, the precise number of options to be granted in respect of the year to 31 March 2014 cannot yet be calculated, though the proposed monetary value of the bonus earned is known. Accordingly, Nick Kelsall and Martin Payne will receive a number of nil cost options calculated by dividing the proposed value of £74,114 and £51,309 respectively by the share price at the date of grant.

Incentive outcomes for the year ended 31 March 2014 (audited information) continued

2011 APSP awards vesting

In September 2011, APSP awards of 2,122,449 and 1,469,388 shares were granted to Nick Kelsall and Martin Payne, respectively. Vesting of these awards was based on Norcros' aggregate underlying EPS over the three financial years to 31 March 2014. Based on performance over this period, the Committee determined that 100% of this award will vest on 31 August 2014, being the end of the three-year vesting period. Performance targets, and actual performance against these, are summarised in the table below:

Performance level	Aggregate underlying EPS	% vesting	Norcros' performance	Award vesting (% of APSP award)
Threshold	5.08p	25%		
Maximum	5.75p	100%	6.62p	100%

Scheme interests awarded in 2014 (audited information)

2013 DBP

During the year under review, the following DBP awards were made to the Executive Directors (relating to the annual bonus earned for performance over the year to 31 March 2013):

	Nick Kelsall	Martin Payne
Basis of award	50% of earned bonus	50% of earned bonus
Grant date	26 September 2013	26 September 2013
Number of nil-cost options granted	306,322	212,069
Grant-date share price (p)	21.75	21.75
Grant-date face value (£)	66,625	46,125
Normal vesting date	26 September 2017	26 September 2017
Performance conditions	None	None

2013 APSP

During the year under review, the following APSP awards were granted to the Executive Directors:

	Nick Kelsall	Martin Payne
Basis of award	100% of base salary	100% of base salary
Grant date	27 September 2013	27 September 2013
Number of nil-cost options granted	1,330,885	921,382
Grant-date share price (p)	20.62	20.62
Grant-date face value (£)	274,428	189,989
Normal vesting date	26 September 2016	26 September 2016
Performance period	1 April 2013 – 31 March 2016	1 April 2013 – 31 March 2016
Performance conditions	Three-year aggregate underlying EPS	
	Threshold: 5.60p (25% of element vesting)	
	Maximum: 6.40p (100% of element vesting)	
	Straight-line vesting between these points	

Total pension entitlements (audited information)

As part of their remuneration arrangements Nick Kelsall and Martin Payne are entitled to receive pension contributions from the Company. Under these arrangements, they can elect for those contributions to be paid in the form of taxable pension allowance, or direct payments into a personal pension plan or the Group's UK defined contribution scheme. For the year under review, if a payment is made in the form of taxable pension allowance, the amount payable is reduced to allow for employment taxes so that the total cost to the Company is the same as it would have been if the contribution had been made directly into a pension plan. This reduction ceased to apply from 1 April 2014.

During the year Nick Kelsall elected to take taxable pension allowance of £72,363 (2013: £70,255) with no amounts paid directly into a pension scheme (2013: £nil paid into a pensions scheme). Martin Payne elected to take taxable pension allowance of £41,748 (2013: £13,510) with £nil paid into a personal pension plan (2013: £30,750). In line with the Regulations, the single figure table reflects the total of these amounts, as well as the capitalised increase in accrued pension (net of inflation) under the UK defined benefit scheme, of which neither Nick Kelsall nor Martin Payne are active members. Martin Payne's entitlement relates to his former employment at H&R Johnson Tiles Limited between 1993 and 2001. Details of Executive Directors' retirement benefits under the Group's UK defined benefit scheme and taxable pension allowances are summarised in the following table.

Total pension entitlements (audited information) continued

Director	Accrued pension £	Increase in accrued pension net of CPI £	Transfer value of net increase in the year £	Normal retirement date	Additional value of pension on early retirement £	Pension value in the year from DB scheme £	Pension value in the year from cash allowance £	Total £
N.P. Kelsall	17,296	895	26,707	16.12.21	—	17,900	72,363	90,263
M.K. Payne	11,005	20	1,838	31.07.30	—	400	41,748	42,148

Single figure for total remuneration for Non-executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year to 31 March 2014 and the prior year:

	Total fee	
	2014 £	2013 £
Martin Towers[1]	**80,000**	56,667
Jo Hallas[2]	**40,000**	20,308
David McKeith[3]	**27,590**	—
Vijay Aggarwal[4]	**7,154**	15,000
John Brown[4]	**12,564**	63,333

1. Martin Towers was appointed Chairman on 1 November 2012, prior to which he was a Non-executive Director. His 2013 fee reflects his appointment to the position of Chairman part-way through the year.
2. Jo Hallas joined the Board on 27 September 2012. Her 2013 fee reflects her appointment part-way through the year.
3. David McKeith joined the Board on 24 July 2013. His 2014 fee reflects the part-year served.
4. John Brown retired as a Non-executive Director at the Annual General Meeting on 24 July 2013 and Vijay Aggarwal resigned as a Non-executive Director on 20 September 2013. No compensation was paid to either Non-executive Director on their stepping down from the Board.

Payments to past Directors (audited information)

During the year under review, no payments were made to past Directors.

Exit payments made in the year (audited information)

No exit payments to Directors were made during the year under review.

External appointments in the year

No external appointments were held by the Executive Directors during the year.

Percentage change in CEO remuneration

The table below shows the percentage change in the CEO's salary, benefits (excluding pension) and annual bonus between the 2013 and 2014 financial years compared with the percentage change in the average of each of those components of pay for all staff employed in continuing operations. The comparison uses a per capita figure and accordingly this reflects an average across the Group's businesses. No account is therefore taken of the impact of a substantially weaker South African Rand and operational factors such as new joiners and leavers and the mix of employees.

	CEO % change 2013–2014	Average of other employees % change 2013–2014
Salary	3.0%	3.9%
Benefits	(0.4%)	(9.5%)
Bonus	11.2%	27.2%

Relative importance of spend on pay

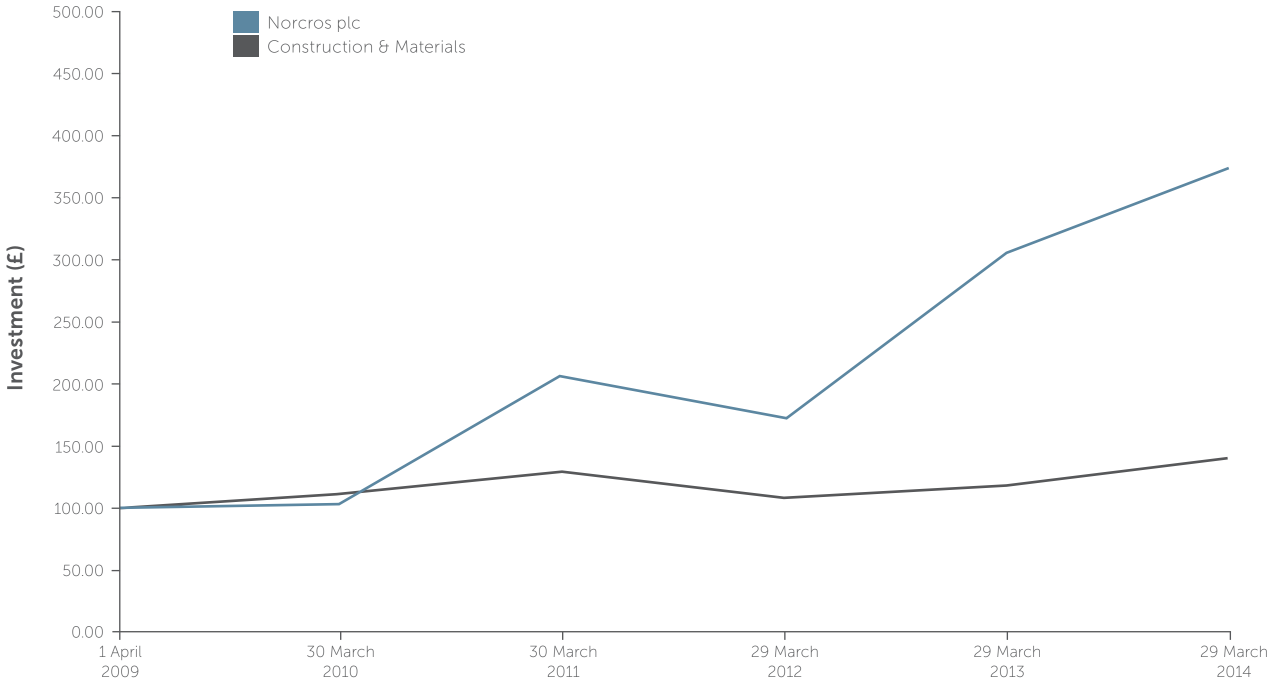
The table below shows shareholder distributions (i.e. dividends – there were no share buybacks in either year) and Norcros' expenditure on total employee pay for the year under review and the prior year, and the percentage change year on year.

	2014 £000	2013 £000	% change
Dividends	**2,770**	2,523	+9.8%
Total staff costs	**44,283**	41,209	+7.5%

Performance graph and table

The following graph shows the five-year TSR performance of the Company relative to the FTSE All-Share Construction & Materials Index. This comparator was chosen because the Company is a constituent member of this index.

Total Shareholder Return
(Value of £100 invested on 31 March 2009)



The table below details the Chief Executive's single figure of remuneration over the same period:

	2010	2011	2012	2013	2014
CEO single figure of remuneration (£000)					
Incumbent	J Matthews	J Matthews	N Kelsall	N Kelsall	N Kelsall
Total remuneration	£488,000	£611,000	£380,780	£526,282	£1,016,966
Annual bonus (as a % of max. opportunity)	38%	81%	0%	50%	54%
APSP vesting (as a % of max. opportunity)	n/a	0%	n/a	n/a	100%

Implementation of Executive Director remuneration policy for the year to 31 March 2015

As detailed in the Annual Statement, Executive Directors' total remuneration was reviewed in early 2014 by considering structure and levels against a comparator group comprising UK based FTSE SmallCap companies of comparable market capitalisation and revenues, and FTSE companies operating in similar sectors to Norcros. A key finding from this review was that base salaries were significantly below market median, whereas pension contributions and car allowances were significantly above. The Company consulted with shareholders on proposed changes, and there was support for the rebalancing of fixed remuneration from 1 April 2014 as described below:

	Nick Kelsall			Martin Payne		
	1 April 2013	1 April 2014	Percentage change	1 April 2013	1 April 2014	Percentage change
Base Salary (£000)	275	335	+21.8%	190	225	+18.4%
Pension (£000)	72	50	-30.6%	42	34	-19.0%
Car Allowance (£000)	29	15	-48.3%	20	12	-40.0%
Total Fixed Pay (£000)	376	400	+6.4%	252	271	+7.5%

Implementation of Executive Director remuneration policy for the year to 31 March 2015 continued

Base salary

Base salaries are reviewed taking into account individual performance and competitive practice for similar roles in the Company's remuneration peer group. The review conducted in early 2014 identified that the current Executive Directors' base salaries were significantly below market norms, and therefore the Committee approved base salary increases from £275,000 to £335,000 for Nick Kelsall and from £190,000 to £225,000 for Martin Payne with effect from 1 April 2014.

Pension

Executive Directors' pension contributions were reduced to 15% of salary (from 30% of salary for Nick Kelsall and 25% of salary for Martin Payne) with effect from 1 April 2014. Contributions will be made either directly into a pension or as a cash allowance, at the choice of each Executive Director.

Car allowance

The annual car allowance was reduced from £29,000 to £15,000 for Nick Kelsall and from £20,000 to £12,000 for Martin Payne with effect from 1 April 2014.

Annual bonus

The annual bonus opportunity for Executive Directors will remain unchanged for the 2015 financial year with a maximum bonus entitlement of 100% of salary. The bonus outcome for Executive Directors will continue to be based entirely on Group underlying operating profit. Of any bonus earned 50% will be deferred into nil cost options for a further three years under the Deferred Bonus Plan. Annual bonus targets are considered to be commercially sensitive but will be disclosed retrospectively in next year's Annual Report on Remuneration.

APSP

The structure of APSP awards to be made in the 2015 financial year will be unchanged from 2014 except that, to the extent an award vests, vested shares will be subject to a further one year holding period. Awards with face values of 100% of salary will be granted to Nick Kelsall and Martin Payne, with vesting subject to the achievement of three year aggregate underling EPS targets. The Committee will determine these targets at the time awards are made and these targets (along with other relevant details of this grant) will be disclosed in next year's Annual Report on Remuneration.

SAYE

Executive Directors will be able to participate in any SAYE contract offered to all employees, on identical terms.

Implementation of Non-Executive Director remuneration policy for the year to 31 March 2015

In early 2014, the Committee reviewed the Board Chairman's fee, which has been unchanged at £80,000 p.a. since Norcros re-listed in 2007. This review identified that the Board Chairman's fee was significantly below market median, and the Committee concluded that an increase to £95,000 p.a. was appropriate. The Board Chairman and the Executive Directors reviewed Non-executive Director fees at the same time, and concluded that the current levels remained appropriate. For the 2015 financial year, Non-executive Director fees will be as follows:

Executive Director	Fee at 1 April 2013	Fee from 1 April 2014	Percentage increase
Board Chairman	£80,000	**£95,000**	18.8%
Non-executive Director	£35,000	**£35,000**	–
Additional fee for chairing Audit or Remuneration Committees	£5,000	**£5,000**	–

Executive Director shareholdings (audited information)

The table below shows the shareholding of each Executive Director and their respective shareholding requirement as at 31 March 2014:

		Options held					
	Shares owned outright (A)	Vested but not exercised (B)	Unvested and subject to performance (C)	Unvested, but not subject to performance (D)	Shareholding guideline % salary	Current holding	Requirement met?
Nick Kelsall	7,865,143	–	3,837,941	2,211,557	100%	7,865,143	✓
Martin Payne	400,000	–	2,657,036	1,469,388	100%	400,000	

Value of current shareholding based on average share price over three months to 31 March 2014 of 22.31p.

Details of the scheme interests contained in columns B-D are provided in the table overleaf.

Directors' share scheme interests (audited information)

Share options

	Notes	Scheme	Date of grant	Vested date	Expiration date	Exercised price	Shares under option 1 April 2013	Granted in 2014	Vested in 2014	Exercised in 2014	Lapsed in 2014	Shares under option 31 March 2014
Nick Kelsall	a	DBP	26.09.13	26.09.16	26.09.23	—	—	306,322	—	—	—	306,322
						Total	**—**	**306,322**	**—**	**—**	**—**	**306,322**
	b,c	APSP	01.09.11	01.09.14		—	2,122,449	—	—	—	—	2,122,449
	c		22.10.12	22.10.15		—	2,507,056	—	—	—	—	2,507,056
	c		27.09.13	27.09.16		—	—	1,330,885	—	—	—	1,330,885
						Total	**4,629,505**	**1,330,885**	**—**	**—**	**—**	**5,960,390**
		SAYE	23.12.11	01.03.15	31.08.15	10.1p	89,108	—	—	—	—	89,108
						Total	**89,108**	**—**	**—**	**—**	**—**	**89,108**
Martin Payne	a	DBP	26.09.13	26.09.16	26.09.23	—	—	212,069	—	—	—	212,069
						Total	**—**	**212,069**	**—**	**—**	**—**	**212,069**
	b,c	APSP	01.09.11	01.09.14		—	1,469,388	—	—	—	—	1,469,388
	c		22.10.12	22.10.15		—	1,735,654	—	—	—	—	1,735,654
	c		27.09.13	27.09.16		—	—	921,382	—	—	—	921,382
						Total	**3,205,042**	**921,382**	**—**	**—**	**—**	**4,126,424**

a. Outstanding Deferred Bonus Plan (DBP) awards are subject to the terms set out on page 42.

b. On 12 June 2014, the Committee determined that 100% of the 2011 APSP award should vest in accordance with the performance condition based on the Company's EPS performance as described on page 46.

c. Outstanding APSP awards are subject to the following three-year aggregate EPS targets:

Performance	% vesting	Three-year aggregate EPS targets 22.10.12 award	26.09.13 award
Threshold	25%	5.39p	5.60p
Maximum	100%	6.39p	6.40p

Shareholder dilution

The Group's share incentive plans operate in line with the ABI principles, which require that commitments under all share schemes satisfied by newly issued shares must not exceed 10% of the issued share capital in any rolling ten-year period, of which up to 5% may be used to satisfy options under executive share schemes. The Group's position against the dilution limits at 31 March 2014 was 5.5% for the all share schemes limit and 3.9% for executive schemes.

Statement of Directors' shareholding and share interests (audited information)

Director	31 March 2013 Ordinary Shares	**31 March 2014 Ordinary Shares**
N. P. Kelsall	7,865,143	**7,865,143**
M. K. Payne	300,000	**400,000**
M. G. Towers	713,635	**843,635**
J. C. Hallas	—	**200,000**
D. W. McKeith	n/a	**150,000**

This report was approved by the Board of Directors on 19 June 2014 and signed on its behalf by:

Jo Hallas
Chairman of the Remuneration Committee

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2014.

Principal activities

The Company acts as a holding company for the Norcros Group. The Company's registered number is 3691883 and the Company is registered and domiciled in England.

The Group's principal activities are the development, manufacture and marketing of home consumer products in the UK and South Africa.

Results and dividends

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects, is included in the Chairman's Statement, Group Chief Executive's Review and the Strategic Report on pages 2 to 27. Key performance indicators are shown on page 21.

The Directors recommend a final dividend for the year ended 31 March 2014 of 0.340p (2013: 0.305p). This follows the decision to pay an interim dividend earlier in the year of 0.170p (2013: 0.155p).

Directors' and officers' liability insurance and indemnities

The Company purchases liability insurance cover for Directors and officers of the Company which gives appropriate cover for any legal action brought against them. The Company also provides an indemnity for its Directors (to the extent permitted by the law) in respect of liabilities which could occur as a result of their office. This indemnity does not provide cover should a Director be proven to have acted fraudulently or dishonestly.

Purchase of own shares

In 2007 the Company formed the Norcros Employee Benefit Trust (the "Trust"). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust purchased no ordinary shares during the year (2013: nil). At the Company's 2013 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 58,348,858 ordinary shares. At the forthcoming Annual General Meeting, shareholders will be asked to renew the authority to purchase its own shares for another year. Details are contained in the Notice of Meeting.

Employees

The necessity for, and importance of, good relations with all employees is well recognised and accepted throughout the Group. However, because the Group's activities are organised on a de-centralised basis, with each operating business having autonomy over its operations, there is no uniform set of arrangements for employee involvement imposed throughout the Group. Nevertheless, all Group companies are strongly encouraged to devise and adopt whatever means of employee consultation best suit their circumstances.

The Group is fully committed to keeping its employees informed about their work unit and the wider business.

The Group recognises its responsibilities towards disabled persons and therefore all applications from such persons are fully and fairly 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 an able-bodied person.

Directors

Biographical details of the present Directors are set out on pages 28 and 29. The Directors who served during the year and to the date of this report are set out below:

Director	Role
Martin Towers	Chairman
John Brown	Non-executive Director (resigned 24 July 2013)
Jo Hallas	Non-executive Director
Vijay Aggarwal	Non-executive Director (resigned 20 September 2013)
Girija Patnaik	Alternate Non-executive Director to Vijay Aggarwal (resigned 31 August 2013)
David McKeith	Non-executive Director (appointed 24 July 2013)
Nick Kelsall	Group Chief Executive
Martin Payne	Group Finance Director
David Hamilton	Director (resigned 24 July 2013)

The interests of the Directors in the shares of the Company at 31 March 2014 and 31 March 2013 are shown on page 50.

Substantial shareholding

As at 16 June 2014 the Company had received notification that the following were interested in 3% or more of the Company's issued share capital:

	Percentage of issued share capital
Schroders plc	14.46
Artemis Fund Managers	9.82
Standard Life Investments	6.43
FIL Ltd	5.46
SVM Asset Management	4.84
Invesco Ltd	4.30
Hargreave Hale	4.17
Legal & General Investment Management	3.02

Greenhouse gas emissions

The Board presents this report in order to meet the Company's obligation under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 to disclose the Group's worldwide emissions of the six Kyoto gases attributable to human activity measured in tonnes of carbon dioxide equivalent. As stated in the Corporate Responsibility Report on pages 26 and 27, the Company is committed to reducing and minimising its impact on the environment.

Global GHG emissions data for the year ended 31 March 2014	Tonnes of CO_2e 2014
Emissions from:	
Combustion of fuel and operation of facilities (Scope 1)	64,062
Electricity, heat, steam and cooling purchased for own use (Scope 2)	27,387
Total	**91,449**
Company's chosen intensity measurement[1]	**418.1**

[1] Emissions per £m of revenue.

We have reported on all of the emission sources, being Scope 1 and Scope 2 emissions. These are emissions from activities for which the Group is responsible, plus emissions resulting from the purchase of electricity, heat, steam or cooling by a business in the Group for its own use. This is the first year for which reporting is required. These sources use the same reporting boundary as for our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated statement.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014. Where no more suitable data sources are available, we have used, where practicable, estimates based on the appropriate information that is available to the Group.

Political donations
There were no political donations (2013: £nil).

Research and development
The Group's expenditure on research and development is disclosed in note 3 to the financial statements and is focused on the development of new products.

Corporate governance
Details of the Group's corporate governance are contained on pages 30 to 32. This Corporate Governance Report forms part of the Directors' Report and is incorporated into it by cross reference.

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

Interest rate risk
The Group has the ability to secure a substantial proportion of its bank loans at fixed rates via interest rate swaps. However, due to the current low level of debt and historically low UK LIBOR rates, the Group has decided not to take out any such swaps at the present time. This position is regularly reassessed.

Credit risk
Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Group maintains a credit insurance policy for all its operations which covers a substantial portion of the Group's trade debtors. For banks and financial institutions only independently rated parties with a strong rating are accepted.

Liquidity risk
The Group's banking facilities are designed to ensure there are sufficient funds available for the current operations and the Group's further development plans.

Exchange rate risk
Through its centralised treasury function the Group seeks to hedge its UK-based transactional foreign exchange risk on a rolling annual basis through the use of forward exchange contracts and similar hedging instruments. The Group's principal UK-based foreign currency exposures are largely hedged until at least March 2015 based on current forecasts. In the overseas businesses the policy is to hedge the local transactional risk to the extent this is permitted and not cost prohibitive.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translational risk. The Group seeks to mitigate this exposure through borrowings denominated in the relevant foreign currencies to the extent that this is considered to be commercially beneficial.

Energy price risk
The Group seeks to secure a proportion of its key energy requirements using forward purchase contracts where it is believed to be necessary.

Takeover Directive
The Company has only one class of shares, being ordinary shares, which have equal voting rights. The holdings of individual Directors are disclosed on page 50.

There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company, except for the banking facilities dated 22 September 2011 (as amended on 28 March 2013) in respect of the £70.0m term facilities which contain mandatory prepayment provisions on a change of control.

There are no provisions within Directors' employment contracts which allow for specific termination payments upon a change of control.

Statement of disclosure of information to auditor
In the case of each of the persons who are Directors, the following applies:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor
A resolution to re-appoint PricewaterhouseCoopers LLP as auditor to the Company will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will take place at 11.00am on 23 July 2014 at De Vere Mottram Hall Hotel, Wilmslow Road, Mottram St Andrew, Cheshire SK10 4QT. The Notice convening that meeting, together with the resolutions to be proposed, appears on pages 98 to 104 of this document. The Directors recommend that all shareholders vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

R. H. Collins
Company Secretary
19 June 2014

Statement of Directors' responsibilities

In respect of the Directors' Remuneration Report and the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Business Review includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director
19 June 2014

Independent auditor's report
To the members of Norcros plc

Report on the Group financial statements
Our opinion
In our opinion the Group financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The Group financial statements, which are prepared by Norcros plc, comprise:

- the consolidated balance sheet as at 31 March 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity and statement of cash flows for the year then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach
Materiality
We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £730,000. This represents 5% of underlying profit before taxation, which we believe to be the most appropriate measure of Group performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £25,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit
The Group operates across 11 divisions within three main geographical areas: the UK, South Africa and the Rest of the World. The Group financial statements are a consolidation of these divisions, comprising the Group's operating businesses and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the divisions by us, as the group engagement team, or component auditors, from other PwC network firms, operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those divisions to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We performed an audit of the complete financial information of the 4 UK trading and the 4 South African trading divisions since, together, these comprise in excess of 95% of both Group revenue and underlying profit before tax. In addition, we also performed specified procedures over property, plant and equipment, inventories, cash and accounts payable in respect of the Australian division included within assets / liabilities held-for-sale at the year-end, and further specified procedures in relation to the investment property and provisions within the Group's property division. This, together with additional procedures performed at the Group level, including the audit of the consolidation and procedures over the head office division, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus
In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 33 to 35.

Area of focus	How the scope of our audit addressed the area of focus
Valuation of defined benefit pension scheme liabilities We focused on this area because of the magnitude of the pension scheme and the judgements inherent in the actuarial assumptions involved in the valuation of the liability within the deficit, in particular the discount rates, inflation and mortality rates. Changes to the assumptions used can have a material effect on the liability valuation, and therefore on the results and financial position of the Group.	We evaluated the assumptions and valuation methodologies applied in the actuarial valuation, including considering whether they had been applied consistently. We challenged the assumptions used, comparing them to benchmark ranges, taking into account the specific characteristics of the Group's pension scheme.
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the forecasted results. We focused on the risk that revenue may have been recognised for transactions that had not occurred, and on the risk of inaccurate recognition of rebates granted to customers which are deducted from invoiced revenue.	Our testing of revenue transactions, to assess whether a sale had occurred, focused on obtaining evidence about whether cash had been received to support a sale having occurred. Where revenue was recorded through manual journal entries we checked whether the entry corresponded to a sales transaction that had occurred in the financial year and obtained evidence to explain the need for a manual entry and to test the value of the adjustment. We also performed data analysis to identify revenue transactions that did not directly result in a cash receipt, primarily related to rebates, and obtained audit evidence confirming the accuracy of their recognition.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We also tested manual journal entries, to determine the rationale for, and obtain evidence over, manual adjustments, and reconciliations over key account balances such as cash, accounts receivable, accounts payable and inventory.

Report on the Group financial statements continued

Going Concern
Under the Listing Rules we are required to review the directors' statement, set out on page 32, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

— the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and

— the information given in the Corporate Governance Statement set out on pages 30 to 32 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement
Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 54 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and that it provides the information necessary for members to assess the Group's performance, business model and strategy. On page 33, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

— the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or

— the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

— materially inconsistent with the information in the audited Group financial statements; or

— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or

— is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 54, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

We have reported separately on the Parent Company financial statements of Norcros plc for the year ended 31 March 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

Martin Heath (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 June 2014

Consolidated income statement
Year ended 31 March 2014

	Notes	2014 £m	2013* £m
Continuing operations			
Revenue	2	218.7	200.4
Operating profit	3	12.8	6.9
Underlying operating profit		16.1	12.8
Non-underlying operating items	5	(1.8)	(1.5)
Exceptional operating items	5	(1.5)	(4.4)
Operating profit		12.8	6.9
Finance costs	6	(5.7)	(1.7)
Finance income	6	—	0.9
IAS 19R finance cost	23	(1.3)	(0.9)
Profit before taxation		5.8	5.2
Taxation	7	4.3	0.2
Profit for the year from continuing operations		10.1	5.4
(Loss)/profit for the year from discontinued operations	29	(1.4)	0.2
Profit for the year		8.7	5.6
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From continuing operations	9	1.7p	1.0p
From discontinued operations	9	(0.2p)	—
From profit for the year	9	1.5p	1.0p
Diluted earnings per share:			
From continuing operations	9	1.6p	0.9p
From discontinued operations	9	(0.2p)	—
From profit for the year	9	1.4p	0.9p
Weighted average number of shares for basic earnings per share (millions)	9	584.0	580.0
Non-GAAP measures:			
Underlying profit before taxation (£m)	8	14.6	11.5
Underlying earnings (£m)	8	17.0	10.8
Basic underlying earnings per share	9	2.9p	1.9p
Diluted underlying earnings per share	9	2.8p	1.8p

* The prior year comparatives have been restated where required to reflect the implementation of IAS 19R, 'Employee benefits', measurement period adjustments in respect of business combinations and discontinued operations.

Consolidated statement of comprehensive income
Year ended 31 March 2014

	Notes	2014 £m	2013* £m
Profit for the year		8.7	5.6
Other comprehensive income/(expense):			
Items that will not subsequently be reclassified to the income statement			
Actuarial gains/(losses) on retirement benefit obligations	23	6.2	(8.8)
Items that may be subsequently reclassified to the income statement			
Foreign currency translation adjustments		(9.5)	(4.8)
Other comprehensive expense for the year		(3.3)	(13.6)
Total comprehensive income/(expense) for the year		5.4	(8.0)
Attributable to equity shareholders arising from:			
Continuing operations		7.7	(8.2)
Discontinued operations	29	(2.3)	0.2
		5.4	(8.0)

Items in the statement are disclosed net of tax.

* The prior year comparatives have been restated where required to reflect the implementation of IAS 19R, 'Employee benefits', measurement period adjustments in respect of business combinations and discontinued operations.

Consolidated balance sheet
At 31 March 2014

	Notes	2014 £m	2013* £m
Non-current assets			
Goodwill	11	22.1	23.0
Intangible assets	12	5.0	5.4
Property, plant and equipment	13	36.9	43.5
Investment properties	14	4.4	5.4
Deferred tax assets	21	11.6	8.7
		80.0	86.0
Current assets			
Inventories	15	50.2	52.8
Trade and other receivables	16	41.9	44.0
Derivative financial instruments	20	—	1.6
Pension scheme asset	23	—	0.1
Cash and cash equivalents	17	3.9	6.8
Assets classified as held-for-sale	29	6.2	—
		102.2	105.3
Current liabilities			
Trade and other payables	18	(52.3)	(51.7)
Derivative financial instruments	20	(1.8)	—
Current tax liabilities		(1.3)	(1.8)
Financial liabilities – borrowings	19	(0.8)	(0.5)
Liabilities associated with assets classified as held-for-sale	29	(1.9)	—
		(58.1)	(54.0)
Net current assets		44.1	51.3
Total assets less current liabilities		124.1	137.3
Non-current liabilities			
Financial liabilities – borrowings	19	(30.5)	(37.0)
Pension scheme liability	23	(21.8)	(30.0)
Derivative financial instruments	20	(0.3)	—
Other non-current liabilities		(1.6)	(2.2)
Provisions	22	(4.4)	(6.5)
		(58.6)	(75.7)
Net assets		65.5	61.6
Financed by:			
Share capital	24	5.8	5.8
Share premium		0.9	0.5
Retained earnings and other reserves		58.8	55.3
Total equity		65.5	61.6

The financial statements of Norcros plc, registered number 3691883, were approved on 19 June 2014 and signed on behalf of the Board by:

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director

* The prior year comparatives have been restated where required to reflect the implementation of IAS 19R, 'Employee benefits', measurement period adjustments in respect of business combinations and discontinued operations.

Consolidated cash flow statement
Year ended 31 March 2014

	Notes	2014 £m	2013* £m
Cash generated from operations	25	13.6	6.6
Income taxes paid		(1.7)	(1.0)
Interest paid		(1.6)	(1.3)
Net cash generated from operating activities		10.3	4.3
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1.4	2.5
Purchase of property, plant and equipment	25	(4.2)	(6.7)
Acquisition of subsidiary undertakings net of cash acquired	28	0.1	(10.6)
Net cash used in investing activities		(2.7)	(14.8)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		0.4	0.3
Repayment of borrowings		(6.9)	–
Costs of raising debt finance		(0.2)	(0.1)
Drawdown of borrowings		–	16.8
Dividends paid to the Company's shareholders	26	(2.8)	(2.5)
Net cash (used in)/generated from financing activities		(9.5)	14.5
Net (decrease)/increase in cash at bank and in hand and bank overdrafts		(1.9)	4.0
Cash at bank and in hand and bank overdrafts at the beginning of the year		6.4	2.5
Exchange movements on cash and bank overdrafts		(0.8)	(0.1)
Cash at bank and in hand and bank overdrafts at end of the year		3.7	6.4
Cash at bank and in hand and bank overdrafts at the end of the year comprises:			
Cash at bank and in hand and bank overdrafts per the balance sheet	17	3.2	6.4
Cash at bank and in hand included within assets classified as held-for-sale	29	0.5	–
		3.7	6.4

The net decrease in cash at bank and in hand and bank overdrafts in the year from discontinued operations included in the above was £0.3m (2013: decrease of £0.2m). Details are provided in note 29.

* The prior year comparatives have been restated where required to reflect the implementation of IAS 19R, 'Employee benefits', measurement period adjustments in respect of business combinations and discontinued operations.

Consolidated statement of changes in equity
Year ended 31 March 2014

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained earnings (losses)/ £m	Total £m
At 1 April 2012	5.8	0.2	5.8	59.3	71.1
Comprehensive income:					
Profit for the year	—	—	—	5.6	5.6
Other comprehensive expense:					
Actuarial loss on retirement benefit obligations	—	—	—	(8.8)	(8.8)
Foreign currency translation adjustments	—	—	(4.8)	—	(4.8)
Total other comprehensive expense	—	—	(4.8)	(8.8)	(13.6)
Transactions with owners:					
Shares issued	—	0.3	—	—	0.3
Dividends paid	—	—	—	(2.5)	(2.5)
Share option schemes and warrants	—	—	—	0.7	0.7
At 31 March 2013*	5.8	0.5	1.0	54.3	61.6
Comprehensive income:					
Profit for the year	—	—	—	8.7	8.7
Other comprehensive expense:					
Actuarial gain on retirement benefit obligations	—	—	—	6.2	6.2
Foreign currency translation adjustments	—	—	(9.5)	—	(9.5)
Total other comprehensive (expense)/income	—	—	(9.5)	6.2	(3.3)
Transactions with owners:					
Shares issued	—	0.4	—	—	0.4
Dividends paid	—	—	—	(2.8)	(2.8)
Share option schemes and warrants	—	—	—	0.9	0.9
At 31 March 2014	**5.8**	**0.9**	**(8.5)**	**67.3**	**65.5**

* The prior year comparatives have been restated where required to reflect the implementation of IAS 19R, 'Employee benefits', measurement period adjustments in respect of business combinations and discontinued operations.

Notes to the Group accounts
Year ended 31 March 2014

1. Group accounting policies

General information

Norcros plc (the "Company"), which is the ultimate Parent Company of the Norcros Group, is incorporated in England as a public company limited by shares. The shares of the Company are listed on the London Stock Exchange market of listed securities. The consolidated financial statements of the Group were approved by the Board on 19 June 2014.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at their fair value. The consolidated financial statements have been prepared in accordance with IFRS as endorsed by the European Union issued by the International Accounting Standards Board (IASB), with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are effective as of the Balance Sheet date and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are detailed in the risk management section. Although these estimates are based on management's best knowledge of amounts, events or actions, actual results may differ from expectations.

Going concern

At the time of approving the consolidated financial statements, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and consequently consider that it is appropriate to adopt the going concern basis of preparation.

Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

IAS 19R, 'Employee benefits', has been adopted with effect from 1 April 2013. The change in the accounting standard has been applied retrospectively, meaning that comparative amounts have been restated. Under IAS 19R, the separate calculations of an interest cost on the defined benefit obligation and a return on plan assets have been replaced by a single net interest charge calculated by applying the discount rate to the net defined benefit liability. Additionally, certain costs of administering pension schemes which were previously deducted from the return on plan assets have been reclassified such that they are now presented within operating expenses in the income statement.

As explained in note 29, certain operations have been classified as discontinued during the year and consequently the comparative financial information has been restated where appropriate to meet the presentational requirements of IFRS 5, 'Non-current assets held-for-sale and discontinued operations', to take account of this change.

The impact of the restatement on comparative periods has been reflected in a table in note 23.

Standards, amendments and interpretations effective in 2014

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2013.

The Group has adopted the following new standards, amendments and interpretations now applicable. Other than IAS 19R, none of these standards and interpretations has had any material effect on the Group's results or net assets.

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IFRS 1	First time adoption, on government loans, fixed dates and hyperinflation	1 April 2013
Amendment to IFRS 7	Financial instruments: Asset and liability offsetting	1 April 2013
IFRS 11	Joint arrangements	1 April 2013
IFRS 13	Fair value measurement	1 April 2013
Amendment to IAS 13	Income taxes: Deferred tax	1 April 2013
IAS 19 (revised 2011)	Employee benefits	1 April 2013
IAS 28 (revised 2011)	Associates and joint ventures	1 April 2013
Annual Improvements to IFRSs 2011	Various	1 April 2013

1. Group accounting policies continued

Standards, amendments and interpretations effective in 2014 continued

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group:

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IFRS 10	Consolidated financial statements	1 April 2014
Amendment to IFRS 12	Disclosures of interests in other entities	1 April 2014
Amendment to IAS 27	Separate financial statements	1 April 2014
Amendment to IAS 32	Financial instruments: Presentation	1 April 2014
Amendment to IAS 36	Impairment of assets	1 April 2014
Amendment to IAS 39	Financial instruments: recognition and measurement	1 April 2014
IFRIC 21	Levies	1 April 2014
IFRS 8	Operating segments	1 April 2015
Amendment to IAS 19 (revised)	Employee benefits	1 April 2015
Amendment to IFRS 11	Joint arrangements	1 April 2016
IFRS 9	Financial instruments: Classification and measurement	1 April 2018

None of these standards, amendments or interpretations are expected to have a material impact on the Group's financial statements.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out as follows. These policies have been consistently applied to all periods presented.

Basis of consolidation

Subsidiaries

The consolidated historical financial statements incorporate the financial statements of Norcros plc and entities controlled by Norcros plc (its subsidiaries) made up to the reporting date each year. Control is achieved where Norcros plc has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of in the year are included in the consolidated financial statements from the effective date of acquisition or the up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring them into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the Income Statement in the period of acquisition. All acquisition costs are expensed as incurred. The results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the effective date of acquisition or disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Critical estimates

The Group's accounting policies have been set by management and approved by the Audit Committee. The application of these accounting policies to specific scenarios requires estimates and assumptions to be made concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Under IFRS, estimates or judgments are considered critical where they involve a significant risk or cause a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgment involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

1. Group accounting policies continued

Summary of significant accounting policies continued

Basis of consolidation continued

Critical estimates continued

Critical judgments have been made in the following areas:

- estimated impairment of goodwill, long-life assets and property, plant and equipment – the Group tests goodwill for impairment annually and other fixed assets should indicators of potential impairment arise, in accordance with its accounting policy. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates, both in arriving at the expected future cash flows and the application of a suitable discount rate in order to calculate the present value of these flows. These calculations have been carried out using the assumptions in note 11;
- retirement benefit obligations – the present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions principally include the discount rate and rate of inflation. Any changes in these assumptions can impact the carrying amount of retirement benefit obligations (see note 23);
- property provisions – where a property leased by the Group is vacated, but an ongoing lease commitment remains, provision is made for the onerous element of the lease. Key assumptions are the extent to which properties are let and rentals are achieved. Any changes in these assumptions can affect the quantum of the provisions;
- deferred tax – deferred tax assets are recognised on losses and capital allowances carried forward only to the extent that it is probable they will be available for use against future profits and that there will be sufficient future taxable profit available against which the temporary difference can be utilised. In arriving at a judgment in relation to the recognition of deferred tax assets, management considers the regulations applicable to taxation and whether there are likely to be sufficient future taxable profits. Future taxable profits may be higher or lower than estimates made when determining whether it is appropriate to record a tax asset and the amount to be recorded. Furthermore changes to the legislative framework or application of tax law may result in a management reassessment of the level of recognition of deferred tax assets. In line with this policy the Group recognised additional deferred tax assets during the year as described in note 21; and
- valuation of acquired intangible assets – intangible assets can only be recognised as part of a business combination where the intangible asset is separable from goodwill, can be reliably measured and is expected to generate future economic benefits. Judgment is required to assess whether these criteria are met and also to subsequently determine the appropriate assumptions which are used to place a value on the intangible asset. Had different assumptions been applied the valuation of acquired intangible assets could have differed from the amount ultimately recognised.

Revenue recognition

Revenue comprises the consideration received or receivable for the sale of goods and services provided alongside the supply of goods in the ordinary course of the Group's activities and is shown net of value added and other sales-based taxes, customer volume rebates, discounts and promotional support.

Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, which is usually on despatch or upon sale to a customer in the case of the Group's retail operations.

Revenue received in respect of extended warranties is recognised over the period of the warranty.

Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker (being the Board) assesses performance and allocates resources based on geography as each segment has similar economic characteristics, complementary products, distribution channels and regulatory environments.

Goodwill

Goodwill is recognised as an asset and reviewed for impairment at least annually or whenever there is an indicator of impairment. Goodwill is carried at cost less amortisation charged prior to the Group's transition to IFRS on 1 April 2004 less accumulated impairment losses. Any impairment is recognised in the period in which it is identified.

Intangible assets

Acquired intangible fixed assets comprise the Vado trade name recognised as a separately identifiable asset on acquisition and are valued at cost less accumulated amortisation. The estimated useful life of the asset is 15 years, with amortisation being charged on a straight-line basis.

1. Group accounting policies continued

Impairment of long-life assets

Property, plant and equipment and other non-current assets are reviewed on an annual basis to determine whether events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated as either the higher of the asset's net selling price or value in use; the resultant impairment (the amount by which the carrying amount of the asset exceeds its recoverable amount) is recognised as a charge in the Consolidated Income Statement.

The value in use is calculated as the present value of the estimated future cash flows expected to result from the use of assets and their eventual disposal proceeds. In order to calculate the present value of estimated future cash flows the Group uses an appropriate discount rate adjusted for any associated risk. Estimated future cash flows used in the impairment calculation represent management's best view of likely future market conditions and current decisions on the use of each asset or asset group.

Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost comprises the purchase price (after deducting trade discounts and rebates) and any directly attributable costs. Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment in value. Impairment charges are recognised in the income statement when the carrying amount of an asset is greater than the estimated recoverable amount, calculated with reference to future discounted cash flows that the assets are expected to generate when considered as part of an income-generating unit. Land is not depreciated. Depreciation on other assets is provided on a straight line basis to write down assets to their residual value evenly over the estimated useful lives of the assets from the date of acquisition by the Group.

The estimated useful lives of Group assets are as follows:

Buildings	25–50 years
Plant and equipment	3–15 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Investment property

Investment property comprises mainly land and relates to property which is either sub-let to a third party or is not being utilised in the Group's core operations. Investment property is held at cost less depreciation on buildings (land is not depreciated). Investment property is depreciated over 50 years.

Assets held-for-sale

Assets and disposal groups classified as held-for-sale are measured at the lower of carrying value and fair value less costs to dispose of.

Assets and disposal groups are only classified as held-for-sale if their carrying value will be recovered through a sale transaction as opposed to continuing use, and only when such a sale transaction is deemed highly probable. Such a sale transaction should be expected to complete within one year and accordingly assets and disposal groups held-for-sale are included within current assets in the Consolidated Balance Sheet, with the associated liabilities included within current liabilities.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and, where applicable, labour and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for slow-moving and obsolete items.

Taxation

Current tax, which comprises UK and overseas corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profits and is accounted for using the Balance Sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised and is charged in the Income Statement, except where it relates to items charged or credited to equity via the Statement of Comprehensive Income, when the deferred tax is also dealt with in equity and is shown in the Statement of Comprehensive Income.

Operating leases

Annual rentals are charged/credited directly to the Consolidated Income Statement on a straight-line basis over the lease term.

Provisions

Warranty provisions – provision is made for the estimated liability on products under warranty. Liability is recognised upon the sale of a product and is estimated using historical data.

Restructuring provisions – provision is made for costs of restructuring activities to carried out by the Group when the Group is demonstrably committed to incurring the cost in a future period and the cost can be reliably measured.

Property provisions – where the Group has vacated a property but is committed to a leasing arrangement, an onerous lease provision is recorded. This is calculated as the cost that management expects to incur over the period of the lease, which is net of any expected future sub-lease income.

Provisions are measured at the best estimate of the amount to be spent and discounted where material.

1. Group accounting policies continued

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Consolidated Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method, and is subject to interim reviews in intervening years. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise, net of the related deferred tax.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(d) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Exceptional items

Exceptional items are one-off expenses or income arising from transactions or events which occur outside the course of the Group's normal operations. They include profits and losses on disposal of non-current assets outside the normal course of business, restructuring costs, acquisition fees and large or significant one-off items.

Non-underlying items

Non-underlying items are expenses or income arising from transactions or events which, whilst not exceptional in nature, do not relate to the Group's normal operations. They include non-cash amortisation charges relating to intangible assets and non-cash pension administration costs which have arisen as a result of the implementation of IAS 19R.

Financial assets and liabilities

Borrowings – the Group measures all borrowings initially at fair value. This is taken to be the fair value of the consideration received. Transaction costs (any such costs that are incremental and directly attributable to the issue of the financial instrument) are included in the calculation of the effective interest rate and are, in effect, amortised through the Income Statement over the duration of the borrowing.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the Balance Sheet date.

Treasury derivatives – where deemed necessary, the Group uses interest rate swaps to manage exposure to interest rate fluctuations. The Group's exposure to foreign exchange rate fluctuations is managed through the use of forward exchange contracts and cross currency swaps.

1. Group accounting policies continued

Financial assets and liabilities continued

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of these derivative instruments are recognised immediately within finance cost/income in the Income Statement.

Cash and cash equivalents – cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Cash and cash equivalents are offset against overdrafts and borrowings when there is a legally enforceable right to do so.

Trade receivables – trade receivables are recognised initially at fair value and subsequently reviewed for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence including significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial re-organisation and default or delinquency in payment are considered indicators that the trade receivables are impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognised in the income statement within administration costs. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administration costs in the Income Statement.

Trade payables – trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the Balance Sheet date. The Group determines the fair value of its remaining financial instruments through the use of estimated discounted cash flows. The fair value of interest rate and cross currency swaps is calculated as the net present value of the estimated future cash flows.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate to their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Research and development

Expenditure on research is charged against profits for the year in which it is incurred. Development costs are capitalised once the technical feasibility of a project has been established and a business plan, which demonstrates how the project will generate future economic benefits, has been approved.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, or when paid if earlier.

Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The consolidated financial statements are presented in Sterling, which is the functional and presentational currency of the parent entity.

Transactions and balances

Monetary assets and liabilities expressed in currencies other than functional currency are translated at rates applicable at the year end and trading results of overseas subsidiaries at average rates for the year. Exchange gains and losses of a trading nature are dealt with in arriving at operating profit.

Translation of overseas net assets

Exchange gains and losses arising on the retranslation of overseas net assets and results are taken directly to reserves.

Share capital

Issued share capital is recorded in the Balance Sheet at nominal value with any premium at that date of issue being credited to the share premium account.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Balance Sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

2. Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker (being the Board) assesses performance and allocates resources based on geography as each segment has similar economic characteristics, complementary products, distribution channels and regulatory environments.

Continuing operations — year ended 31 March 2014

	UK £m	South Africa £m	Group £m
Revenue	148.0	70.7	218.7
Underlying operating profit	14.2	1.9	16.1
Non-underlying operating items	(1.8)	—	(1.8)
Exceptional operating items	(1.9)	0.4	(1.5)
Operating profit	10.5	2.3	12.8
Finance costs (net)			(7.0)
Profit before taxation			5.8
Taxation			4.3
Profit for the year from continuing operations			10.1
Net debt			(26.9)
Segmental assets	125.3	50.7	176.0
Segmental liabilities	(100.9)	(13.9)	(114.8)
Additions to property, plant and equipment	2.5	1.8	4.3
Proceeds from disposals of property, plant and equipment	—	1.4	1.4
Loss on disposal of property, plant and equipment	—	(0.1)	(0.1)
Depreciation	4.0	1.9	5.9

Revenues of £35.9m (2013: £44.8m) are derived from a single customer. These revenues are attributable to the UK segment.

Continuing operations — year ended 31 March 2013

	UK £m	South Africa £m	Group £m
Revenue	122.8	77.6	200.4
Underlying operating profit	11.9	0.9	12.8
Non-underlying operating items	(1.5)	—	(1.5)
Exceptional operating items	(4.1)	(0.3)	(4.4)
Operating profit	6.3	0.6	6.9
Finance costs (net)			(1.7)
Profit before taxation			5.2
Taxation			0.2
Profit for the year from continuing operations			5.4
Net debt			(30.7)
Segmental assets	128.1	54.7	182.8
Segmental liabilities	(113.5)	(14.8)	(128.3)
Additions to property, plant and equipment	2.5	4.0	6.5
Proceeds from disposals of property, plant and equipment	—	2.5	2.5
Profit on disposal of property, plant and equipment	—	1.2	1.2
Depreciation	3.8	2.3	6.1

3. Operating profit

The following items have been included in arriving at operating profit other than those related to discontinued operations:

	2014 £m	2013 £m
Staff costs (see note 4)	44.3	42.0
Depreciation of property, plant and equipment (all owned assets) – continuing operations	5.8	6.1
Depreciation of property, plant and equipment (all owned assets) – discontinued operations	0.1	0.1
Depreciation of investment properties	0.1	–
Amortisation of intangible assets	0.4	–
Other operating lease rentals payable – continuing operations:		
– plant and machinery	1.4	1.5
– other	2.4	2.6
Other operating lease rentals payable – discontinued operations:		
– plant and machinery	0.1	0.1
– other	0.2	0.1
Research and development expenditure	2.7	2.2
Loss/(profit) on disposal of property, plant and equipment	0.1	(1.2)

All items relate to continuing operations unless otherwise stated.

Auditor's remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and their associates:

	2014 £m	2013 £m
Audit of the Parent Company and consolidated financial statements	0.1	0.1
Audit of the Company's subsidiaries	0.1	0.1
Tax advice	0.1	0.1
Other services – due diligence services	–	0.1
	0.3	0.4

4. Employees

	2014 £m	2013 £m
Staff costs from continuing operations:		
– wages and salaries	36.8	34.7
– social security costs	2.5	2.0
– share-based payments	0.8	0.7
– pension costs:		
– defined benefit	–	1.3
– defined contribution	2.2	1.2
	42.3	39.9
Staff costs from discontinued operations:		
– wages and salaries	1.5	1.6
– social security costs	0.5	0.5
	2.0	2.1
Total staff costs	44.3	42.0

Included in wages and salaries for 2014 were £1.1m of redundancy costs which were classified as exceptional items in the Income Statement. There were no redundancy costs in 2013.

	2014 Number	2013 Number
Average monthly numbers employed in continuing operations:		
– UK	919	815
– overseas	744	750
	1,663	1,565
Average monthly numbers employed in discontinued operations:		
– overseas	48	43
	1,711	1,608

4. Employees continued

Directors' emoluments

	2014 £m	2013 £m
Salaries and short-term employee benefits	0.9	0.9
Share-based payments	0.4	0.2
Post-employment benefits	0.1	0.1
	1.4	1.2

Further information about the Directors' remuneration may be found in the Annual Report on Remuneration on pages 44 to 50.

Highest paid Director

	2014 £m	2013 £m
Salaries and short-term employee benefits	0.4	0.3
Share-based payments	0.2	0.2
Post-employment benefits	0.1	0.1
	0.7	0.6

Key management compensation

	2014 £m	2013 £m
Salaries and short-term employee benefits	1.9	1.7
Share-based payments	0.7	0.3
Post employment benefits	0.2	0.2
	2.8	2.2

Key management is defined as the Directors and Officers of Norcros plc, together with the Managing Directors of the Group's significant divisions. Due to the acquisition of Vado on 31 March 2013, the definition of key management has broadened in 2014 to include the managing director of that business.

5. Non-underlying and exceptional operating items

The Directors believe that underlying profit before taxation and underlying earnings provide shareholders with additional useful information on the underlying performance of the Group. In order to arrive at underlying profit before taxation and underlying earnings, certain items including non-underlying and exceptional operating items have been excluded.

An analysis of non-underlying and exceptional operating items is shown below.

Non-underlying operating items	2014 £m	2013 £m
IAS 19R administrative expenses[1]	1.4	1.5
Intangible asset amortisation[2]	0.4	—
	1.8	1.5

1 As described in note 1, the implementation of IAS 19R, 'Employee benefits', has required that certain costs of administering the Group's pension schemes are recognised in the income statement. Prior year comparatives have been restated for this change in accounting policy.

2 As a result of the acquisition of Vado, the Group has recognised an intangible asset which is subject to a non-cash amortisation charge (see note 12).

Exceptional operating items	2014 £m	2013 £m
Profit on disposal of property[1]	(0.5)	—
Deferred remuneration[2]	0.3	—
Legal costs[3]	0.2	—
Restructuring costs[4]	1.5	0.5
Property provisions[5]	—	3.0
Equity related acquisition fees[6]	—	0.9
	1.5	4.4

1 During the year the Group disposed of a surplus property in South Africa, generating a profit of £0.5m.

2 In accordance with IFRS 3R, a significant proportion of deferred consideration payable to the former shareholders of Vado is required to be treated as remuneration, and, accordingly, is expensed to the income statement as incurred.

3 Legal costs related to the ongoing dispute over the disposal of the surplus land at the Highgate site in Tunstall, UK.

4 Restructuring costs related to redundancies, asset write-downs and consultancy costs following the implementation of a programme of restructuring initiatives throughout the Group's business units. In 2013 this included a loss of £0.3m on the sale of the small non-core South African Nortec adhesives business.

5 The provision to cover the Group's onerous property leases was increased by £3.0m in 2013 following a reappraisal of the future cash flows arising from these leases.

6 The fees arose as a result of the Group's acquisition of Vado in 2013.

6. Finance income and costs

	2014 £m	2013 £m
Finance costs		
Interest payable on bank borrowings	1.5	1.3
Amortisation of costs of raising debt finance	0.3	0.2
Movement on fair value of derivatives	3.7	—
Unwind of discount on property lease provisions	0.2	0.2
Total finance costs	5.7	1.7
Finance income		
Movement on fair value of derivative financial instruments	—	(0.9)
Total finance income	—	(0.9)
Net finance costs	5.7	0.8

7. Taxation

Taxation comprises:

	2014 £m	2013 £m
Current		
UK taxation	1.1	1.3
Deferred		
Origination and reversal of temporary differences	(5.4)	(1.5)
Taxation	(4.3)	(0.2)

The tax for the year is different from the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014 £m	2013 £m
Profit before tax	5.8	5.2
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 23% (2013: 24%)	1.3	1.2
Effects of:		
– overprovision in prior years	(0.7)	—
– income/expenses not chargeable/deductible for tax purposes	0.3	1.0
– recognition and utilisation of overseas tax losses and other timing differences	(2.6)	(2.0)
– recognition and utilisation of UK losses and capital allowances	(2.1)	(0.3)
– effect of lower tax rates and change in rate of deferred tax	(0.3)	—
– origination and reversal of timing differences	(0.2)	(0.1)
Total tax credit	(4.3)	(0.2)

8. Non-GAAP measures

Consolidated Income Statement

	2014 £m	2013 £m
Profit before taxation from continuing operations	5.8	5.2
Adjusted for:		
– non-underlying operating items (see note 5)	1.8	1.5
– exceptional operating items (see note 5)	1.5	4.4
– amortisation of costs of raising finance	0.3	0.2
– net movement on fair value of derivative financial instruments	3.7	(0.9)
– discount on property lease provisions	0.2	0.2
– IAS 19R finance cost	1.3	0.9
Underlying profit before taxation	14.6	11.5
Taxation attributable to underlying profit before taxation	2.4	(0.7)
Underlying earnings	17.0	10.8

As described in note 5, the Directors believe that underlying profit before taxation and underlying earnings provide shareholders with additional useful information on the underlying performance of the Group. Underlying profit before taxation is defined as profit before taxation, non-underlying operating items, exceptional operating items, amortisation of costs of raising finance, net movement on fair value of derivative financial instruments, discounting of property lease provisions and finance costs relating to pension schemes.

8. Non-GAAP measures continued

Consolidated Income Statement continued

	2014 £m	2013 £m
Operating profit from continuing operations	12.8	6.9
Adjusted for:		
– depreciation	5.9	6.1
– non-underlying operating items	1.8	1.5
– exceptional operating items	1.5	4.4
Underlying EBITDA	22.0	18.9

EBITDA is a measure commonly used by investors and financiers to assess business performance. Underlying EBITDA has also been provided which reflects EBITDA as adjusted for non-underlying and exceptional operating items. The Directors consider that these measures provide shareholders with additional useful information on the performance of the Group.

Consolidated Cash Flow Statement

	2014 £m	2013 £m
Cash generated from continuing operations	13.9	6.6
Adjusted for:		
– cash flows from exceptional items	4.4	2.2
– pension fund deficit recovery contributions	2.0	2.0
Underlying operating cash flow	20.3	10.8

Underlying operating cash flow is defined as cash generated from continuing operations before cash outflows from exceptional items and pension fund deficit recovery contributions. The Directors believe that underlying operating cash flow provides shareholders with additional useful information on the underlying cash generation of the Group.

Consolidated Balance Sheet

	2014 £m	2013 £m
Net assets	65.5	61.6
Adjusted for:		
– assets and associated liabilities classified as held-for-sale	(4.3)	—
– pension scheme liability (net of associated tax)	17.4	23.0
– cash and cash equivalents	(3.9)	(6.8)
– financial liabilities – borrowings	31.3	37.5
Capital employed	106.0	115.3
– adjustment for discontinued operations	—	(6.0)
– foreign exchange adjustment	2.1	(3.0)
Underlying capital employed	108.1	106.3

Underlying capital employed is used to calculate underlying return on capital employed, one of the Group's key performance indicators and reflects the value of the assets used to generate underlying operating profit from continuing operations. Consequently, adjustments are made to remove assets and liabilities which do not impact underlying operating profit from continuing operations and to remove the average impact of exchange rate movements.

9. Earnings per share

Basic and diluted earnings per share

Basic EPS is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the Norcros Employee Benefit Trust.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. At 31 March 2014 the potential dilutive ordinary shares amounted to 24,374,489 (2013: 8,895,196) as calculated in accordance with IAS 33.

The calculation of EPS is based on the following profits and numbers of shares:

	2014 £m	2013 £m
Profit for the year from continuing operations	10.1	5.4
(Loss)/profit for the year from discontinued operations	(1.4)	0.2
Profit for the year	8.7	5.6

	2014 Number	2013 Number
Weighted average number of shares for basic earnings per share	583,950,031	580,021,666
Share options and warrants	24,374,489	8,895,196
Weighted average number of shares for diluted earnings per share	608,324,520	588,916,862

	2014	2013
Basic earnings per share:		
From continuing operations	1.7p	1.0p
From discontinued operations	(0.2p)	–
From profit for the year	1.5p	1.0p
Diluted earnings per share:		
From continuing operations	1.6p	0.9p
From discontinued operations	(0.2p)	–
From profit for the year	1.4p	0.9p

Basic and diluted underlying earnings per share

Basic and diluted underlying earnings per share has also been provided which reflects underlying earnings from continuing operations divided by the weighted average number of shares set out above.

	2014 £m	2013 £m
Underlying earnings (see note 8)	17.0	10.8

	2014	2013
Basic underlying earnings per share	2.9p	1.9p
Diluted underlying earnings per share	2.8p	1.8p

As described in note 21, the Company has recognised further deferred tax assets during the year totalling £4.4m. Excluding the impact of this, underlying basic earnings per share was 2.2p and underlying diluted earnings per share was 2.1p.

10. Share-based payments

	Price per share	1 April 2013	Granted	Exercised	Lapsed	31 March 2014	Date from which exercisable	Expiry date
Approved Performance Share Plan 2011 (APSP)	0.0p	7,045,037	—	—	(47,618)	6,997,419	01.09.14	01.09.21
Approved Performance Share Plan 2012 (APSP)	0.0p	12,520,560	—	—	(241,590)	12,278,970	22.10.15	22.10.22
Approved Performance Share Plan 2013 (APSP)	0.0p	—	3,040,404	—	—	3,040,404	27.09.16	27.09.23
Deferred Share Bonus Plan 2013 (DSBP)	0.0p	—	518,391	—	—	518,391	26.09.16	26.09.26
Save As You Earn Scheme (3) (SAYE)	9.4p	1,398,221	—	(1,216,313)	(101,486)	80,422	01.03.14	31.08.14
Save As You Earn Scheme (4) (SAYE)	10.1p	2,755,557	—	(22,574)	(159,205)	2,573,778	01.03.15	31.08.15
Save As You Earn Scheme (5) (SAYE)	11.8p	1,229,469	—	—	(204,403)	1,025,066	01.03.16	31.08.16
Save As You Earn Scheme (6) (SAYE)	19.1p	—	1,537,040	—	(65,968)	1,471,072	01.03.17	31.08.16

Details of the terms of the APSP and SAYE scheme are disclosed in the Directors' Remuneration Report. The 22,574 shares exercised in respect of the SAYE 4 scheme were issued from the holding of the Norcros Employee Benefit Trust. The 1,216,313 shares exercised in respect of the SAYE 3 scheme were fulfilled by the issue of new shares (see note 24).

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period on the Group's estimate of shares that will eventually vest. A charge of £0.9m was recognised in respect of share options in the period (2013: £0.7m). The Group uses a Black-Scholes pricing model to determine the annual charge for its share-based payments. The assumptions used in this model for each share-based payment are as follows:

	SAYE (3)	SAYE (4)	SAYE (5)	SAYE (6)
Date of grant	20.12.10	20.12.11	20.12.12	20.12.13
Initial exercise price	9.4p	10.1p	11.8p	19.1p
Number of shares granted initially	1,864,296	3,001,492	1,229,469	1,537,040
Expected volatility	67.39%	59.53%	44.23%	42.74%
Expected option life	3 years	3 years	3 years	3 years
Risk free rate	2.1%	2.0%	2.1%	1.5%
Expected dividend yield	3%	3%	3%	2.3%

	APSP 2011	APSP 2012	APSP 2013	DSBP 2013
Date of grant	01.09.11	22.10.12	27.09.13	26.09.13
Initial exercise price	0.0p	0.0p	0.0p	0.0p
Number of shares granted initially	7,045,037	12,520,560	3,040,404	518,391
Expected volatility	65.67%	44.23%	42.74%	56.11%
Expected option life	3 years	3 years	3 years	3 years
Risk free rate	2.0%	2.1%	1.5%	2%
Expected dividend yield	3%	3%	2.3%	3%

The share price at 31 March 2014 was 20.50p. The average price during the year was 19.35p. Expected volatility is based on historical volatility over either the last three years of the construction and materials sector, or the previous three years' data for the Company.

11. Goodwill

	2014 £m	2013 £m
At beginning of the year	23.0	23.4
Additions	—	0.1
Reclassification to assets held-for-sale	(0.1)	—
Exchange differences	(0.8)	(0.5)
	22.1	23.0

Goodwill is allocated to the Group's cash generating units (CGUs). A summary of the goodwill allocation is presented below:

	2014 £m	2013 £m
Triton Showers	19.1	19.1
Tile Africa Group	3.0	3.8
One Stop Tiles	—	0.1
	22.1	23.0

The recoverable amount of a CGU is determined by a value-in-use calculation. These calculations use cash flow projections derived from data and metrics used on an ongoing basis, with the key assumptions being those regarding discount rates, growth rates, future gross margin improvements and cash flows.

The key assumptions for the value-in-use calculations are:

- Cash flows before income taxes are based on approved budgets and detailed forecasts for the first five years. For periods after the first five years a long-term growth rate of 3% is used to derive a terminal value.
- Pre-tax discount rates of 9.0% (2013: 9.0%) in the UK and 11.05% (2013: 11.05%) in South Africa based upon the risk free rate for Government bonds adjusted for a risk premium to reflect the increased risk of investing in equities and investing in the Group's specific sectors and regions.

The following sensitivity analysis has been performed:

- increase each CGU discount rate by 1%; and
- reduce future growth rates by 30%.

In each of these scenarios the estimated recoverable value comfortably exceeds the carrying value for the CGU and accordingly no impairment was identified.

Having assessed the future anticipated cash flows, management believes that any reasonably possible changes in key assumptions would not result in an impairment of goodwill.

12. Intangible assets

	Vado trade name £m
Cost	
At 1 April 2012	—
Acquisitions (see note 28)	5.4
At 31 March 2013 and **31 March 2014**	**5.4**
Accumulated amortisation	
At 1 April 2012 and 1 April 2013	—
Charge for the year	0.4
At 31 March 2014	**0.4**
Net book amount at 31 March 2013	5.4
Net book amount at 31 March 2014	**5.0**

The intangible asset in respect of the Vado trade name was acquired as part of the acquisition of Vado on 31 March 2013 (see note 28).

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2012	33.7	78.8	112.5
Exchange differences	(1.3)	(3.1)	(4.4)
Additions	1.4	5.3	6.7
Acquisitions (see note 28)	1.3	0.7	2.0
Disposals	(1.3)	(1.2)	(2.5)
At 31 March 2013	33.8	80.5	114.3
Exchange differences	(2.6)	(5.3)	(7.9)
Additions	0.4	3.9	4.3
Reclassification to assets held-for-sale	(2.1)	(1.1)	(3.2)
Transfers from investment properties (see note 14)	0.9	—	0.9
Disposals	(0.2)	(0.5)	(0.7)
At 31 March 2014	**30.2**	**77.5**	**107.7**
Accumulated depreciation			
At 1 April 2012	10.9	56.8	67.7
Exchange differences	(0.1)	(2.0)	(2.1)
Charge for the year	1.0	5.2	6.2
Disposals	(0.2)	(0.8)	(1.0)
At 31 March 2013	11.6	59.2	70.8
Exchange differences	(0.5)	(3.6)	(4.1)
Charge for the year	1.0	4.9	5.9
Reclassification to assets held-for-sale	(0.5)	(0.9)	(1.4)
Disposals	—	(0.4)	(0.4)
At 31 March 2014	**11.6**	**59.2**	**70.8**
Net book amount at 31 March 2013	22.2	21.3	43.5
Net book amount at 31 March 2014	**18.6**	**18.3**	**36.9**

Plant and equipment includes motor vehicles, computer equipment and plant and machinery. Within plant and equipment are assets held under finance leases of £0.1m (2013: £0.1m).

14. Investment properties

	Investment property £m
Cost	
At 1 April 2012 and 31 March 2013	6.3
Transfers to property, plant and equipment	(0.9)
At 31 March 2014	**5.4**
Accumulated depreciation	
At 1 April 2012	0.9
Charge for the year	—
At 31 March 2013	0.9
Charge for the year	0.1
At 31 March 2014	**1.0**
Net book amount at 31 March 2013	5.4
Net book amount at 31 March 2014	**4.4**

Investment properties are held at cost and depreciated over 50 years with the exception of land which is not depreciated. The Directors are of the opinion that the fair value of the investment properties is not significantly different from their carrying value. Rental income receivable in the year was £0.5m (2013: £0.5m). During the year an investment property began to be used by one of the Group's divisions and accordingly has been transferred to property, plant and equipment.

15. Inventories

	2014 £m	2013 £m
Raw materials	10.0	9.0
Work in progress	0.9	0.8
Finished goods	39.3	43.0
	50.2	52.8

Provisions held against inventories totalled £2.5m (2013: £3.4m).

The cost of inventories recognised as an expense within cost of sales in the income statement amounted to £107.3m (2013: £99.3m).

During the year the Group charged £0.4m (2013: £0.2m) of inventory write-downs to the income statement within cost of sales.

16. Trade and other receivables

	2014 £m	2013 £m
Trade receivables	35.8	36.7
Less: provision for impairment of trade receivables	(0.3)	(0.4)
Trade receivables – net	35.5	36.3
Other receivables	3.6	4.9
Prepayments and accrued income	2.8	2.8
	41.9	44.0

The fair value of trade receivables does not differ materially from the book value.

Taking into account the Group's credit insurance, management believes that no further material provision is required in excess of the normal provision for impairment of receivables. Trade receivable credit exposure is controlled by credit limits that are set and reviewed by operational management on a regular basis.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 £m	2013 £m
Sterling	34.0	33.0
South African Rand	7.9	9.6
Australian Dollar	—	1.4
	41.9	44.0

Movements on the provision for impairment of trade receivables are as follows:

	2014 £m	2013 £m
At beginning of year	0.4	0.3
Provision for receivables impairment	0.1	0.1
Receivables written off during the year as uncollectable	(0.1)	(0.1)
Exchange differences	(0.1)	—
Provisions arising from the acquisition of Vado (see note 28)	—	0.1
At end of year	0.3	0.4

As at 31 March 2014, trade receivables of £31.3m (2013: £31.9m) were fully performing.

The creation and release of the provision for impaired receivables has been included in administration costs in the Consolidated Income Statement.

Amounts charged to this provision are generally written off when there is no expectation of recovering additional cash.

16. Trade and other receivables continued

As of 31 March 2014, trade receivables of £0.3m (2013: £0.4m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2013: 100%). The ageing of these receivables is as follows:

	2014 £m	2013 £m
Less than three months	0.1	–
Greater than three months	0.2	0.4
	0.3	0.4

At 31 March 2014 trade receivables of £4.2m (2013: £4.4m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2014 £m	2013 £m
Up to one month	3.1	3.0
One to two months	0.7	0.6
Two to three months	0.2	0.4
Greater than three months	0.2	0.4
	4.2	4.4

The Group maintains a credit insurance policy which significantly limits its exposure to credit risk. The Group does not hold any collateral as security.

The other categories within trade and other receivables do not contain impaired assets.

17. Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	3.9	6.8

Cash and cash equivalents includes the following for the purposes of the Consolidated Cash Flow Statement:

	2014 £m	2013 £m
Cash at bank and in hand	3.9	6.8
Less: bank overdrafts (see note 19)	(0.7)	(0.4)
	3.2	6.4

Credit risk on cash and cash equivalents is limited as the counterparties are banks with strong credit ratings assigned by international credit rating agencies.

18. Trade and other payables

	2014 £m	2013 £m
Trade payables	30.6	31.5
Other tax and social security payables	3.1	2.5
Other payables	1.9	1.3
Accruals and deferred income	16.7	16.4
	52.3	51.7

The fair value of trade payables does not differ materially from the book value.

19. Borrowings

	2014 £m	2013 £m
Non-current		
Bank borrowings (secured):		
– bank loans	31.0	37.7
– less: costs of raising finance	(0.5)	(0.8)
	30.5	36.9
Finance leases and hire purchase contracts	—	0.1
Total non-current	30.5	37.0
Current		
Bank borrowings (secured):		
– bank overdrafts (see note 17)	0.7	0.4
Finance leases and hire purchase contracts	0.1	0.1
Total current	0.8	0.5
Total borrowings	31.3	37.5

The fair value of bank loans equals their carrying amount, as they bear interest at floating rates.

The repayment terms of borrowings are as follows:

	2014 £m	2013 £m
Not later than one year	0.8	0.5
After more than one year:		
– between one and two years	31.0	0.1
– between two and five years	—	37.7
– costs of raising finance	(0.5)	(0.8)
	30.5	37.0
Total borrowings	31.3	37.5

Capital risk management

The Group has available a £70.0m committed banking facility which expires in October 2015. The facility provides the Group with a sound financial structure for the medium term with £34.1m of headroom being available at 31 March 2014 (2013: £28.6m), after taking into account net debt and ancillary facilities in use of £4.2m. Under this facility bank borrowings are secured by the Group's UK assets. The Group has been in compliance with all banking covenants during the year.

Interest rate profile

The effective interest rates at the Balance Sheet dates were as follows:

	2014 %	2013 %
Bank loans	2.5	2.2
Overdraft	2.5	2.2

At 31 March 2014 the bank loans carried interest based on LIBOR plus a margin of 2.00% (2013: 1.75%). Overdrafts carry interest at base rate plus a margin of 2.00% (2013: 1.75%).

Net debt

The Group's net debt is calculated as follows:

	2014 £m	2013 £m
Cash and cash equivalents	(3.9)	(6.8)
Cash and cash equivalents included within assets classified as held-for-sale	(0.5)	—
Total borrowings	31.3	37.5
	26.9	30.7

19. Borrowings continued

Currency profile of net debt

The carrying value of the Group's net debt is denominated in the following currencies:

	2014 £m	2013 £m
Sterling	35.3	33.8
Euro	(1.4)	—
US Dollar	(3.3)	—
South African Rand	(3.2)	(2.1)
Australian Dollar	(0.5)	(1.0)
	26.9	30.7

20. Financial instruments

During the year the Group held financial instruments for two purposes:

— financial instruments relating to the operations, financing and risks of the Group's operations; and

— financial instruments relating to the financing and risks of the Group's bank debt.

The Group's financial instruments comprise borrowings, cash, trade receivables and payables and forward exchange contracts. Based on the hierarchy defined in IFRS 7, the Group's financial instruments are classified as level 2 instruments. Consequently, fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Derivative financial instruments carried at fair value through profit and loss

	2014 Assets £m	2014 Liabilities £m	2013 Assets £m	2013 Liabilities £m
Forward foreign exchange contracts:				
– current	—	1.8	1.6	—
– non-current	—	0.3	—	—
	—	2.1	1.6	—

Forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2014 were €13.2m and US$53.1m (2013: €7.1m and US$45.6m).

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 15 months. Gains and losses recognised on forward exchange contracts to date have been taken to the Consolidated Income Statement.

Sensitivity analysis

IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Group's profit and loss and equity of reasonably possible fluctuations in market rates. To demonstrate these, hypothetical variations of 1% increase or decrease in market interest rates and 5% strengthening or weakening in major currencies have been chosen.

(A) 1% increase or decrease on market interest rates for most of the coming year

As the Group has net debt of £27.4m (excluding amortised finance costs) the effect of a 1% change in market interest rates would be a change in the net finance costs of approximately £0.3m per annum.

(B) 5% strengthening or weakening in major currencies

A number of the Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening of Sterling across all currencies would lead to a £2.0m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £2.3m increase in net assets.

The Group's profits and losses are exposed to both translational and transactional risk of fluctuations in foreign currency risk. The Group seeks to hedge the majority of its transactional risk using forward foreign exchange contracts. After taking these hedges into account the effect of a 5% strengthening in both Sterling and South African Rand against all other currencies would be an increase in profits of £0.4m. Likewise a 5% weakening in both these currencies would lead to a £0.4m reduction in profits.

21. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

In the year ended 31 March 2013 the Company recognised certain deferred tax assets, principally in relation to its South African businesses, which had not previously been recorded in view of the uncertainty of their recovery. During the year ended 31 March 2014, due to the continued strong performance of the Company, a further review of the position with regard to deferred tax assets was undertaken. As a result of this, further deferred tax assets totalling £4.4m in relation to both the UK and South African businesses have been recognised in full, chiefly in respect of tax losses and capital allowances, on the grounds that it is considered probable that the Company will benefit from these assets.

The main rate of UK corporation tax was reduced from 24% to 23% with effect from 1 April 2013. A further announcement was made in the 2013 Annual Budget Statement that the rate would reduce to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. This rate reduction was substantively enacted on 2 July 2013 and the deferred tax asset at 31 March 2014 has been re-measured accordingly.

Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax account is as shown below:

	2014 £m	2013 £m
Deferred tax asset at the beginning of the year	8.7	6.4
Credited to the Consolidated Income Statement	5.4	1.5
(Charged)/credited to the Consolidated Statement of Comprehensive Income and Expense	(2.5)	2.3
Deferred tax arising from the acquisition of Vado (see note 28)	—	(1.5)
Deferred tax asset at the end of the year	11.6	8.7

	2014 £m	2013 £m
Accelerated capital allowances	3.0	0.5
Tax losses	4.5	2.6
Other timing differences	(0.3)	(1.3)
Deferred tax asset relating to pension deficit	4.4	6.9
	11.6	8.7

The full potential asset for deferred tax is as follows:

	2014 £m	2013 £m
Accelerated capital allowances	3.0	1.2
Tax losses	12.4	16.1
Other timing differences	(0.3)	—
Deferred tax asset relating to pension deficit	4.4	6.9
	19.5	24.2

No deferred tax asset has been recognised in respect of £7.9m of tax losses as the Company does not believe that utilisation of these losses is probable.

22. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	South Africa property provision £m	Total £m
At 1 April 2012	1.3	0.3	3.7	0.1	5.4
Acquisitions (see note 28)	0.2	—	—	—	0.2
Charged to the Income Statement	1.2	—	3.0	0.4	4.6
Amortisation of discount	—	—	0.2	—	0.2
Utilisation	(1.3)	—	(2.1)	(0.5)	(3.9)
At 31 March 2013	1.4	0.3	4.8	—	6.5
Charged to the Income Statement	1.2	1.5	—	—	2.7
Amortisation of discount	—	—	0.2	—	0.2
Utilisation	(1.2)	(1.5)	(2.3)	—	(5.0)
At 31 March 2014	1.4	0.3	2.7	—	4.4

22. Provisions continued

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

The restructuring provision has been recognised for expected liabilities arising from re-organisations and company disposals. This is expected to be utilised within twelve months of the Balance Sheet date.

The UK property provision has been recognised for expected liabilities arising from lease shortfalls on surplus Group properties and so future expenditure is expected to be spread over several years.

23. Retirement benefit obligations

(a) Pension costs

Norcros Security Plan

The Norcros Security Plan ("the Plan"), the principal UK pension scheme of Norcros plc subsidiaries, is funded by a separate trust fund which operates under UK trust law and is a separate legal entity from the Company. The Plan is governed by a Trustee board which is required by law to act in the best interests of the Plan members and is responsible for setting policies together with the Company. The Plan exposes the Company to actuarial risks such as longevity risk, interest rate risk, market (investment) risk and currency risk.

It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits. Norcros plc itself has no employees and so has no liabilities in respect of these pension schemes. The scheme closed to new members and future accrual with effect from 1 April 2013, though active members retain a salary link. As a result of the closure a new defined contribution pension scheme has been implemented to replace the Plan from the same date.

The weighted average duration of the defined benefit obligation is approximately 16 years and can be attributed to the scheme members as follows:

	2014
Employee members	10%
Deferred members	29%
Pensioner members	61%
Total	100%

The Plan assets do not include any investments in the Company or any property or other assets utilised by the Company.

The Plan is funded by the Company with funding based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustee and the Company. Employer deficit recovery contributions in the year to 31 March 2015 are expected to be £2.1m.

South Africa defined benefit schemes

The Group previously operated two separate defined benefit schemes for the benefit of the Group's South African employees. These were the TAL Pension Fund and the Johnson Tiles Pension Fund. Both schemes were closed during the financial year ended 31 March 2008 and replaced by defined contribution schemes.

Defined contribution pension schemes

Contributions made to these schemes amounted to £2.2m (2013: £1.2m), which includes £0.3m for the provision of life insurance cover.

(b) IAS 19R, 'Employee benefits'

Norcros Security Plan

The valuation used for IAS 19R disclosures has been based on the most recent actuarial valuation at 31 March 2012 and updated by KPMG, a firm of qualified actuaries, to take account of the requirements of IAS 19R in order to assess the liabilities of the scheme at 31 March 2014. Scheme assets are stated at their market value at 31 March 2014.

23. Retirement benefit obligations continued

(b) IAS 19R, 'Employee benefits' continued

South Africa defined benefit schemes

The actuarial valuations of the Group's South African defined benefit pension schemes, carried out in March 2005, have been updated by Alexander Forbes Financial Services to take account of the requirements of IAS 19R. The schemes were closed during the financial year ended 31 March 2008 and replaced with defined contribution schemes. Following the agreement of the allocation of surplus assets, the surplus was partially recovered in the year ended 31 March 2012 with the remaining £0.1m surplus recovered in the current year.

(i) The principal assumptions used to calculate the scheme liabilities of the Norcros Security Plan under IAS 19R are:

	2014 Projected unit	2013 Projected unit
Discount rate	4.30%	4.20%
Inflation rate (RPI)	3.20%	3.20%
Inflation rate (CPI)	2.20%	2.20%
Increase to deferred benefits during deferment (non-GMP liabilities)	3.05%	3.05%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	3.05%	3.05%
Salary increases	3.45%	3.45%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2014 at age 65 will on average live for a further 21.3 years (2013: 21.3 years) after retirement if they are male and 23.6 years (2013: 23.7 years) if they are female. Members are assumed to take a 25% (2013: 25%) cash commutation sum on retirement.

(ii) The amounts recognised in the Income Statement are as follows:

	2014 £m	2013 £m
Included in operating profit:		
Current service cost	—	1.3
IAS 19R pension administration expenses	1.4	1.5
	1.4	2.8
IAS 19R finance cost	1.3	0.9
Total amounts recognised in the Income Statement	2.7	3.7

(iii) The amounts recognised in the Balance Sheet are determined as follows:

		Value at 31 March 2014 £m	Value at 31 March 2013 £m
Equities	– Norcros Security Plan	76.4	81.0
Absolute return funds	– Norcros Security Plan	153.5	153.2
Bonds	– Norcros Security Plan	151.8	151.7
Cash and gilts	– Norcros Security Plan	2.1	3.6
	– other	—	0.1
Total market value of scheme assets		383.8	389.6
Present value of scheme liabilities		(405.6)	(419.5)
Pension deficit		(21.8)	(29.9)
Comprising:			
– Norcros Security Plan		(21.8)	(30.0)
– other		—	0.1
Deficit in schemes		(21.8)	(29.9)

Each class of plan assets is considered to have a quoted market price in an active market.

23. Retirement benefit obligations continued

(b) IAS 19R, 'Employee benefits' continued

South Africa defined benefit schemes continued

(iv) The movement on scheme deficit in the year is as follows:

		2014 £m	2013 £m
Deficit at the beginning of the year		(29.9)	(18.1)
Employer contributions	– normal contributions	0.1	1.2
	– deficit recovery plan	2.0	2.0
Current service cost		—	(1.3)
IAS 19R pension administration expenses		(1.4)	(1.5)
IAS 19R finance cost		(1.3)	(0.9)
Pension holiday taken on South African defined contribution scheme		—	(0.2)
Actuarial gains/(losses)		8.7	(11.1)
Deficit at the end of the year		(21.8)	(29.9)

(v) The reconciliation of scheme assets is as follows:

		2014 £m	2013 £m
Opening fair value of scheme assets		389.6	368.2
Employer contributions	– normal contributions	0.1	1.2
	– deficit recovery plan	2.0	2.0
Employee contributions		0.1	0.8
Pension holiday taken on South African defined contribution scheme		—	(0.2)
Interest income		15.8	17.7
Benefits paid		(23.6)	(22.7)
Actuarial gains on scheme assets		1.2	24.1
IAS 19R pension administration expenses		(1.4)	(1.5)
Closing fair value of scheme assets		383.8	389.6

(vi) The reconciliation of scheme liabilities is as follows:

	2014 £m	2013 £m
Opening scheme liabilities	(419.5)	(386.3)
Current service cost	—	(1.3)
Employee contributions	(0.1)	(0.8)
Interest cost	(17.1)	(18.6)
Actuarial gains/(losses) arising from changes in demographic assumptions	2.2	(6.1)
Actuarial gains/(losses) arising from changes in financial assumptions	5.3	(39.6)
Experience gains on liabilities	—	10.5
Benefits paid	23.6	22.7
Closing fair value of scheme liabilities	(405.6)	(419.5)

(vii) Amounts recognised in the Consolidated Statement of Comprehensive Income and Expense are as follows:

	2014 £m	2013 £m
Actuarial gains/(losses)	8.7	(11.1)
Deferred tax	(2.5)	2.3
	6.2	(8.8)

23. Retirement benefit obligations continued

(b) IAS 19R, 'Employee benefits' continued

South Africa defined benefit schemes continued

(viii) Sensitivities

The sensitivities regarding the principal assumptions used to measure the Plan's liabilities are as follows:

Assumption	Impact on scheme deficit 2014 £m	2013 £m
Discount rate – 0.1% decrease	5.2	6.1
Inflation – 0.1% increase	3.4	4.6
Increase in life expectancy by one year	11.6	11.6

The above sensitivities are applied to adjust the defined benefit obligation at the end of the year. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide an approximation as to the sensitivity of the assumptions shown.

No changes have been made to the method and assumptions used in this analysis from those used in the previous year.

(c) Impact of the restatement of comparatives following the implementation of IAS 19R and for discontinued operations

As explained in note 1, comparative financial information has been restated following the retrospective implementation of IAS 19R and the classification of the Australian tiles business as a discontinued operations (see note 29). The impact on the results of continuing operations from the previous year is shown below:

	At 31 March 2013 as restated £m	At 31 March 2013 as reported £m
Non-underlying operating items	(1.5)	—
Operating profit	6.9	8.6
IAS 19 finance income	—	2.2
IAS 19R finance cost	(0.9)	—
Profit before taxation	5.2	10.0
Taxation	0.2	(0.9)
Profit for the year from continuing operations	5.4	9.1
Profit for the year from discontinued operations	0.2	—
Actuarial gains and losses on retirement benefit obligations (net of tax)	(8.8)	(12.3)
Earnings per share from continuing operations:		
– basic	1.0p	1.6p
– diluted	0.9p	1.6p

The implementation of IAS 19R has had no impact on the Consolidated Balance Sheet.

24. Called up share capital

	2014 £m	2013 £m
Issued and fully paid		
587,885,491 (2013: 583,488,584) ordinary shares of 1p each	5.8	5.8

The Company issued 1,216,313 1p ordinary shares to members of an SAYE scheme whose options became exercisable during the year (see note 10).

Warrant instruments

In 2009 the Company executed a warrant instrument in favour of its principal banks of the day over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. One of the warrant holders exercised their warrant instrument in full during the year and acquired 3,180,594 shares at the exercise price of 8.97p per share.

Taking into account the capital raising in 2009 the remaining warrants now represent 3,174,569 ordinary shares (0.54% of the issued ordinary share capital) at 31 March 2014. The warrants are exercisable at 8.97p per share at any time up to July 2017.

25. Consolidated Cash Flow Statement

(a) Cash generated from operations

The analysis of cash generated from operations split by continuing and discontinued operations is given below.

Continuing operations

	2014 £m	2013 £m
Profit before taxation	5.8	5.2
Adjustments for:		
– exceptional items included in the Income Statement	1.5	4.4
– non-underlying items included in the Income Statement	1.8	1.5
– cash flows from exceptional costs	(4.4)	(2.2)
– depreciation	5.9	6.1
– difference between current service costs and normal cash contributions	(0.1)	(0.2)
– pension fund deficit recovery contributions	(2.0)	(2.0)
– loss/(profit) on disposal of property, plant and equipment	0.1	(1.2)
– finance costs	5.7	1.7
– finance income	—	(0.9)
– IAS 19R finance cost	1.3	0.9
– share-based payments	0.9	0.7
Operating cash flows before movement in working capital	16.5	14.0
Changes in working capital:		
– increase in inventories	(5.7)	(5.7)
– (increase)/decrease in trade and other receivables	(1.9)	2.0
– increase/(decrease) in trade and other payables	5.0	(3.7)
Cash generated from continuing operations	13.9	6.6

Discontinued operations

	2014 £m	2013 £m
Profit before taxation (see note 29)	0.2	0.2
Adjustments for:		
– depreciation	0.1	0.1
Operating cash flows before movement in working capital	0.3	0.3
Changes in working capital:		
– (increase)/decrease in inventories	(0.4)	0.1
– increase in trade and other receivables	(0.2)	(0.1)
– decrease in trade and other payables	—	(0.3)
Cash used in discontinued operations	(0.3)	—
Cash generated from operations	13.6	6.6

(b) Purchase of property, plant and equipment

The analysis of cash used in purchasing property, plant and equipment split by continuing and discontinued operations is given below.

	2014 £m	2013 £m
From continuing operations	4.2	6.5
From discontinued operations	—	0.2
Purchase of property, plant and equipment	4.2	6.7

25. Consolidated Cash Flow Statement continued

(c) Outflow related to exceptional items

This includes expenditure charged to exceptional provisions relating to onerous lease costs, acquisition fees and other business rationalisation and restructuring costs.

(d) Analysis of net debt

	Cash included within assets held-for-sale £m	Net cash £m	Borrowings £m	Net debt £m
At 1 April 2012	–	2.5	(20.3)	(17.8)
Cash flow	–	4.0	(16.8)	(12.8)
Acquisitions	–	–	(0.2)	(0.2)
Other non-cash movements	–	–	0.2	0.2
Exchange movement	–	(0.1)	–	(0.1)
At 31 March 2013	–	6.4	(37.1)	(30.7)
Reclassification to assets held-for-sale	1.0	(1.0)	–	–
Cash flow	(0.3)	(1.6)	6.9	5.0
Other non-cash movements	–	–	(0.4)	(0.4)
Exchange movement	(0.2)	(0.6)	–	(0.8)
At 31 March 2014	**0.5**	**3.2**	**(30.6)**	**(26.9)**

Other non-cash movements principally relates to the amortisation of financing costs charged in the year.

26. Dividends

A final dividend in respect of the year ended 31 March 2013 of £1.8m (0.305p per share) was paid in July 2013 and an interim dividend of £1.0m (0.17p per share) was paid in January 2014. A final dividend in respect of the year ended 31 March 2014 of £2.0m (0.34p per share) is to be proposed at the Annual General Meeting on 23 July 2014. These financial statements do not reflect this final dividend.

27. Capital and other financial commitments

(a) Capital commitments

	2014 £m	2013 £m
Contracts placed for future capital expenditure not provided in the financial statements	0.7	0.3

(b) Operating lease commitments

	2014 £m	2013 £m
Total commitments under operating leases:		
– not later than one year	4.8	6.3
– later than one year and not later than five years	12.7	16.1
– later than five years	16.6	18.2
	34.1	40.6

Total future sub-lease payments receivable relating to the above operating leases amounted to £2.9m (2013: £0.7m).

The above operating lease commitments are analysed as:

	2014 £m	2013 £m
Equipment:		
– not later than one year	1.1	1.5
– later than one year and not later than five years	2.2	2.9
– later than five years	0.2	0.1
Land and buildings:		
– not later than one year	3.7	4.8
– later than one year and not later than five years	10.5	13.2
– later than five years	16.4	18.1
	34.1	40.6

27. Capital and other financial commitments continued

(c) Operating leases receivable

The Group leases certain of its investment properties to third parties. The total future minimum lease payments receivable are analysed below:

	2014 £m	2013 £m
Total commitments under operating leases:		
– not later than one year	0.6	0.6
– later than one year and not later than five years	1.7	2.2
– later than five years	—	0.1
	2.3	2.9

28. Business combinations

On 31 March 2013, the Group acquired 100% of the ordinary share capital of Eurobath International Limited, known principally under its trading name Vado, a leading manufacturer and global distributor of bathroom controls including taps, mixer showers, bathroom accessories and valves. Full details of the acquisition are provided on the Group's website (www.norcros.com) and on page 64 of the Group's 2013 Annual Report.

In accordance with the sale and purchase agreement, an exercise to review the completion balance sheet at the date of acquisition was undertaken. This resulted in an adjustment to the cash consideration paid for Vado which was refunded to the Group, and accordingly the consideration paid for Vado was revised as follows:

	Initial amounts recognised £m	Completion accounts adjustment £m	Revised amounts recognised £m
Cash	11.0	(0.1)	10.9
Contingent consideration	0.4	—	0.4
	11.4	(0.1)	11.3

The return of £0.1m has been disclosed in the Consolidated Cash Flow Statement within investing activities. There have been no changes to the estimate of contingent consideration payable in the year.

Due to the fact that the acquisition took place on the last day of the accounting period ended 31 March 2013, it was not possible for the Group to finalise the fair value of Vado's assets and liabilities. Accordingly, the amounts stated in the 2013 Annual Report were provisional and principally reflected the reported balances of Vado, as adjusted where possible to comply with the accounting policies of the Group.

The Group has now reviewed the identifiable net assets of Vado and has identified the following measurement period adjustments:

	Provisional amounts recognised £m	Measurement period adjustments £m	Revised amounts recognised £m
Intangible assets – Vado trade name	—	5.4	5.4
Property, plant and equipment	2.0	—	2.0
Deferred tax asset	0.1	(0.1)	—
Inventories	4.3	—	4.3
Trade and other receivables	5.2	—	5.2
Derivative financial instruments	0.4	0.7	1.1
Cash	3.1	—	3.1
Trade and other payables	(4.7)	—	(4.7)
Current tax liabilities	(0.6)	—	(0.6)
Borrowings – loans	(2.7)	—	(2.7)
Borrowings – hire purchase contracts	(0.2)	—	(0.2)
Deferred tax liability	—	(1.4)	(1.4)
Provisions	(0.2)	—	(0.2)
Total identifiable net assets	6.7	4.6	11.3
Goodwill	4.7	(4.7)	—
Total	11.4	(0.1)	11.3

The principal adjustments that have been made in the measurement period are to recognise an intangible asset of £5.4m in respect of the trade name and additional derivative financial instruments of £0.7m. Deferred tax at the prevailing rate of 23% as of the date of acquisition has been applied resulting in the recognition of a deferred tax liability of £1.4m. Due to the complexity of the nature of these assets, it was not possible to reliably measure their value in the time available before publishing the 2013 Annual Report, and for this reason they have been recognised subsequent to the period of acquisition.

28. Business combinations continued

The impact of the measurement period adjustments in respect of prior periods is follows:

	At 31 March 2013 as restated £m	At 31 March 2013 as reported £m
Goodwill	23.0	27.6
Intangible assets	5.4	—
Deferred tax assets	8.7	10.2
Total non-current assets	86.0	86.7
Derivative financial instruments	1.6	0.9
Current assets	105.3	104.6
Net current assets	51.3	50.6
Total assets less current liabilities	137.3	137.3

There was no impact on the Consolidated Statement of Comprehensive Income and Expense.

29. Discontinued operations and assets held-for-sale

On 25 March 2014, the Company entered into a conditional agreement to dispose of 100% of the issued share capital of Norcros Industry (Pty) Limited (NIPL), which owns its Australian tiles business, to Kim Hin Industries Berhad (KHIB). As KHIB is listed on the Malaysian Bursa, it required shareholder approval to allow the transaction to take place, and this was duly received allowing the disposal to be completed on 30 May 2014.

Due to the fact that irrevocable undertakings supporting the transaction had been obtained from KHIB's largest shareholder (representing approximately 61% of KHIB's issued share capital), it was determined that the sale was highly probable at 31 March 2014 and accordingly NIPL has been classified as held-for-sale in the consolidated balance sheet. In accordance with IFRS 5, an impairment loss of £1.5m to remeasure the carrying value of the assets to fair value less costs to sell has been recognised following the reclassification of the net assets of NIPL as held-for-sale. Including an estimated tax charge arising from the transaction of £0.1m, a total loss on disposal of £1.6m is anticipated. An analysis of the assets held-for-sale and liabilities associated with assets held-for-sale is given in the table below.

	£m
Property, plant and equipment	1.7
Inventories	2.8
Trade and other receivables	1.2
Cash	0.5
Assets held-for-sale	**6.2**
Trade and other payables	(1.8)
Current tax liabilities	(0.1)
Liabilities associated with assets held-for-sale	**(1.9)**
Net assets held-for-sale	**4.3**

As NIPL represented a major line of business for the Group and has been classified as held-for-sale, its operations have been treated as discontinued with a single amount shown on the face of the Consolidated Income Statement. As NIPL is no longer classed as a continuing operation the prior year has also been restated to conform to this style of presentation. The table below provides further detail of the amount presented in the Consolidated Income Statement.

	2014 £m	2013 £m
Revenue	10.6	10.3
Expenses	(10.4)	(10.1)
Profit before tax and loss recognised on remeasurement to fair value less costs to sell	0.2	0.2
Loss recognised on remeasurement to fair value less costs to sell	(1.5)	—
Tax charge on loss recognised on remeasurement to fair value less costs to sell	(0.1)	—
(Loss)/profit for the year from discontinued operations	**(1.4)**	0.2

The net cash flows of NIPL reported in the Consolidated Cash Flow Statement are as follows.

	2014 £m	2013 £m
Operating activities (see note 25(a))	(0.3)	—
Investing activities (see note 25(b))	—	(0.2)
Net cash outflow	**(0.3)**	(0.2)

29. Discontinued operations and assets held-for-sale continued

The total comprehensive income and expense of NIPL reported in the Consolidated Statement of Comprehensive Income and Expense are as follows.

	2014 £m	2013 £m
(Loss)/profit for the year from discontinued operations	(1.4)	0.2
Foreign currency translation adjustments	(0.9)	—
Total comprehensive (expense)/income from discontinued operations	(2.3)	0.2

30. Related party transactions

The following transactions were carried out with related parties:

(a) Purchases of goods and services

	2014 £m	2013 £m
Purchases of goods:		
– Prism Cement Limited	0.6	1.2

Goods are purchased from related parties on normal commercial terms and conditions.

Prism Cement Limited was classed as a related party due to the fact that one of its directors, Vijay Aggarwal, was also a Director of the Company, and one of its subsidiaries, Lifestyle Investments PVT Limited, owned 29.6% of the Company's issued share capital as of 1 April 2013. On 11 April 2013, Lifestyle Investments PVT Limited sold 27,000,000 ordinary shares to reduce its holding in the Company to 24.97%, and on 18 September 2013, sold the remainder of its holding in the Company and consequently ceased to be a related party from that date. Additionally, Mr Aggarwal ceased to be a Director of the Company from 20 September 2013.

Prior to this, dividends of £0.4m (2012: £0.5m) were paid to Lifestyle Investments PVT Limited.

Key management and Directors' compensation is disclosed in note 4.

(b) Year end balances arising from sales/purchases of goods and services

	2014 £m	2013 £m
Payables to related parties:		
– Prism Cement Limited	N/A	(0.3)

31. Contingent liabilities

The Company's material UK subsidiaries have entered into a guarantee and debenture which effectively means that all of their assets, property or otherwise, and undertakings are charged in favour of the security agent acting on behalf of the lending banks to the Company.

32. Principal subsidiaries

The principal Group subsidiaries are disclosed below. Transactions between subsidiaries and between the Parent Company and its subsidiaries are eliminated on consolidation.

UK

— Norcros Group (Holdings) Limited

Overseas

— Norcros SA (Pty) Limited* trading as Johnson Tiles (Pty) Limited, TAL and TAF (incorporated in South Africa)

* The Group interest is owned by Group companies other than Norcros plc.

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. Overseas companies operate in the countries in which they are incorporated.

Only those subsidiary undertakings whose results principally affect the financial statements of the Group are included above.

The Company has taken advantage of the exemption under Section 410 (2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the financial statements. A full list of subsidiaries is included on the Company's annual return.

Independent auditor's report
To the members of Norcros plc

Our opinion
In our opinion the financial statements, defined below:

— give a true and fair view of the state of the Parent Company's affairs as at 31 March 2014;

— have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The Parent Company financial statements (the "financial statements"), which are prepared by Norcros plc, comprise:

— the Parent Company Balance Sheet as at 31 March 2014; and

— the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

— whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;

— the reasonableness of significant accounting estimates made by the Directors; and

— the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion:

— the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception
Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

— we have not received all the information and explanations we require for our audit; or

— adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

We have reported separately on the Group financial statements of Norcros plc for the year ended 31 March 2014.

M. A. Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 June 2014

Parent Company balance sheet
At 31 March 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Investments	3	177.3	177.3
Deferred tax asset	7	0.6	0.2
		177.9	177.5
Debtors			
Amounts owed by Group undertakings	4	–	7.8
Creditors: amounts falling due within one year			
Other	6	(3.2)	(1.1)
Net current (liabilities)/assets		(3.2)	6.7
Total assets less current liabilities		174.7	184.2
Creditors: amounts falling due after more than one year			
Borrowings – bank and other loans	5	(30.5)	(36.9)
Net assets		144.2	147.3
Financed by:			
Share capital	8	5.8	5.8
Share premium account	9	0.9	0.5
Profit and loss account	9	137.5	141.0
Total shareholders' funds	9	144.2	147.3

The financial statements of Norcros plc, registered number 3691883, were approved on 19 June 2014 and signed on behalf of the Board by:

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director

Notes to the parent company accounts
Year ended 31 March 2014

1. Statement of accounting policies
Norcros plc prepares its financial statements on the going concern basis under the historical cost basis of accounting with the exception of share-based payments which are measured at fair value at the date of grant and in accordance with both applicable accounting standards in the UK and the Companies Act 2006. A summary of the more important accounting polices which have been applied consistently is set out below.

Accounting reference date
The Company's year end is stated as 31 March.

Investments in subsidiaries
Investments held as fixed assets are stated at cost, less any provision for impairment. The Directors believe the carrying value of investments is supported by their underlying assets. Dividends received from investments are included within turnover and recognised on receipt of the dividend.

Foreign currency transactions
Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at rates applicable at the year end. Exchange gains and losses are dealt with in arriving at the operating profit.

Taxation
Deferred taxation has been recognised as a liability or asset if transactions have occurred at the Balance Sheet date that give rise to an obligation to pay more taxation in the future or a right to pay less taxation in the future. An asset is recognised only when the transfer of economic benefits is more likely than not to occur.

Profit and loss account
A separate profit and loss account dealing with the results of the Company has not been presented as permitted by Section 408 of the Companies Act 2006.

Cash flow statement
As the Group prepares consolidated financial statements, the Company is exempt from publishing a Cash Flow Statement under FRS 1 (revised 1996).

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders or when paid if earlier.

Financial assets and liabilities
Borrowings – the Company measures all borrowings initially at fair value. This is taken to be the fair value of the consideration received. Transaction costs (any such costs that are incremental and directly attributable to the issue of the financial instrument) are included in the calculation of the effective interest rate and are, in effect, amortised through the Profit and Loss Account over the duration of the borrowing.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the Balance Sheet date.

Share-based payments
The Company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Balance Sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

Related parties
Related party disclosures are made in the Group accounts under note 30.

In accordance with FRS 8, the Company has taken advantage of the exemption not to disclose transactions with wholly owned subsidiaries.

2. Other information
Other than the Directors, who receive no emoluments from the Parent Company, the Company has no employees. Details of the Directors' emoluments can be found in note 4 of the Group accounts.

Auditor's remuneration of £3,000 (2013: £3,000) is borne by the Company's subsidiary, without recharge.

3. Investments

	Shares in subsidiaries £m
At 1 April 2013 and 31 March 2014	177.3

The Company owns 100% of the share capital of Norcros Group (Holdings) Limited, a company incorporated in England and Wales. The principal activities of the subsidiary are to act as an intermediate holding company and a manufacturer and distributor of showers, tiles and adhesives.

The Directors believe that the carrying value of investments is supported by their underlying net assets.

Details of the principal operating subsidiaries indirectly owned by the Company are shown in note 32 of the Group accounts.

4. Debtors

	2014 £m	2013 £m
Amounts owed by Group undertakings	—	7.8

Amounts owed by Group undertakings were unsecured, interest free and repayable on demand.

5. Borrowings

	2014 £m	2013 £m
Loans and bank overdrafts – secured	31.0	37.7
Costs of raising finance	(0.5)	(0.8)
	30.5	36.9
Repayable after more than one year:		
– between one and two years	31.0	—
– between two and five years	—	37.7
– costs of raising finance	(0.5)	(0.8)
	30.5	36.9

Loans and bank overdrafts are secured on the Group's UK assets and principally carry interest based on LIBOR. Bank loans are repayable on expiry of the current banking arrangements in October 2015.

6. Creditors – amounts falling due within one year

	2014 £m	2013 £m
Amounts owed to Group undertakings	2.8	—
Accruals	0.4	1.1
	3.2	1.1

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

7. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax account is as shown below:

	2014 £m	2013 £m
Deferred tax asset at the beginning of the year	0.2	—
Credited to the income statement	0.4	0.2
Deferred tax asset at the end of the year	0.6	0.2

	2014 £m	2013 £m
Other timing differences	0.6	0.2

7. Deferred tax continued

The full potential asset for deferred tax is as follows:

	2014 £m	2013 £m
Other timing differences	0.6	0.3
Tax losses	5.2	6.0
	5.8	6.3

No deferred tax has been recognised in the financial statements in respect of the tax losses as the Company does not believe that utilisation of these losses is probable.

8. Called up share capital

	2014 £m	2013 £m
Issued and fully paid		
587,885,491 (2013: 583,488,584) ordinary shares of 1p each	5.8	5.8

The Company issued 1,216,313 1p ordinary shares to members of an SAYE scheme whose options became exercisable during the year (see note 10 of the Group accounts).

Warrant instruments

In 2009 the Company executed a warrant instrument in favour of its principal banks of the day over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. One of the warrant holders exercised their warrant instrument in full during the year and acquired 3,180,594 shares at the exercise price of 8.97p per share.

Taking into account the capital raising in 2010 the remaining warrants now represent 3,174,569 ordinary shares (0.54% of the issued ordinary share capital) at 31 March 2014. The warrants are exercisable at 8.97p per share at any time up to July 2017.

9. Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
At beginning of year	5.8	0.5	141.0	147.3
Shares issued in the year	–	0.4	–	0.4
Loss for the year	–	–	(1.6)	(1.6)
Share option schemes	–	–	0.9	0.9
Dividends paid	–	–	(2.8)	(2.8)
At end of year	5.8	0.9	137.5	144.2

10. Dividends

A final dividend in respect of the year ended 31 March 2013 of £1.8m (0.305p per share) was paid in July 2013 and an interim dividend of £1.0m (0.17p per share) was paid in January 2014. A final dividend in respect of the year ended 31 March 2014 of £2.0m (0.34p per share) is to be proposed at the Annual General Meeting on 23 July 2014. These financial statements do not reflect this final dividend.

11. Contingent liabilities

The Company has entered into a guarantee and debenture which effectively means that all of its assets, property or otherwise, and undertakings are charged in favour of the security agent acting on behalf of the lending banks to the Company.

12. Financial risk management objectives and policies

A description of the Group's financial risk management policies are provided in the Directors' Report on page 53. These objectives and policies also apply to the Company.

13. Share-based payments

The grants and related accounting treatment adopted by Norcros plc under FRS 20, 'Share-based payments', are identical to those adopted by the Group under IFRS 2, 'Share-based payments'. For details refer to note 10 in the Group accounts.

Notice of Annual General Meeting

Notice is given that the 2014 Annual General Meeting of Norcros plc will be held at 11.00 am on 23 July 2014 at De Vere Mottram Hall, Wilmslow Road, Mottram St Andrew, Cheshire SK10 4QT for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 1 to 14 (inclusive) below will be proposed as ordinary resolutions and resolutions 15 to 17 (inclusive) below will be proposed as special resolutions.

1. To receive the audited accounts and the auditor's and Directors' reports for the year ended 31 March 2014.
2. To approve the Directors' remuneration report for the year ended 31 March 2014.
3. To approve the Directors' remuneration policy statement (as contained on pages 39 to 43 of the Directors' Remuneration Report for the year ended 31 March 2014).
4. To declare a final dividend of 0.34 pence per ordinary share for the year ended 31 March 2014.
5. To re-elect Jo Hallas as a Director.
6. To re-elect Martin Towers as a Director.
7. To re-elect David McKeith as a Director.
8. To re-elect Nick Kelsall as a Director.
9. To re-elect Martin Payne as a Director.
10. To re-appoint PricewaterhouseCoopers LLP as auditor to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
11. To authorise the Directors to determine the auditor's remuneration.
12. That the amendment to the rules of the Norcros plc 2011 Deferred Bonus Plan (**DBP**), more particularly described in the explanatory notes to this notice and the rules of which (as proposed to be amended by this resolution) are produced to the meeting and signed by the Chairman of the meeting for the purposes of identification, be approved and adopted and the Directors be authorised to make such modifications to the DBP as they may consider appropriate and to do all such other acts and things as they may consider appropriate to carry such amendments into effect.
13. That the amendment to the rules of the Norcros plc 2011 Performance Share Plan (**PSP**), more particularly described in the explanatory notes to this notice and the rules of which (as proposed to be amended by this resolution) are produced to the meeting and signed by the Chairman of the meeting for the purposes of identification, be approved and adopted and the Directors be authorised to make such modifications to the PSP as they may consider appropriate and to do all such other acts and things as they may consider appropriate to carry such amendments into effect.
14. That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (**Allotment Rights**), but so that:
    (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £3,919,237 of which:
        (i) one half may be allotted or made the subject of Allotment Rights in any circumstances; and
        (ii) the other half may be allotted or made the subject of Allotment Rights pursuant to any rights issue (as referred to in the Financial Conduct Authority's listing rules) or pursuant to any arrangements made for the placing or underwriting or other allocation of any shares or other securities included in, but not taken up under, such rights issue;
    (b) this authority shall expire 18 months after the passing of this resolution or, if earlier, on the conclusion of the Company's next Annual General Meeting;
    (c) the Company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and
    (d) all authorities vested in the Directors on the date of the notice of this Annual General Meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked.

15. That the Directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities, as defined in Section 560 of that Act, pursuant to the authority conferred on them by resolution 14 in the notice of this Annual General Meeting or by way of a sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power is limited to:

(a) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Conduct Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the Directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange; and

(b) the allotment of equity securities (other than pursuant to paragraph (a) above) with an aggregate nominal value of £293,943,

and shall expire when the authority conferred on the Directors by resolution 14 in the notice of this Annual General Meeting expires, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry.

16. That the Company is generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of that Act) of ordinary shares of 1p each in its capital, provided that:

(a) the maximum aggregate number of such shares that may be acquired under this authority is 58,788,549;

(b) the minimum price (exclusive of expenses) that may be paid for such a share is its nominal value;

(c) the maximum price (exclusive of expenses) that may be paid for such a share is the maximum price permitted under the Financial Conduct Authority's listing rules or, in the case of a tender offer (as referred to in those rules), 5% above the average of the middle market quotations for an ordinary share (as derived from the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the date on which the terms of the tender offer are announced;

(d) this authority shall expire 18 months after the passing of this resolution or, if earlier, on the conclusion of the Company's next Annual General Meeting; and

(e) before such expiry, the Company may enter into a contract to purchase shares that would or might require a purchase to be completed after such expiry.

17. That any general meeting of the Company that is not an Annual General Meeting may be convened by not less than 14 clear days' notice.

By order of the Board

R. H. Collins
Company Secretary
19 June 2014

Registered office:
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

Registered in
England and Wales
Company number
3691883

Notes

1. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.
2. The right of a member of the Company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares of 1p each ("ordinary shares") by 6.00 pm on 21 July 2014 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.
3. A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with Section 323 of the Companies Act 2006, as amended. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this Notice of Annual General Meeting. To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then be delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Capita Asset Services, PXS at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to be received by 11.00 am on 21 July 2014. Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.capitashareportal.com. If you have not previously registered to use this facility you will require your investor code which can be located on the enclosed proxy form. In order to be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by the same time. Members who hold their shares in uncertificated form may also use the CREST voting service to appoint a proxy electronically, as explained below. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.
4. Any person to whom this notice is sent who is currently nominated by a member of the Company to enjoy information rights under Section 146 of the Companies Act 2006, as amended, (a "nominated person") may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
5. Voting on all resolutions will be conducted by way of a poll, rather than a show of hands. This is a more transparent method of voting as members' votes are counted according to the number of ordinary shares held. As soon as practicable following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against, together with the number of votes actively withheld in respect of, each of the resolutions will be announced via a Regulatory Information Service and will also placed on the Company's website: www.norcros.com.
6. As at 16 June 2014 (being the latest practicable date prior to the printing of this document), (i) the Company's issued share capital consisted of 587,885,491 ordinary shares carrying one vote each and (ii) the total voting rights in the Company were 587,885,491.
7. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with Section 319A of the Companies Act 2006, as amended, and subject to some exceptions, the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act 2006, as amended, to publish on a website in advance of the meeting may be viewed at www.norcros.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.
8. It is possible that, pursuant to members' requests made in accordance with Section 527 of the Companies Act 2006, as amended, the Company will be required to publish on a website a statement in accordance with Section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the Company's latest audited accounts. The Company cannot require the members concerned to pay its expenses in complying with those sections. The Company must forward any such statement to its auditor by the time it makes the statement available on the website. The business that may be dealt with at the meeting includes any such statement.

Notes continued

9. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in the CREST voting service section of the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a "CREST proxy appointment instruction") must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited ("Euroclear") and must contain all the relevant information required by the CREST manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Capita Asset Services (ID RA10), as the Company's "issuer's agent", by 11.00 am on 21 July 2014. After this time, any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) Capita Asset Services is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should take into account the provisions of the CREST manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances, the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST manual, treat a CREST proxy appointment instruction as invalid.

10. The Company takes all reasonable precautions to ensure that no viruses are present in any electronic communication which it sends but does not accept responsibility for any loss or damage arising from the opening or use of any email or attachment sent by the Company. The Company recommends that members subject all emails and attachments to virus checking procedures prior to opening or use. Any electronic communication received by the Company or Capita Asset Services (including the lodgement of an electronic proxy form) which is found to contain any virus will not be accepted.

11. Copies of Directors' service contracts and letters of appointment will be available for inspection at the registered office of the Company during normal business hours each business day and at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

12. The rules of the Norcros plc 2011 Deferred Bonus Plan and the rules of the Norcros plc 2011 Performance Share Plan will be available for inspection during normal business hours on Monday to Friday (excluding bank holidays) at our registered office and at the offices of Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London EC1Y 4AG from the date of this document until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes before and during the Annual General Meeting.

13. Information regarding this meeting, including information required by Section 311A of the Companies Act 2006, is available at www.norcros.com.

Explanatory notes

The Annual General Meeting of the Company will take place at 11.00 am on 23 July 2014 at De Vere Mottram Hall, Wilmslow Road, Mottram St Andrew, Cheshire SK10 4QT. The Notice convening that meeting, together with the resolutions to be proposed, appears on pages 98 to 101 of this document. The Directors recommend all shareholders to vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

Explanatory notes in relation to the resolutions appear below:

Resolution 1

Report and accounts

For each financial year, the Directors are required to present the audited accounts, the auditor's report and the Directors' Report to shareholders at a general meeting.

Resolution 2

Approval of the Remuneration Report

The Company is required by law to seek the approval of shareholders of its annual report on remuneration policy and practice. This does not affect the Directors' entitlement to remuneration and the result of this resolution is advisory only.

The Remuneration Report for the year ended 31 March 2014 is set out in full on pages 37 to 50 of this document. Any shareholder who would like a copy of the Annual Report and Accounts 2014 can obtain one by contacting our registrar on 0871 664 0300. Alternatively, the Annual Report and Accounts 2014 can be viewed on our website at www.norcros.com.

Included in the text of the Remuneration Report is the directors' remuneration policy statement. Please note that there is a specific resolution concerning this (see Resolution 3).

Your Directors are satisfied that the Company's policy and practice in relation to Directors' remuneration are reasonable and that they deserve shareholder support.

Resolution 3

Approval of the Directors' remuneration policy statement

For the first time this year, and in accordance with the Companies Act 2006, the Company proposes an ordinary resolution to approve the Directors' remuneration policy statement contained in the Directors' Remuneration Report. The policy statement is set out on pages 39 to 43 of the Annual Report. The vote on this resolution is binding and, if passed, will mean that the Directors can only make remuneration payments in accordance with the approved policy. The Company is required to ensure that a vote on its remuneration policy takes place annually unless the approved policy remains unchanged, in which case the Company will propose a similar resolution at least every three years.

Resolution 4

Dividend

The payment of the final dividend requires the approval of shareholders in general meeting. If the meeting approves resolution 4, the final dividend of 0.34 pence per ordinary share will be paid on 30 July 2014 to ordinary shareholders who are on the register of members on 27 June 2014 in respect of each ordinary share.

Resolution 5

Re-election of Jo Hallas

It is proposed that Jo Hallas be re-elected as a Director.

Brief biographical details of Jo can be found on page 28. The Chairman confirms that, following performance evaluation, Jo's performance continues to be effective, she demonstrates commitment to the role and she possesses the necessary experience and knowledge. The Board therefore unanimously recommends that Jo be re-elected as a Director.

Resolution 6

Re-election of Martin Towers

It is proposed that Martin Towers be re-elected as a Director.

Brief biographical details of Martin can be found on page 28. The Board confirms that, following performance evaluation, Martin's performance continues to be effective, he demonstrates commitment to the role and he possesses the necessary experience and knowledge. The Board unanimously recommends that Martin be re-elected as a Director.

Resolution 7

Re-election of David McKeith

It is proposed that David McKeith be re-elected as a Director.

Brief biographical details of David can be found on page 29. The Chairman confirms that, following performance evaluation, David's performance continues to be effective, he demonstrates commitment to the role and he possesses the necessary experience and knowledge. The Board unanimously recommends that David be re-elected as a Director.

Resolution 8

Re-election of Nick Kelsall

It is proposed that Nick Kelsall be re-elected as a Director.

Brief biographical details of Nick can be found on page 29. The Chairman confirms that, following performance evaluation, Nick's performance continues to be effective, he demonstrates commitment to the role and he possesses the necessary experience and knowledge. The Board unanimously recommends that Nick be re-elected as a Director.

Resolution 9

Re-election of Martin Payne

It is proposed that Martin Payne be re-elected as a Director.

Brief biographical details of Martin can be found on page 29. The Chairman confirms that, following performance evaluation, Martin's performance continues to be effective, he demonstrates commitment to the role and he possesses the necessary experience and knowledge. The Board unanimously recommends that Martin be re-elected as a Director.

Resolution 10

Re-appointment of auditor

The Company is required to appoint an auditor at each general meeting before which accounts are laid, to hold office until the end of the next such meeting. PricewaterhouseCoopers LLP has indicated that it is willing to continue as the Company's auditor for another year. You are therefore asked to re-appoint PricewaterhouseCoopers LLP. The Directors recommend the re-appointment of PricewaterhouseCoopers LLP.

Resolution 11

Remuneration of auditor

The resolution follows best practice in giving authority to the Directors to determine the remuneration of the Company's auditor.

Resolution 12

Amendment to the rules of the Norcros plc 2011 Deferred Bonus Plan (DBP)

The Company's Remuneration Report outlines the proposed changes to Executive Directors' remuneration for 2014. As part of these changes the Committee proposes to make the following change to the rules of the DBP.

Currently the rules of the DBP do not allow for options granted under the DBP to be made with an entitlement to dividend equivalents. It is proposed that the rules of the DBP be amended so that in future options granted under the plan will be made on the basis that, on the exercise of an option, a participant shall receive an amount in cash and/or shares equivalent to the value of the dividends that would have been paid on the shares between the date of grant of the option and the date of vesting.

The Remuneration Committee has consulted with its principal shareholders in relation to the proposed amendment and received general support.

Resolution 13

Amendment to the rules of the Norcros plc 2011 Performance Share Plan (PSP)

The proposed change to the rules of the PSP is exactly the same as for the DBP outlined above.

Again, the Remuneration Committee has consulted with its principal shareholders in relation to the proposed amendment and received general support.

Resolution 14

Power to allot shares

Most listed companies renew their directors' authority to issue shares at each Annual General Meeting. Such an authority was granted at last year's Annual General Meeting and is due to expire on 24 January 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company. In accordance with best practice, this resolution seeks to renew the Directors' authority to allot shares.

Resolution 14, if passed, will renew the Directors' authority to allot shares in the capital of the Company up to a maximum aggregate nominal value of £3,919,237 (representing 391,923,700 ordinary shares). This represents the Association of British Insurers' (ABI) guideline limit of approximately two thirds of the Company's issued ordinary share capital as at 16 June 2014 (being the latest practicable date prior to the publication of this document). Of this amount, ordinary shares to an aggregate nominal value of £1,959,618 (representing 195,961,800 ordinary shares which is approximately one third of the Company's issued ordinary share capital as at 16 June 2014 (being the latest practicable date prior to the publication of this document)), can only be allotted pursuant to a rights issue.

As at 16 June 2014 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in the Company in treasury. The renewed authority will remain in force until 18 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2015.

The Directors have no present intention of exercising this authority. The purpose of giving the Directors this authority is to maintain the Company's flexibility to take advantage of any appropriate opportunities that may arise.

Resolution 15

Disapplication of pre-emption rights

The Directors are currently authorised, subject to certain limitations, to issue securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That authority will expire on 24 January 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company and, in accordance with best practice, this resolution (which will be proposed as a special resolution) seeks to renew the Directors' authority to disapply pre-emption rights.

Other than in connection with a rights or other similar issue or where, for example, difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements, the authority contained in this resolution will be limited to an aggregate nominal value of £293,943, which represents 29,394,300 ordinary shares and is approximately five per cent of the Company's issued ordinary share capital as at 16 June 2014 (being the latest practicable date prior to the publication of this document)). The renewed authority will remain in force until 18 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2015.

In accordance with the Statement of Principles on disapplying pre-emption rights issued by the Pre-Emption Group (which is supported by the ABI, the National Association of Pension Funds Limited and the Investment Managers Association), the Board confirms its intention that no more than 7.5% of the issued share capital will be issued for cash on a non pre-emptive basis during any rolling three year period.

Resolution 16

Authority to purchase own shares

This resolution, which will be proposed as a special resolution, is a resolution which the Company proposes to seek on an annual basis, in line with other listed companies in the UK, to give the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to an aggregate maximum of 58,788,549 ordinary shares which have an aggregate nominal value of £587,885 (representing approximately 10% of the aggregate nominal value of the issued ordinary share capital of the Company as at 16 June 2014 (being the latest practicable date prior to the publication of this document)) and sets minimum and maximum prices. The renewed authority will remain in force until 18 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2015.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares, but will keep the matter under review, taking into account other investment opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would promote the success of the Company and be in the best interests of its shareholders generally. To the extent that any shares so purchased are held in treasury (see below), earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. If any shares are purchased, they will be either cancelled or held in treasury. Any such decision will be made by the Directors at the time of purchase on the basis of the shareholders' best interests. Shares held in treasury can be cancelled, sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes. Any shares held in treasury would not be eligible to vote nor would any dividend be paid on any such shares. If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares, then such shares would be immediately cancelled, in which event the number of ordinary shares in issue would be reduced.

The Directors believe that it is desirable for the Company to have this choice. Holding the repurchased shares as treasury shares gives the Company the ability to re-issue them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base.

As at 16 June 2014 (being the latest practicable date prior to the publication of this document), there were warrants and options over 31,160,091 ordinary shares in the capital of the Company, which represent, in aggregate, approximately 5.30% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options and warrants would represent approximately 5.89% of the Company's issued ordinary share capital. As at 16 June 2014 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in treasury.

Resolution 17

Notice of general meeting

This special resolution is required in order to preserve the ability of the Company to convene general meetings (other than Annual General Meetings) of the Company on not less than 14 clear days' notice, rather than on not less than the 21 days' notice that would otherwise be required. In order to preserve this ability, the Company's shareholders must have approved the calling of such meetings on not less than 14 clear days' notice. Resolution 17 seeks such approval.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of the shareholders as a whole.

The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic proxy submission under the Companies (Shareholders' Rights) Regulations 2009 before it can call a general meeting on such notice.

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