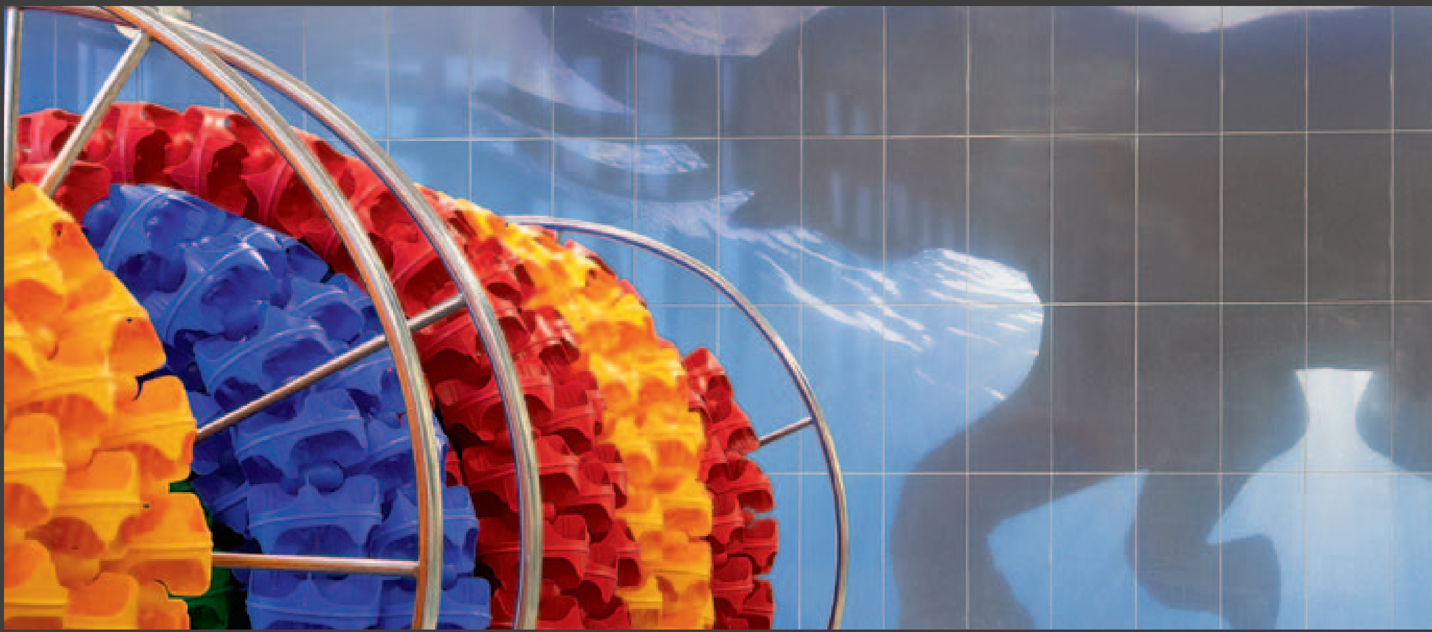
norcros

Annual report and accounts 2012

About Norcros
Focused on showers, tiles and adhesives

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

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 invest significantly and continuously in our people and processes. We are a substantial Group with consistent, high quality standards and considerable resources. We aim to use our strong brands, our innovative products and our leading market positions to drive investment returns and shareholder value.



We organise our Group into three geographic areas: the UK, South Africa and the Rest of the World.

Revenue share >

Operations >

UK: 58%

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

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

South Africa: 37%

Tile Africa
Tile Africa is our South African retailer of tiles, adhesives, sanitaryware and bathroom fittings. The business operates from 37 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
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

Full reviews of each division on pages:
6 8 10

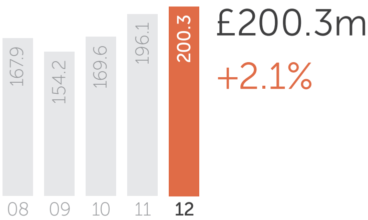
Rest of the World: 5%

Johnson Tiles Australia
Our business is an importer and distributor of tiles sourced primarily from Asia and Europe, including product sourced from Johnson Tiles in the UK. It currently has outlets in Melbourne, Sydney and Tasmania, each offering a wide choice of tiles, adhesives and related products

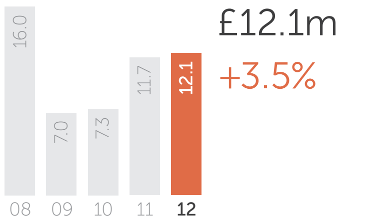
Review of the year
Highlights

- Group revenue increased by 2.1% to £200.3m (2011: 196.1m)
- Group underlying operating profits of £12.1m (2011: 11.7m) were 3.5% ahead of the prior year
- Exit of onerous legacy lease at Springwood Drive, Braintree at a cost of £7.8m but saving £3.3m per annum in future years
- Completed bank refinancing, securing £51m bank facility on improved terms until October 2015
- Sale of surplus land to WM Morrison Supermarkets plc subject to successful planning application for approximately £2.6m
- The Board is recommending a final dividend of 0.28p per share in addition to the interim dividend of 0.14p per share, making a full year dividend of 0.42p, a 16.7% increase on last year

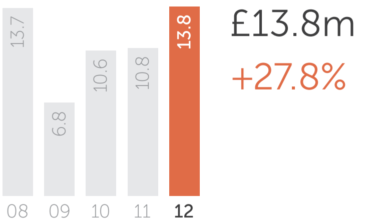
Revenue



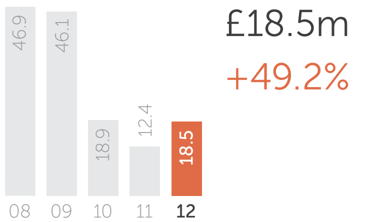
Underlying operating profit



Cash generated from operations
(before lease surrender costs)



Net debt
(before prepaid finance costs)



Our full financial review begins on page 12

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Norcros enjoys market leading positions and well established brands in showers, tiles and adhesives. With its strong Balance Sheet, cash generation and well invested businesses the Group is focused on enhancing shareholder value both by organic growth and through acquisition in the UK and internationally.

Our strategy

Excite our customers with innovative high quality products and services through excellent product design and brand development

Read more in the business review from page:
6

Invest in organic growth opportunities in our three complementary business streams: showers, tiles and adhesives

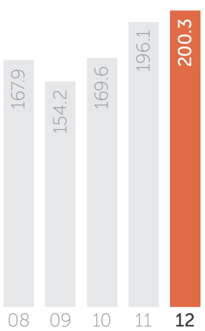
Read more in the business review from page:
6

Apply the expertise we have developed in the UK and South Africa to new growth markets and complementary product streams

Full reviews of each geographic segment can be found on pages:
6 8 10

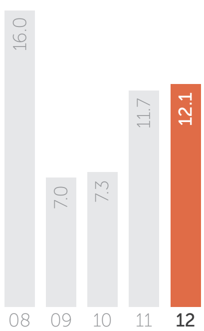
Key performance indicators

Revenue



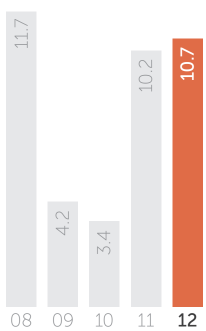
£200.3m
+2.1%

Underlying operating profit



£12.1m
+3.5%

Underlying profit before tax (£m)



£10.7m
+5.3%

Continue to generate cash and further strengthen our strong balance sheet

An overview of our results can be found in the financial review on page:

12

Deliver capital growth and a progressive dividend income for our shareholders

Details of this year's dividends are in the Chairman's statement on page:

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Ensure high standards of corporate governance and responsibility

Refer to our Corporate social responsibility review and Corprorate governance section on pages:

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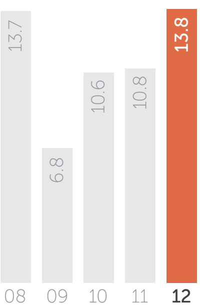
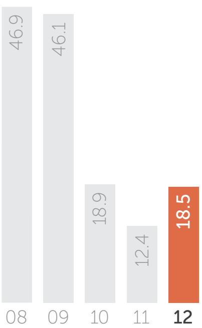
Cash generated from operations
(before lease surrender costs)



£13.8m
+27.8%

Net debt
(before prepaid finance costs)



£18.5m
+49.2%

Our new-look website holds up-to-the minute information, including investor and media centres. Go to **www.norcros.com**

Chairman's statement

Another strong performance

The Group has made good progress during the last twelve months despite trading conditions that remain difficult and uncertain.

John Brown Chairman

Summary

- Group revenue increased by 2.1% to £200.3m (2011: 196.1m)
- Group underlying operating profits of £12.1m (2011: 11.7m) were 3.5% ahead of the prior year
- Exit of onerous legacy lease at Springwood Drive, Braintree at a cost of £7.8m but saving £3.3m per annum in future years
- Completed bank refinancing, securing £51m bank facility on improved terms until October 2015
- Sale of surplus land to WM Morrison Supermarkets plc subject to successful planning application for approximately £2.6m
- The Board is recommending a final dividend of 0.28p per share in addition to the interim dividend of 0.14p per share, making a full year dividend of 0.42p, a 16.7% increase on last year

I am pleased to report another strong performance by Norcros in the year to 31 March 2012. Good underlying revenue growth was achieved in difficult markets, with underlying operating profit ahead of last year and margins maintained.

During the year a major legacy leasehold property obligation at Springwood Drive was bought out on highly satisfactory terms, an agreement was entered into to sell an element of our surplus land to WM Morrison Supermarkets plc subject to planning permission and the Group's banking facilities were refinanced on normal banking terms in recognition of the Group's sound financial position.

The Group has made good progress during the last twelve months despite trading conditions that remain both difficult and uncertain. Many operational and financing issues have been successfully resolved, as a consequence of which the Board anticipates being able to move forward and consider the strategic growth opportunities open to the Group's businesses and its strong market positions.

Results

The period under review consisted of 52 weeks compared to 53 weeks last year.

Group revenue increased by 2.1% to £200.3m (2011: £196.1m). On a like for like number of weeks constant currency basis this represents a 5.6% increase.

Underlying operating profit at £12.1m (2011: £11.7m) was 3.5% higher than the previous year and on a like for like number of weeks constant currency basis was 5.7% higher. Furthermore, operating margins were maintained at 6.0% (2011: 6.0%).

Underlying profit before taxation was £10.7m (2011: £10.2m), driven by higher underlying operating profits and lower financing costs.

Profit before tax at £9.4m (2011: £7.5m) was 25.3% higher than the previous year.

Basic earnings per share as reported were 33.3% higher at 1.6p (2011: 1.2p) and basic underlying earnings per share were 18.8% higher at 1.9p (2011: 1.6p).

Net cash generated from operations before the Springwood Drive exit costs of £7.8m was £13.8m (2011: £10.8m). Capital expenditure at £6.7m (2011: £6.3m) included the balance of investment in new capacity in Johnson Tiles UK, buffer systems in Johnson Tiles South Africa, a new adhesive plant in Durban, South Africa, and continued new product development expenditure in Triton Showers.

Net debt (before prepaid finance costs) at 31 March 2012 was £18.5m (2011: £12.4m) and increased principally as a result of the previously announced £7.8m buyout of the lease at Springwood Drive. This still left leverage as measured by net debt to EBITDA at just over one times with all banking covenants met with comfortable headroom.

The UK defined benefit pension scheme deficit calculated under IAS 19 increased to £18.7m (2011: £7.0m). Although asset values continued to increase, liabilities increased further driven by a significant reduction in the discount rate.

Dividend

The Board is recommending that the final dividend for the year be increased by 16.7% to 0.28p per share in addition to the interim dividend of 0.14p per share which was paid on 6 January 2012. This would make the total dividend for the year 0.42p per share, a 16.7% increase on the previous year. This final dividend, if approved at the Annual General Meeting, will be payable on 31 July 2012 to shareholders on the register on 29 June 2012. The shares will be quoted ex-dividend on 27 June 2012.

Employees

Continuing to drive strong results in the current economic climate is a testament to the commitment, dedication and talent of all our employees. On behalf of the Board I would like to thank everyone in the Group for their continued support.

Summary and outlook

Group revenue in the first two months of the current year is in line with expectations. Johnson Tiles UK and South Africa have started well, but Triton has been weaker.

Our businesses continue to trade robustly in uncertain markets and management will continue to drive the self help strategies that have proved successful over the last two years. The strength of our brands, our market positions, our customer relationships and the encouraging operational improvements in the latter part of the year in both the South African and UK tiles businesses gives the Board confidence that unless markets deteriorate further, our businesses will continue to make progress in the coming year.

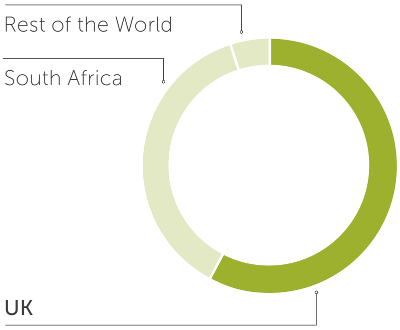
J. E. Brown
Chairman
21 June 2012

We have continued to invest in our businesses through this protracted economic downturn and succeeded in growing market share, all of which leaves the Group well placed to capitalise on any recovery in our markets.

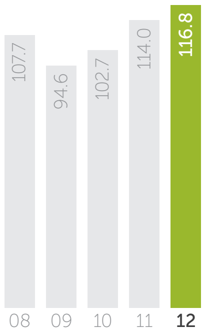
Nick Kelsall Group Chief Executive

Summary

Share of Group revenue

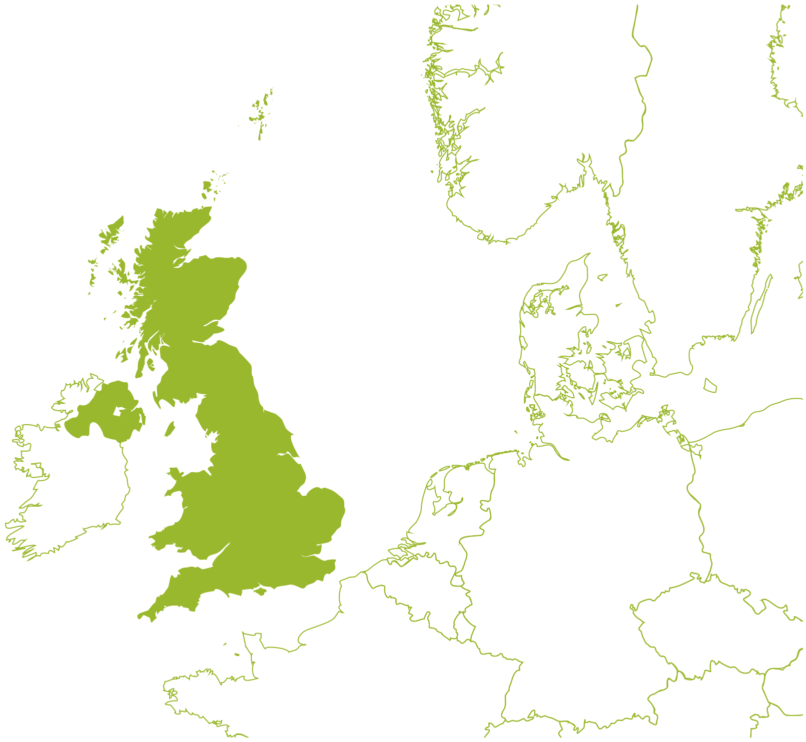


UK revenue



£116.8m

+2.4%



Revenue increased in the year by 2.4% to £116.8m (2011: £114.0m) or 4.3% on a like for like number of weeks basis. Selling price increases and strong cost control has helped mitigate significant energy cost increases in Johnson Tiles and has resulted in a 7.7% increase in underlying operating profit to £12.5m (2011: £11.6m). This represents an improved margin of 10.7% (2011: 10.2%) and is a creditable performance in challenging market conditions.

Triton Showers

Triton, the UK market leading domestic shower business, continued its strong performance with a year of improved profitability and cash generation, despite a 0.9% decline in revenue on a like for like number of weeks basis.

In the UK, revenue was 0.8% lower on a like for like number of weeks basis and in line with the market. After the challenging Christmas period previously reported, trading improved in the last two months of the year. Our strong brand, high quality leading products and excellent customer relationships helped us improve our market share in the retail sector and we had significant success in the specification sector with our thermostatic electric products, particularly the Safeguard range aimed at the care and retirement market.

Export revenue was 1.2% lower on a like for like number of weeks basis. The primary export market for Triton is Ireland and although lower than last year, this is a good result given the general economic conditions in this market.

Bolton One leisure facility

Johnson Tiles UK used their expertise to give the pool, spectator seating areas and separate hydrotherapy pool a luxurious finish befitting this new £31m facility. The tiling also included a giant 8m by 3m bespoke mural created using Johnson Tiles' unique Artile service.

"Virtually any image type – from photographs to paintings and pencil sketches – can be reproduced as tiles using our Artile service. It gives designers endless scope to create unique, bespoke ceramic tiles, and that's just what's been achieved at Bolton One. We've been able to demonstrate that when it comes to pool tile design, anything goes."

Phil Taylor
Johnson Tiles

Focus and attention on new product introduction continued with the launch in the final quarter of the year of the Triton T80z Fast Fit range, the most significant product launch for over ten years. The range boasts a new "swivel fit" feature for water inlet and a "swing fit" feature for electrical connections which increases installation flexibility and reduces installation time. The range has been extremely well received by installers and the trade sector. New product continues to be the lifeblood of the business and with further developments planned for the coming year, the business is well positioned to make further progress.

Underlying operating profits and margins were ahead of last year reflecting cost reduction initiatives and tight overhead control more than offsetting input cost increases in copper and plastics.

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 increase by 8.7% on a like for like number of weeks basis.

In the UK sales grew by 10.2% reflecting our strong and growing presence in the retail sector driven by our product offering, logistics expertise and strong financial position which all helped us to outperform the market. Although the trade sector was a little more subdued during the year, our continued focus and investment in the architect and designer segment which started last year with a refurbishment of our Material Lab studio in Central London, the re-launch of the Absolute product portfolio and the launch of a dedicated swimming pool range has driven good revenue growth. Projects won in the year include the work on the Olympic Village, Marks & Spencer, Premier Inn, Next, Legoland and Gleneagles Hotel. The demise of a key competitor, Pilkington Tiles, in the middle of 2010 means comparatives have become more challenging in the second half of the year but despite that this result is still a creditable performance.

Export sales declined 1.9% with supply issues constraining sales in the first half of the year. These issues are now largely resolved and export sales in the second half of the year were ahead of the prior year.

Following the commissioning of the new kiln in March 2011, operational problems were encountered in various parts of the plant which led to production inefficiencies and customer service issues in the mid part of the year. These problems were largely resolved in the final quarter and efficiency and service levels are now back to normal.

The business has experienced a 23% increase in energy costs versus last year which has adversely affected margins. Selling price increases and cost savings through headcount reduction were implemented during the second half of the year to help mitigate these impacts, albeit underlying operating profits were lower than the previous year.

Norcros Adhesives

Norcros Adhesives, our manufacturer and supplier of tile and stone adhesives and ancillary products, saw revenue grow by 17.3% in the year. Albeit from a relatively low base, this is another year of strong growth and still leaves a significant addressable market to gain further share.

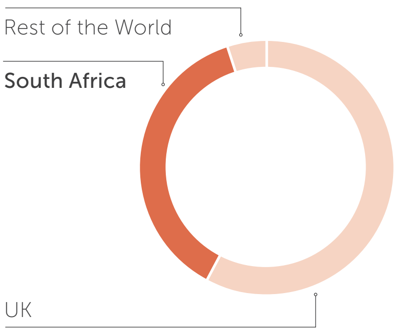
Notable contract wins in the year include national specifications for Barratt Homes and David Wilson Homes as well as refurbishment projects at Asda, Next and H&M. To service this project demand, seven regional and one national distributor were appointed, further broadening our distribution base.

Investment in new products and plant continued in the year with the installation of a high speed powder bagging machine which has increased efficiency in this part of the plant by 40%. Capacity is now in place to accommodate significant further revenue growth with the business focus for this year to continue to broaden our account base and to leverage off the strong positions held by our other UK businesses in the retail sector.

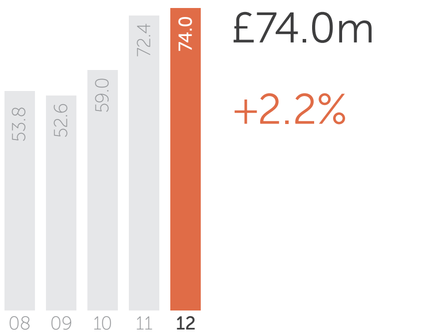
It is pleasing to report that the difficult actions taken in the year have substantially improved performance in the final quarter of last year and the early part of the current year.

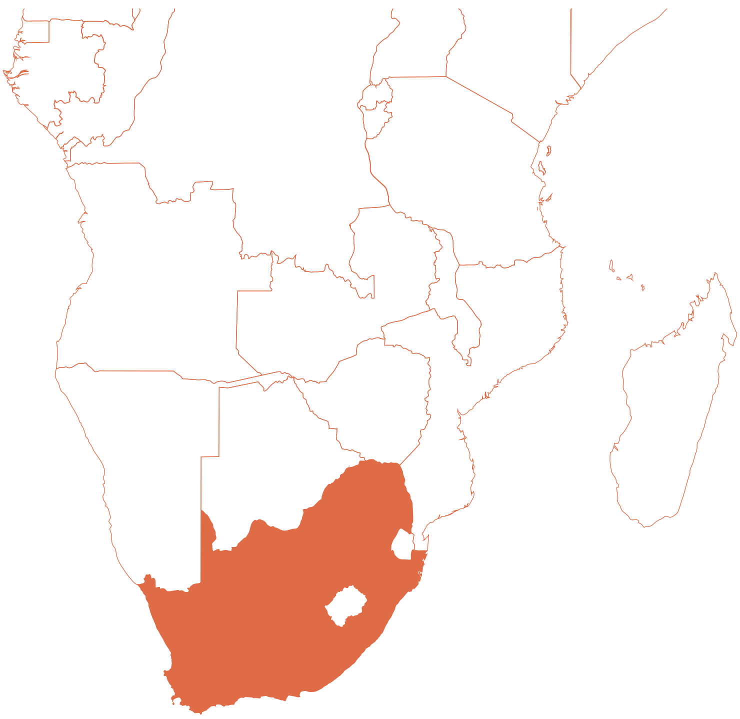
Summary

Share of Group revenue



South Africa revenue





Revenue for the year grew 2.2% to £74.0m (2011: £72.4m) although on a constant currency like for like basis this represented a 9.7% increase. Both Tile Africa, our retail operation, and TAL, our adhesive business have made good progress in the year and delivered profitable results on the back of encouraging revenue growth. Johnson Tiles has however endured a challenging year with major plant restructuring and significant changes being made to the manufacturing management team, production processes and controls. As a consequence, our performance in South Africa in the first nine months of the year was materially impacted by manufacturing inefficiencies and, together with increased energy costs in the year, resulted in an overall underlying operating loss of £0.5m (2011: £0.2m profit). It is pleasing to report however that the difficult actions taken in the year have substantially improved performance in the final quarter of last year and the early part of the current year.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesive, showers, sanitaryware and bathroom fittings, saw revenue increase 4.8% on a constant currency like for like number of weeks basis. An improved product offer, continuing benefits from our store refit programme and operational improvements helped drive this outperformance in what continues to be a difficult market.

Gross margins have been maintained despite an extremely competitive trading environment, benefiting from continued focus on underperforming stores and cost control, resulting in significantly improved profitability.

Tile Africa case study

"It is important to have a material supplier like Tile Africa who understand our business and brand and whom can give the right advice for new, expansion and revamp projects. Their intimate knowledge means they have an understanding of the needs and requirements to deliver the job correctly and carry back-up stock to ensure that the revamps and expansions are cost-effective."

Leonard Henry
Pick 'n' Pay Franchise
National operations manager

The store refit programme has continued with a further two stores upgraded to the Lifestyle model in the year leaving 20 of our 31 owned stores now upgraded. The store model continues to be refined as we look to maximise the return on our occupied space and some stores previously reported as converted now require some further enhancements.

Furthermore, two new franchise stores were opened in the year, Burgersfort, South Africa in October 2011 and Gaborone, Botswana in November 2011, bringing the total number of franchise stores to six. Of our 37 stores, 35 stores are located in South Africa and one each in Namibia and Botswana.

TAL Adhesives

TAL, our market leading adhesives business in South Africa, saw independent sector revenue grow 14.1% on a constant currency like for like number of weeks basis and helped it deliver another profitable year.

Our tile adhesive division had a particularly good year with market share growth in the retail and wholesale sectors driven by significant account wins in the growing retail DIY sector such as Builders Warehouse and Malls. Strong progress was also made in our export business with new customers gained in sub-Saharan Africa reflecting the success of our recently established export sales team.

As part of our strategy to leverage our customer relationships and move into complementary product streams, a new range of tiling tools was successfully launched into Builders Warehouse in the last quarter of the year. These have been well received in the market.

A new tile adhesive plant was opened in Durban, Natal, in September 2011 and is now fully commissioned. Our manufacturing presence in Durban has helped offset increased distribution costs due to higher fuel costs and allowed us to grow our share of this market.

The key focus in the coming year will be to further grow market share both in and outside of South Africa, continuing to broaden our product offer and expanding our geographical spread.

Johnson Tiles South Africa

Johnson Tiles South Africa has had a number of key successes in the retail sector this year with independent sector revenue increasing 34.7% on a constant currency like for like number of weeks basis.

Major new supply contracts have been secured with Builders Warehouse and other retailers during the year, with an improved and high quality product offering helping win the business. Another key factor in this success has been the adoption of our strategy of importing complementary tile products to create a "one-stop shop" for larger retailers, a strategy that has proved extremely successful in Johnson Tiles UK with our leading DIY customers.

In October 2011 a new manufacturing management team was put in place following an increasing number of operational issues that were constraining the financial performance of the business in the first half. It is encouraging to report that significant improvements have been seen in the final quarter of the year and have continued into the early part of the current year. High levels of downtime and poor quality output driven by inadequate preventative maintenance programmes as well as sub-optimal operating practices have been addressed and capital expenditure on buffer systems and refurbishment of presses were implemented during the year.

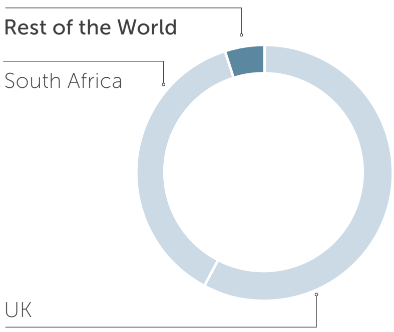
In addition, energy costs increased by 25% against the previous year and, together with increases in raw material prices, has added further pressure on margins. Although the improved operational performance in the last quarter has fed through into financial performance in the last quarter, the business still recorded a loss for the year.

With a highly motivated management team, and encouraged by the commercial successes in the year and recent improvements in operational performance, the focus is on completing the transformation of Johnson Tiles South Africa into a profitable business.

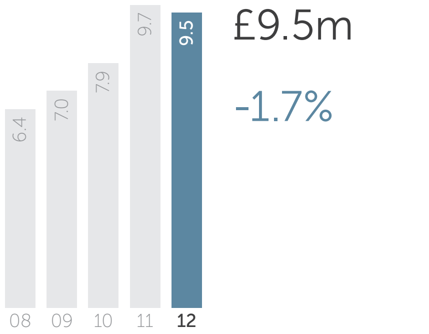
A change in channel focus along with a major overhaul of the product range and a strong Australian Dollar reducing import costs have all contributed to a return to profitability.

Summary

Share of Group revenue



Rest of the World revenue



Australia
With building approvals down 15% compared to the previous year, the Australian market has proved particularly difficult this year. Against that backdrop, Johnson Tiles Australia has performed relatively well, with revenue in the year reducing 1.7% to £9.5m (2011: £9.7m) or 7.1% lower on a constant currency like for like number of weeks basis.

A change in channel focus in the year towards higher margin direct specification business with builders, developers, architects and supply and fix accounts has been successful and this, along with a major overhaul of the product range and a strong Australian Dollar reducing import costs, have all contributed to a return to profitability with underlying operating profit at £0.1m (2011: £0.1m loss).

As noted in last year's report, the option to relocate the business and release cash from the freehold site in Melbourne was investigated, but with the weak Australian property market, the Board decided to re-assess the position when property markets recover.

Group summary
With our leading brands and market positions, high quality and innovative products, strong customer relationships, talented people and successful self help initiatives our businesses continue to make progress in extremely difficult markets. The encouraging operational improvements in both our UK and South African tile manufacturing businesses in the final quarter of the year provide a solid platform to deliver a further improvement in financial performance in the current year.

We have continued to invest in our businesses through this protracted economic downturn and succeeded in growing market share, all of which leaves the Group well placed to capitalise on any recovery in our markets.

Glasgow Housing Association

Triton Showers supply the appointed contractors carrying out refurbishments and care adaptations in Glasgow House Association dwellings. As shower experts, Triton's local service engineers also deliver priority responsive maintenance for shower installations on behalf of contractors City Building LLP.

"The needs of the ageing population and ease of use for all tenants, particularly those with limited mobility, are issues that have to be considered when selecting products for home adaptations. Being able to give the reassurance of exceptional showering safety levels not only means peace of mind but also ensures greater independence from carers wherever possible. The Triton Safeguard showers have answered three points as we look to the future of adapting homes. Firstly they deliver temperature stability for all installations. Installation is quick and simple keeping disruption to a minimum. Lastly the user-friendly design features ensure they can be used by all, giving that extra independence that is so important to so many."

Ronnie Reagan
Manager of the Assisted Living Section at City Building LPP

The Board is recommending a final dividend of 0.28p per share, which, together with the interim dividend of 0.14p, makes a total dividend of 0.42p in respect of the year ended 31 March 2012.

Martin Payne Group Finance Director

Summary

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- Group underlying operating profits of £12.1m (2011: 11.7m) were 3.5% ahead of the prior year
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All results, reports, presentations and share price information can be found on our new website at **www.norcros.com**

Revenue

Group revenues increased on a reported basis by 2.1% or by £4.2m to £200.3m (2011: £196.1m). The underlying increase on a constant currency like for like number of weeks basis was 5.6% reflecting the translation impact of the South African Rand and Australian Dollar against Sterling and a 53 week period last year. The Group recorded increases in revenue in its UK businesses of 4.3% on a like for like number of weeks basis and an increase on a constant currency like for like number of weeks basis in South Africa of 9.7%. On the same basis revenue fell in Australia by 7.1%.

Underlying operating profit

Underlying operating profit, as reported, increased by 3.5% to £12.1m (2011: £11.7m) and on a constant currency basis by 5.7% (2011 restated to constant currency: £11.4m). Our UK businesses continued their strong performance with underlying operating profits of £12.5m against £11.6m last year despite the continuing tough market conditions. Our South African business made an underlying loss of £0.5m against a profit of £0.2m last year. The challenging year endured by Johnson Tiles in South Africa was the major reason for the disappointing result. In Australia an underlying operating profit of £0.1m compares to an equivalent loss in the prior year. Overall operating margins were stable at 6.0%.

Exceptional items and operating profit

Net exceptional items were £nil in the year with £0.5m of restructuring costs being offset by £0.5m of other benefits.

Operating profit was £12.1m (2011: £10.6m).

Key cash flow components and movement in Group net debt

	2012 £m	2011 £m
Cash flow from operations (before lease surrender costs)	13.8	10.8
Lease surrender costs	(7.8)	—
Cash flow from operations	6.0	10.8
Net interest paid	(1.6)	(1.0)
Taxation	(0.6)	(0.6)
Net cash generated from operating activities	3.8	9.2
Issue of share capital	0.2	—
Capital expenditure	(6.7)	(6.3)
Dividends	(2.2)	(0.7)
Proceeds from sale of shares in investments	—	4.4
Other items including other disposal proceeds, foreign exchange, rolled up interest and amortised financing costs	(2.3)	(1.3)
Movement in net debt	(7.2)	5.3
Opening net debt	(10.6)	(15.9)
Closing net debt	(17.8)	(10.6)

Finance costs
Finance costs decreased to £3.1m from £3.4m in 2011 reflecting better interest rates achieved following the Group's refinancing in September 2011. In addition a charge of £1.2m for exceptional finance costs has been made relating to the immediate write-off of finance costs from the previous financing which were due to be fully amortised by October 2012.

Other finance income of £1.6m (2011: £0.1m) relate to our UK defined benefit pension scheme. The large credit reflects the year on year movements in expected rates of return and pension scheme assets, liabilities and discount rates.

Profit before tax
Underlying profit before tax was £10.7m (2011: £10.2m) reflecting the increased underlying operating profit and reduced finance costs noted above.

The Group reported profit before tax of £9.4m (2011: £7.5m).

Taxation
A taxation charge of £nil has arisen for 2012 (2011: £0.8m). This is principally driven by the recognition in the year of certain UK deferred tax assets which has offset the charge for UK corporation tax.

Earnings per share
Underlying earnings per share amounted to 1.9p (2011: 1.6p). Basic earnings per share was 1.6p (2011: 1.2p).

Dividends
As previously announced it is the Board's intention to implement a progressive dividend policy subject to the Group's earnings, cash flow and balance sheet position. As such the Board is recommending a final dividend of 0.28p per share, which, together with the interim dividend of 0.14p, makes a total dividend of 0.42p in respect of the year ended 31 March 2012.

Pension schemes
The Group contributed £2.2m into its UK defined benefit pension scheme during the year (2011: £2.1m). This included £1.0m additional contribution as part of the 2009 deficit recovery plan.

The total charge in respect of defined benefit schemes to operating expenses (excluding exceptional credits) in the Consolidated Income Statement was £1.5m (2011: £1.3m).

The gross defined benefit pension scheme valuation on the UK scheme showed a deficit of £18.7m compared to a deficit of £7.0m last year. The higher deficit mostly reflects the increase in liabilities due to a reduced discount rate of 4.95% from 5.5% last year.

The Group's contributions to its defined contribution pension schemes were £1.1m (2011: £1.0m).

Cash flow and financial position
Although cash flow from operations reduced to £6.0m from £10.8m in the previous year this included £7.8m of lease surrender costs to exit the onerous lease at Springwood Drive, Braintree. This lease exit will save the Group annualised cash costs of £3.3m. Excluding this one off item the Group's cash generation of £13.8m is a significant improvement on last year reflecting the Group's increased profitability and control over working capital. Net cash generated from operating activities was £3.8m (2011: £9.2m). The table above sets out the key cash flow components and the movement in Group net debt.

The Group's net interest payments have increased as no interest has been received on loans to associates which have previously been fully impaired.

The Group's working capital increased by only £0.4m in the year (2011: increase of £1.0m). This reflects management's continuing actions to tightly control working capital in the current economic conditions.

Capital expenditure of £6.7m includes the final payments for the investment in a new kiln and inkjet machine in Johnson Tiles, buffer stock equipment and store refurbishments in South Africa and new product development at Triton Showers.

In the previous year the Group received £4.4m from the sale of R.J. Beaumont & Co Pty Ltd.

Financial review
Continued

The Board considers that its key performance indicators are the measures most relevant in monitoring its progress to creating shareholder value.

Bank funding
Following a re-financing in September 2011 the Group has available a revolving credit facility of £51.0m of which £30.0m is available as cash drawings. This facility expires in October 2015 and is currently subject to a margin of 1.5% above LIBOR.

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 2012 and 2011 are shown in the table opposite.

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 2011 had the effect of reducing 2011 reported Group revenue by £2.9m but had no effect on Group trading profit.

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director

Key performance indicators

	2012 £m	2011 £m	Change %
Revenue*	200.3	192.4*	+4.1%
Underlying operating profit	12.1	11.7	+3.5%
Underlying profit before tax	10.7	10.2	+5.3%
Underlying earnings per share – pence	1.9p	1.6p	+18.8%
Cash generated from operations (before lease surrender costs)	13.8	10.8	+27.8%
Net debt (before prepaid finance costs)	(18.5)	(12.4)	+49.2%

* Restated on a 52 week basis.

	Average rate vs £	
	2012	2011
South African Rand	11.53	10.99
Australian Dollar	1.51	1.60
Euro	1.16	1.17
US Dollar	1.60	1.56

	Closing rate vs £	
	2012	2011
South African Rand	12.26	10.79
Australian Dollar	1.54	1.55
Euro	1.20	1.13
US Dollar	1.60	1.60

Operational risk management

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance. Norcros has a system of risk management which identifies these items and seeks ways of mitigating such risks as far as possible. The key risks which the Group believes it is exposed to are noted as follows:

Risk	Potential effects	Mitigating actions	Change from prior year
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. 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. The existence of a flexible cost base helps alleviate this potential risk in certain of the Group's businesses.	−
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.	−
Reliance on production facilities The Group has a small number of fully 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 act 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.	−
Staff retention and recruitment The Group employs over 1,600 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 there are bonus schemes and access to a final salary pension scheme which are valuable benefits. Executives and key management are now incentivised via an Approved Performance Share Plan which was approved at the 2011 AGM. This plan was implemented in the UK during the year with implementation planned in South Africa during 2012. Succession planning is an agenda item at Group Board level.	↓
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).	The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates.	The Group 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.	−

Risk	Potential effects	Mitigating actions	Change from prior year
Interest rate risk The Group pays interest and other facility fees based on current base rates and LIBOR rates.	A significant increase in interest rates would affect the Group's profitability and cash flow.	Given the current low levels of bank debt and low interest rates negotiated as part of the refinancing of bank debts this year, 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.	↓
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 2012 of £18.7m (2011: £7.0m) assessed in accordance with IAS 19. There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations.	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 19 valuation and each triennial valuation) to re-assess its position with regard to its pension commitments in conjunction with external actuarial advice.	↑
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.	–
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 is 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 during the year with a new financing agreement to October 2015. This new agreement has not materially changed the Group's available facility.	↓
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. The recent debt refinancing reduced both the number and frequency of the Group's covenant tests and provided the Group with a comfortable level of headroom.	↓
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.	–
South African operations Approximately a 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, 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 South African operations as do other Head Office staff on internal control visits.	–
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 Group maintains a leasehold provision specifically to cover these rental shortfalls, this is reviewed regularly and updated whenever significant assumptions change. 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. During 2011/12 the Group paid £7.8m as a surrender premium to exit its lease at Springwood Drive. This removed annual costs of £3.3m from the Group and significantly reduced the risks associated with the Group's property portfolio.	↓

Corporate social responsibility

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

The Board takes regular account of the significance of environmental, ethical and social matters affecting the Group and recognises that management of these matters is key to ensuring the long-term sustainability if 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, up to 36% of the body of a tile manufactured by Johnson Tiles UK is recycled ceramic waste from both its own manufacturing process and also from other ceramic manufacturers in the local area. This not only saves the company money, but avoids waste landfill and reduces the need for excavation of new materials. This and their successful energy efficiency programme has seen the business awarded the EEF National Energy Efficiency Award in January 2012 as well as being named in The Sunday Times Top 60 Best Green Companies every year since 2008. Johnson Tiles' environmental policy and brochure can be viewed on their website at www.johnson-tiles.com.

Triton Showers also have a specific environmental policy which targets the use of recyclable materials and minimising the production of waste. In addition, Triton aim to develop advanced technological solutions that make their products even more environmentally friendly. This has resulted in a number of "Eco" products being included in their range. Triton's environmental commitment can be viewed on their website at www.tritonshowers.co.uk.

Norcros innovation

Each year Johnson Tiles in the UK recycles 20,000 tonnes of ceramic waste from our own production process and those of several other local ceramic manufacturers who deliver waste to our Stoke-on-Trent factory. The ceramic waste is ground to a suitable size and added to our standard material and can constitute up to 36% of our tile body. It is estimated that 20,000 tonnes of ceramic material is equivalent to the annual household waste of 39,000 people or 24,000 cubic metres of landfill. In addition we estimate that 235,000 HGV journeys (equivalent to 360 tonnes of CO_2) are saved on raw material transport due to our recycling system.

Ethics

The Group aims to act with integrity towards all stakeholders in its businesses and respects the laws, regulations and customs in all the countries 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.

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.

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 Tile 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. In addition all our business units run 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.

Directors and officers

John Brown (Age 68)
Chairman
Appointed to the Board on admission of Norcros plc to the London Stock Exchange on 16 July 2007. He was formerly the chief executive of Speedy Hire plc which he founded in 1977. He is chairman of Henry Boot plc and a non-executive director of Lookers plc, both London Stock Exchange listed companies. He also holds a number of other directorships.

Nick Kelsall (Age 55)
Group Chief Executive
Nick Kelsall 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.

Martin Payne (Age 46)
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.

Les Tench (Age 67)
Non-executive Director
Appointed to the Board on admission of Norcros plc to the London Stock Exchange on 16 July 2007. He joined CRH plc in 1992 and from 1998 until his retirement in December 2002 was managing director of CRH Europe – Building Products. He is currently a non-executive director of Lupus Capital plc and was formerly a non-executive director of Shepherd Building Group Limited and non-executive chairman of SIG plc.

Martin Towers (Age 59)
Non-executive Director
Appointed in July 2011. He is presently a non-executive director of RPC Group plc, KCOM Group plc and Lupus Capital plc. He was formerly chief executive officer of Spice plc, group finance director of Kelda Group plc, group finance director of Spring Ram Corporation plc and finance director of McCarthy and Stone plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Advisers and company information

David Hamilton (Age 69)
Director and Company Secretary
Appointed to the Board in April 1996 having previously been appointed Company Secretary in 1989. He joined Norcros plc as Group Legal Adviser in 1973 following positions as legal adviser and legal assistant respectively with Automotive Products Associated Limited and Pfizer Limited.

Vijay Aggarwal (Age 43)
Non-executive Director
Appointed to the Board on 8 October 2009. A former merchant banker, he is currently managing director of Prism Cement Limited (formerly H & R Johnson (India) Limited). He is a graduate of the Indian Institute of Technology in Delhi and of the Indian Institute of Management in Ahmedabad, where he completed his MBA. Mr Girija Patnaik was appointed as an alternate Non-executive Director to Mr Aggarwal on 4 March 2010.

Company website
www.norcros.com

Listing details

Market	–	UK Listed
Reference	–	NXR
Index	–	FTSE All Share FTSE SmallCap
Sector	–	Construction and materials

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Registered number
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Registered in England

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Capita Registrars
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Financial PR
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Independent auditors
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Manchester M2 3PW

Financial calendar

Annual General Meeting	26 July 2012
Final dividend	Payable 31 July 2012
Interim results	Announcement November 2012
Interim Report	Available to shareholders November 2012

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2012.

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, South Africa and the Rest of the World.

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 and the Business Review on pages 4 to 14. Key performance indicators are shown on page 14.

The Directors recommend a final dividend for the year ended 31 March 2012 of 0.28p (2011: 0.24p). This follows the decision to pay an interim dividend earlier in the year of 0.14p (2011: 0.12p).

Directors

Biographical details of the present Directors are set out on pages 20 and 21. The Directors who served during the year are set out below:

John Brown	–	Chairman
Les Tench	–	Non-executive Director
Martin Towers	–	Non-executive Director (appointed 28 July 2011)
Vijay Aggarwal	–	Non-executive Director
Girija Patnaik	–	Alternate Non-executive Director to Vijay Aggarwal
Nick Kelsall	–	Group Chief Executive
Martin Payne	–	Group Finance Director
David Hamilton	–	Director and Company Secretary
Joe Matthews	–	Director (resigned 28 July 2011)
Jamie Stevenson	–	Non-executive Director (resigned 28 July 2011)

The interest of the Directors in the shares of the Company at 31 March 2012 and 31 March 2011 are shown in the Remuneration Report.

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 (2011: nil). At the Company's 2011 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 57,732,611 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.

Substantial shareholding

As at 31 May 2012 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
Lifestyle Investments PVT Limited	29.79
Aviva Funds	11.50
Artemis Fund Managers	9.73
SVM Asset Management	4.85
Legal & General Investment Management	3.85
Hargreave Hale	3.34
Henderson Global Investors	3.14
Jupiter Asset Management	3.05

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.

Charitable donations

The Group made donations for charitable purposes of £10,000 during the year (2011: £19,000). There were no political donations (2011: £nil).

Creditor payment policy

Group policy requires all operating units to apply appropriate controls to working capital management, whilst developing relationships with suppliers. In view of the international nature of the Group's activities, no universal code or standard on payment policy is followed but subsidiary companies are expected to establish payment terms consistent with the above policy, local procedures, customs and practice. Group trade payables amounting to £30.9m (2011: £27.1m) reported in note 17 to the accounts represent 77 days (2011: 69 days) of average daily purchases. The Parent Company has no trade creditors (2011: nil).

Research and development

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

Corporate governance

Details of the Group's corporate governance is contained on pages 25 to 28. 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 hedged until at least February 2013 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.

Directors' report
Continued

Takeover directive
Following the repurchase of the Company's deferred shares in July 2011 (see page 38), the Company now has only one class of shares, being ordinary shares, which have equal voting rights. The holdings of individual Directors are disclosed on page 29.

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 in respect of the £51.0m 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.

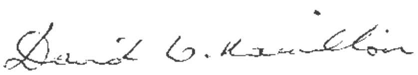
Statement of disclosure of information to auditors
In the case of each of the persons who are Directors, the following applies:

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

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

Independent auditors
Following a rigorous tender process undertaken by the Audit Committee (see page 26), a resolution to re-appoint PricewaterhouseCoopers LLP as auditors 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 11.00 am on 26 July 2012 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. The notice convening that meeting, together with the resolutions to be proposed, appears on pages 66 to 69 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.



D. W. Hamilton
Director and Company Secretary
21 June 2012

Corporate governance

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc. Its policy is to manage the affairs of the Company in accordance with the principles of corporate governance contained in the FRC Combined Code on Corporate Governance 2008 (Combined Code) for which the Board is accountable to the shareholders.

For the year ended 31 March 2012, the Company has complied with the Combined Code in all respects save for those mentioned within this report.

Board balance and independence

The Board currently comprises a Non-executive Chairman, three Non-executive Directors and three 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 20 to 21.

Taking into account the provisions of the Combined Code, the Chairman and two Non-executive Directors (being Les Tench and Martin Towers) 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 judgement. 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.

Les Tench is the Senior Independent Non-executive Director. He will be 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. 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 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.

Appraisals and evaluation

The performance of the Board is appraised by the Chairman. The Non-executive Directors are appraised individually by the Chairman. The Board, led by the Senior Independent Non-executive Director, appraises the Chairman. The Non-executive Directors appraise the performance of each of the Executive Directors. Appraisals are conducted regularly.

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 10 meetings	Audit Committee 3 meetings	Remuneration Committee 1 meeting	Nominations Committee 1 meeting
J. E. Brown, Chairman	10/10	3/3	1/1	1/1
L. Tench	10/10	3/3	1/1	1/1
M. Towers (appointed 28 July 2011)	7/7	2/2	—	—
V. Aggarwal	4/10	1/3	1/1	1/1
G. Patnaik (as alternate to V. Aggarwal)	5/10	2/3	—	—
J. R. Stevenson (resigned 28 July 2011)	3/4	1/1	1/1	—
N. P. Kelsall	10/10	—	—	—
M. K. Payne	10/10	—	—	—
D. W. Hamilton	9/10	—	—	—
J. Matthews (resigned 28 July 2011)	4/4	—	—	—

Advice for Directors

Procedures have been adopted for the Directors to obtain access through the 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 Secretary who is responsible to the Board for ensuring that Board policies and procedures are complied with. Both the appointment and removal of the 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 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, including the Audit Committee, Remuneration Committee and Nominations Committee (see below).

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 undertake that they have sufficient time to meet the requirements of their role. They also undertake to disclose to the Company their other commitments and to give an indication of the time involved in each such commitment. The performance evaluation process will assess 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 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.

Retirement by rotation

Each of the Directors is subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter 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. John Brown and Nick Kelsall will retire by rotation at the next Annual General Meeting. Biographical details of John Brown and Nick Kelsall are set out on page 20.

Nominations Committee

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 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.

Audit Committee

The Audit Committee consists of all the Non-executive Directors including the Chairman. The Board is satisfied that Martin Towers, who chairs the Committee, has recent and relevant financial experience.

The main role and responsibilities of the Audit Committee are set out in written terms of reference. These terms of reference are available upon written request to the Company and on the Company's website at www.norcros.com.

The Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of external auditors. The Committee keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditors. The Committee keeps the nature and extent of non-audit services under review by regularly reviewing the balance of audit to non-audit fees. The Committee is aware of the need to safeguard the auditors' objectivity and independence and the issue is discussed by the Committee and periodically with senior staff from PricewaterhouseCoopers LLP.

During the year the Committee decided to invite other potential auditors (along with the incumbent auditors) to submit tenders for the Group's audit. This was a rigorous process involving the submission of tender documents and presentations to a panel of Audit Committee members and the Group's senior finance personnel. After carefully evaluating each tender the panel decided to re-appoint PricewaterhouseCoopers LLP as the Group's auditors.

The Committee reviews the policy by which employees of the Group may, in confidence, raise matters of concern, including possible improprieties in matters of financial reporting or other matters. The Group has a formal whistleblowing procedure which is regularly monitored.

The Committee monitors the integrity of the Group's financial statements and any formal announcements relating to financial performance and reviews the significant financial reporting judgements contained in them.

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

Remuneration Committee
The Remuneration Committee operates under written terms of reference, which are consistent with current best practice. These terms of reference are available upon written request to the Company and on the Company's website at www.norcros.com. The Committee comprises only Non-executive Directors. Vijay Aggarwal sits on the Remuneration Committee. As he represents a significant shareholder he is not regarded as being independent under the Combined Code but the Board is of the opinion that he is able to carry out his role on the Remuneration Committee effectively as that significant shareholder is not represented by any other Director on the Board and he does not participate in the consideration or decision-making regarding his own remuneration. The Committee's report is set out on pages 29 to 32.

Financial reporting
When releasing the annual and interim financial statements the Directors aim to present a balanced and understandable assessment of the Group's results and prospects.

Relations with shareholders
The Company recognises the importance of maintaining good communications with shareholders. The Directors have regular meetings with the Company's major shareholders and have regular feedback on the view of those shareholders through the Company's brokers. Reports of these meetings, and any shareholder communications during the year, are reported 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 auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities and the auditors' report. The Directors ensure the independence of the auditors 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 16 to 17.

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.

Corporate governance
Continued

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 on page 27, 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, 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 24.

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.

Remuneration report

Remuneration policy

The Company's policy on remuneration of Directors is to attract, retain and motivate the best people, recognising that they are key to the ongoing success of the business but to avoid paying more than is necessary.

Consistent with this policy, Norcros plc benefit packages awarded to Directors are intended to be competitive and comprise a mix of challenging performance related and non-performance related remuneration designed to incentivise Directors and align their interests with those of shareholders but not to detract from the goals of corporate governance.

Nick Kelsall and Martin Payne participated in the Company's annual bonus scheme during the year although no bonuses have accrued in respect of the year to 31 March 2012. The scheme allows for maximum annual bonus opportunities of up to 100% of base salary, determined wholly in terms of Group underlying operating profit. 50% of bonuses are paid in cash and 50% are deliverable in the form of nil cost share options, the release of which will be deferred for three years.

It is the Board's intention to continue to award nil cost share options to Nick Kelsall and Martin Payne under the 2011 Approved Performance Share Plan (APSP). The options awarded will vest with the Directors after a period of three years and will be dependent on the cumulative Group EPS over the three year period to reward the Directors for their contribution towards the long-term profitability of the Group. In the event that a Director resigns, the awards will lapse. The Committee considers that long-term growth in earnings is essential and considers that a three year objective is an appropriate period to reward the Directors for continuing long-term earnings growth. In any year the value of the shares notionally awarded to a Director under this scheme will not exceed 150% of the Director's basic salary.

If the EPS target is met, thereby allowing 100% of his options under the scheme to vest, the percentage composition of each Director's remuneration (based on his 2011/12 remuneration) will be as follows:

	Non-performance related	Performance related
N. P. Kelsall	87%	13%
M. K. Payne	87%	13%
D. W. Hamilton	100%	–

As there is no bonus proposed for the year the performance related figures above relate only to the APSP.

Directors' service contracts

The details of the service contracts of the present Directors are:

	Contract date	Notice period
N. P. Kelsall	1 April 2011	12 months
M. K. Payne	18 March 2011	12 months
D. W. Hamilton	1 April 2011	12 months
J. E. Brown	16 July 2007	1 month
L. Tench	16 July 2007	1 month
M. G. Towers	28 July 2011	1 month
V. Aggarwal	8 October 2009	1 month

Nick Kelsall, David Hamilton and Martin Payne have signed rolling contracts. These contracts are terminable on notice by either the Company or Director. The contracts are expressed to expire on each Director's applicable retirement date.

John Brown, Les Tench, Martin Towers and Vijay Aggarwal are on contracts 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.

John Brown and Nick Kelsall will retire by rotation and seek re-election at the Annual General Meeting. Biographical details of the Directors standing for re-election are on page 20.

Interest in shares

The interests of the Directors in the shares of the Company and other Group members were:

	31 March 2012 Ordinary shares	31 March 2011 Ordinary shares
N. P. Kelsall	7,865,143	7,762,123
D. W. Hamilton	12,247,960	12,144,940
J. E. Brown	778,387	778,387
L. Tench	686,283	686,283
M. G. Towers	500,000	–

All Directors' interests are beneficially held. There has been no change in the interests set out above between 31 March 2012 and 21 June 2012.

Members of the Remuneration Committee

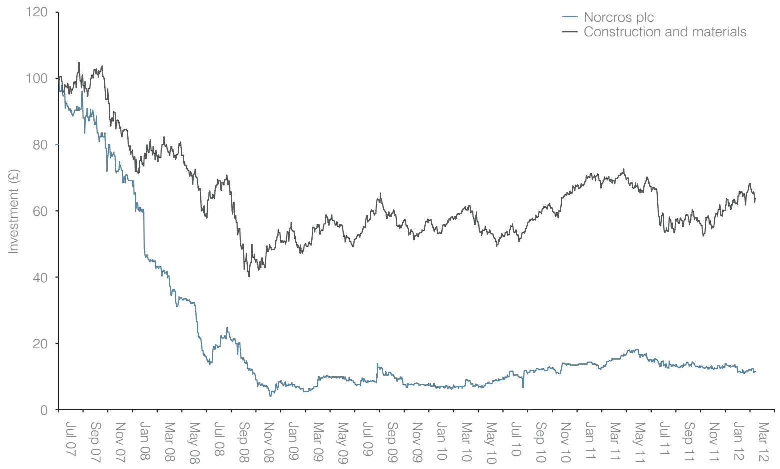
The members of the Remuneration Committee during the year were:

Les Tench (Chairman)
John Brown
Martin Towers (appointed 28 July 2011)
Vijay Aggarwal
Jamie Stevenson (resigned 28 July 2011)

The Remuneration Committee is responsible for setting all aspects of Executive Directors' remuneration. The remuneration of Non-executive Directors is determined by the Board within the limits set by the Company's Articles of Association.

Performance graph

The following graph demonstrates how £100 invested in Norcros plc on 16 July 2007 (the date of admission) has changed compared with the same investment in a fund mirroring the make up of the construction and materials index of listed companies:



In the opinion of the Directors, the construction and materials index is the most appropriate index against which the total shareholder return of Norcros plc should be measured because it is an index of similar sized companies to Norcros plc.

Audited information

The remainder of the Remuneration Report is audited information.

Directors' emoluments

Executive	Salary and fees £000	Bonuses £000	Benefits in kind £000	Expense allowances (including car allowance) £000	FURBS £000	2012 Total £000	2011 Total £000
N. P. Kelsall	260	—	1	29	23	313	410
M. K. Payne	180	—	1	20	7	208	9*
D. W. Hamilton	100	—	6	20	—	126	125
J. Matthews**	95	—	1	10	21	127	611
J. E. Brown	80	—	—	—	—	80	80
L. Tench	40	—	—	—	—	40	40
M. G. Towers*	27	—	—	—	—	27	—
J. R. Stevenson**	13	—	—	—	—	13	40
V. Aggarwal	15	—	—	—	—	15	15
	810	—	9	79	51	949	1,330

* From date of appointment.
** To date of resignation.

Both Joe Matthews and Jamie Stevenson resigned from the Board on 28 July 2011. Martin Towers was appointed Non-executive Director on the same date.

In April 2012 annual salary increases for the three Executive Directors (N. P. Kelsall, M. K. Payne and D. W. Hamilton) of 2.5% were agreed by the Remuneration Committee. These increases took effect from 1 April 2012. There are no annual increases to remuneration levels for Non-executive Directors.

Benefits in kind consist of medical insurance for every Executive Director. An amount of £21,000 paid to Joe Matthews, £23,000 paid to Nick Kelsall and £7,000 paid to Martin Payne under a Funded Unapproved Retirement Benefit Scheme (FURBS).

Audited information continued

Share schemes

Savings Related Share Option Scheme (SAYE)

The Executive Directors are eligible to participate in the Company's Savings Related Share Option Scheme which commenced in December 2007. The scheme is open to all UK employees. Participants save a fixed amount of up to £250 per month for three years and are then able to use these savings to buy shares in the Company at a fixed price. These options are not subject to any performance conditions.

	Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 April 2011	Granted in year	Exercised in year	Number at 31 March 2012
N. P. Kelsall	23 December 2008	1 March 2012	31 August 2012	9.3p	103,020	—	(103,020)*	—
	23 December 2011	1 March 2015	31 August 2015	10.1p	89,108	89,108	—	89,108
D. W. Hamilton	23 December 2008	1 March 2012	31 August 2012	9.3p	103,020	—	(103,020)*	—
	23 December 2011	1 March 2015	31 August 2015	10.1p	89,108	89,108	—	89,108

* On the day these shares were exercised the price of the Company's shares was 10.0p.

Approved Performance Share Plan (APSP)

In September 2011 the Executive Directors and selected senior management were made awards of shares under the APSP. Vesting of these shares was subject to achieving aggregate diluted benchmark earnings per share (Aggregate EPS) targets for the following three financial years. 100% of the shares would vest if the Group achieved Aggregate EPS of over 5.75p. 25% of the shares vest if the Group achieved Aggregate EPS of 5.08p and shares would vest on a straight line basis for a performance in between these targets. No shares would vest if the Aggregate EPS performance was below 5.08p.

Directors' interests in the APSP

	Award date	Number at 1 April 2011	Granted in year	Number at 31 March 2012
N. P. Kelsall	1 September 2011	—	2,122,449	2,122,449
M. K. Payne	1 September 2011	—	1,469,388	1,469,388

The market price on 1 September 2011 was 12.25p.

No other Directors have been granted share options in the shares in the Company or other Group entities. Once awarded there have been no subsequent variations to the terms and conditions of the share options. All options were granted in respect of qualifying services.

The options were granted at nil cost to the Directors. The performance criteria for all the above share options were consistent with the remuneration policy.

The market price of the Company's shares at the end of the financial year was 10.00p and the range of market prices during the year was between 16.12p and 9.51p.

Directors' pension entitlement

The following Directors had retirement benefits accruing under the Group's UK defined benefit scheme:

	Transfer value of accrued pension increase in the year £	Accrued entitlement £	Transfer value at 31 March 2012 £	Transfer value at 31 March 2011 £	Increase in transfer value less Directors' contributions £
N. P. Kelsall	23,973	14,370	236,008	166,431	69,577
M. K. Payne	7,093	10,448	142,505	103,971	38,534

	Increase in accrued pension for the year less CPI inflation £	Increase in accrued pension for the year £
N. P. Kelsall	1,008	1,460
M. K. Payne	—	520

Audited information continued

Directors' pension entitlement continued

Neither Nick Kelsall nor Martin Payne are active members of the UK defined benefit scheme. Martin Payne's entitlement relates to his former employment at H&R Johnson Tiles Limited between 1993 and 2001.

The accrued pension entitlement is the amount that the Director would receive if he retired at the end of the year.

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provided on transferring the scheme's liability in respect of the Directors' pension benefits. They do not represent sums payable to individual Directors and, therefore, cannot be added meaningfully to annual remuneration.

Nick Kelsall also participated in the Group's UK defined contribution scheme. During the year the Group contributed £52,000 (2011: £63,930) to this scheme. Contributions ceased after January 2012 after which Mr Kelsall was paid additional remuneration as a FURB.

The Group makes contributions on behalf of Martin Payne into his personal pension scheme. During the year the Group contributed £37,500 (2011: £nil) to this scheme.

On behalf of the Board

L. Tench
Chairman of the Remuneration Committee
21 June 2012

Statement of directors' responsibilities
In respect of the annual report, the 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 (IFRS) 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 judgements and accounting estimates that are reasonable and prudent;

— state whether IFRS 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.

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

— the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, 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

Independent auditors' report
To the members of Norcros plc

We have audited the Group financial statements of Norcros plc for the year ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, 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 International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Group financial statements sufficient to give reasonable assurance that the Group 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 Group financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, Business Review, Corporate Governance Statement and the Remuneration Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

— give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its profit and cash flows for the year then ended;

— have been properly prepared in accordance with IFRS 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

— the information given in 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 25 to 28 with respect to internal control and risk management systems and about share capital structures is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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; or

— we have not received all the information and explanations we require for our audit; or

— a corporate governance statement has not been prepared by the Parent Company.

Under the Listing Rules we are required to review:

— the Directors' statement, set out on page 28, in relation to going concern;

— the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

— certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Norcros plc for the year ended 31 March 2012 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
21 June 2012

Consolidated income statement
Year ended 31 March 2012

	Notes	2012 £m	2011 £m
Continuing operations			
Revenue	2	200.3	196.1
Operating profit	3	12.1	10.6
Underlying* operating profit		12.1	11.7
Exceptional operating items	5	–	(1.1)
Operating profit		12.1	10.6
Finance costs	6	(3.1)	(3.4)
Exceptional finance costs	5	(1.2)	–
Total finance costs		(4.3)	(3.4)
Finance income	6	–	0.2
IAS 19 finance income	22	1.6	0.1
Profit before taxation		9.4	7.5
Taxation	7	–	(0.8)
Profit for the year		9.4	6.7
Earnings per share attributable to equity holders of the Company			
From continuing operations:			
Basic earnings per share	9	1.6p	1.2p
Diluted earnings per share	9	1.6p	1.2p
Weighted average number of shares for basic earnings per share (millions)	9	577.2	577.0
Non-GAAP measures:			
Underlying* profit before taxation (£m)	8	10.7	10.2
Underlying* earnings (£m)	8	11.1	9.4
Basic underlying* earnings per share	9	1.9p	1.6p
Diluted underlying* earnings per share	9	1.9p	1.6p

* Underlying is defined as before exceptional items and, where relevant, amortisation of costs of raising finance, movement on fair value of derivative financial instruments, discounting of property lease provisions and finance costs relating to pension schemes, less attributable taxation.

Consolidated statement of comprehensive income and expense
Year ended 31 March 2012

	Notes	2012 £m	2011 £m
Profit for the year		9.4	6.7
Other comprehensive income:			
Actuarial (losses)/gains on retirement benefit obligations	22	(10.6)	0.7
Foreign currency translation adjustments		(5.3)	1.4
Other comprehensive (expense)/income for the year		(15.9)	2.1
Total comprehensive (expense)/income for the year		(6.5)	8.8

Items in the statement are disclosed net of tax.

Consolidated balance sheet
At 31 March 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Goodwill	11	23.4	23.9
Property, plant and equipment	12	44.8	49.1
Investment properties	13	5.4	5.5
Deferred tax assets	20	6.4	2.2
		80.0	80.7
Current assets			
Inventories	14	45.5	42.3
Trade and other receivables	15	40.7	42.6
Derivative financial instruments	19	—	0.4
Pension scheme asset	22	0.6	1.4
Cash and cash equivalents	16	2.9	7.7
		89.7	94.4
Current liabilities			
Trade and other payables	17	(50.6)	(50.6)
Derivative financial instruments	19	(0.4)	(1.8)
Current tax liabilities		(1.1)	(0.9)
Financial liabilities – borrowings	18	(0.4)	(3.1)
		(52.5)	(56.4)
Net current assets		37.2	38.0
Total assets less current liabilities		117.2	118.7
Non-current liabilities			
Financial liabilities – borrowings	18	(20.3)	(15.2)
Pension scheme liability	22	(18.7)	(7.0)
Other non-current liabilities		(1.7)	(1.8)
Provisions	21	(5.4)	(15.3)
		(46.1)	(39.3)
Net assets		71.1	79.4
Financed by:			
Share capital	23	5.8	19.2
Share premium		0.2	86.8
Retained earnings/(deficit) and other reserves		65.1	(26.6)
Total equity		71.1	79.4

The financial statements on pages 35 to 60 were approved on 21 June 2012 and signed on behalf of the Board by:

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director

Consolidated cash flow statement
Year ended 31 March 2012

	Notes	2012 £m	2011 £m
Cash generated from operations	24	6.0	10.8
Income taxes paid		(0.6)	(0.6)
Interest received		–	0.7
Interest paid		(1.6)	(1.7)
Net cash generated from operating activities		3.8	9.2
Cash flows from investing activities			
Proceeds from disposal of investments		–	4.4
Purchase of property, plant and equipment		(6.7)	(6.3)
Net cash used in investing activities		(6.7)	(1.9)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		0.2	–
Repayment of borrowings		(17.0)	(3.0)
Capitalised finance costs		(0.8)	–
Drawdown of borrowings		21.0	–
Dividends paid to Company's shareholders	25	(2.2)	(0.7)
Net cash generated from/(used in) financing activities		1.2	(3.7)
Net (decrease)/increase in cash at bank and in hand and bank overdrafts		(1.7)	3.6
Cash at bank and in hand and bank overdrafts at beginning of the year		4.6	1.1
Exchange movements on cash and bank overdrafts		(0.4)	(0.1)
Cash at bank and in hand and bank overdrafts at end of the year	16	2.5	4.6

Consolidated statement of changes in equity
Year ended 31 March 2012

	Ordinary share capital £m	Capital redemption reserve £m	Share premium £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 1 April 2010	19.2	–	86.8	9.7	(44.5)	71.2
Comprehensive income:						
Profit for the year	–	–	–	–	6.7	6.7
Other comprehensive income:						
Actuarial gain on retirement benefit obligations	–	–	–	–	0.7	0.7
Foreign currency translation adjustments	–	–	–	1.4	–	1.4
Total other comprehensive income	–	–	–	1.4	0.7	2.1
Transactions with owners:						
Dividends paid	–	–	–	–	(0.7)	(0.7)
Share option schemes and warrants	–	–	–	–	0.1	0.1
At 31 March 2011	19.2	–	86.8	11.1	(37.7)	79.4
Comprehensive income:						
Profit for the year	–	–	–	–	9.4	9.4
Other comprehensive income:						
Actuarial loss on retirement benefit obligations	–	–	–	–	(10.6)	(10.6)
Foreign currency translation adjustments	–	–	–	(5.3)	–	(5.3)
Total other comprehensive income	–	–	–	(5.3)	(10.6)	(15.9)
Transactions with owners:						
Purchase of own shares	(13.4)	13.4	–	–	–	–
Capital re-organisation	–	(13.4)	(86.8)	–	100.2	–
Shares issued	–	–	0.2	–	–	0.2
Dividends paid	–	–	–	–	(2.2)	(2.2)
Share option schemes and warrants	–	–	–	–	0.2	0.2
At 31 March 2012	**5.8**	**–**	**0.2**	**5.8**	**59.3**	**71.1**

Following the July 2011 AGM the Company repurchased its 148,754,684 9p deferred shares for a nominal value. The value of these shares, being £13.4m, was placed in a capital redemption reserve. Immediately following this transaction the Company cancelled its share premium account and capital redemption reserve.

Notes to the group accounts
Year ended 31 March 2012

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 21 June 2012.

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

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, the defined benefit pension scheme and share-based payments 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 financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are explained below.

Standards, amendments and interpretations effective in 2012
The Group has adopted the following new IFRS standards and interpretations as of 1 April 2011:

- IAS 24 (revised), 'Related party disclosures' – This revised standard removes the requirement for Government related entities to disclose details of all transactions with the Government and other Government related entities and it clarifies and simplifies the definition of a related party.
- Amendment to IFRS 1, 'First time adoption', on financial instrument disclosures – This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7, 'Financial instruments: Disclosures', regarding comparative information for the new three-level classification disclosures.
- Annual improvements to IFRS 2010 – This set of amendments includes changes to six standards and one IFRIC:
  - IFRS 1, 'First time adoption'.
  - IFRS 3, 'Business combinations'.
  - IFRS 7, 'Financial instruments; Disclosure'.
  - IAS 1,'Presentation of financial statements'.
  - IAS 27, 'Separate financial statements'.
  - IAS 34, 'Interim financial reporting'.
  - IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 19, 'Extinguishing financial liabilities with equity investments' – This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.
- Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement' – This amendment will have a limited impact, as it applies only to entities that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', relating to voluntary pension pre-payments when there is a minimum funding requirement.

The adoption of these standards, amendments and interpretations did not have a material impact on the financial statements.

1. Group accounting policies continued

Standards, amendments and interpretations early adopted by the Group
No standards have been early adopted by the Group.

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group
— Amendments to IFRS 7, 'Financial instruments: Disclosures', on transfers of assets.

— Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation.

— Amendment to IAS 12, 'Income taxes', on deferred tax.

— Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income.

— IFRS 9, 'Financial instruments' – classification and measurement'.

— IFRS 10, 'Consolidated financial statements'.

— IFRS 11, 'Joint arrangements'.

— IFRS 12, 'Disclosures of interests in other entities'.

— IFRS 13, 'Fair value measurement'.

— IAS 27 (revised 2011) 'Separate financial statements'.

— IAS 28 (revised 2011) 'Associates and joint ventures'.

— Amendment to IFRS 7, 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities.

— Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities.

— Amendment to IFRS 1, 'First time adoption', on Government loans.

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group's profits, net assets or equity. The adoptions may affect the disclosures in 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.

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.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

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 judgements 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 judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

1. **Group accounting policies** continued

Basis of consolidation continued

Critical estimates continued

Critical judgements have been made in the following areas:

- estimated impairment of goodwill, long life assets and property, plant and equipment – the Group tests annually whether these assets have suffered any impairment, 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 include the discount rate. Any changes in these assumptions can impact the carrying amount of retirement benefit obligations (see note 22);
- 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; and
- 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 judgement in relation to the recognition of deferred tax assets, management considers the regulations applicable to taxation and whether there are sufficient future taxable profits. Future taxable profits may be higher or lower than estimates made when determining whether it is necessary 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.

Revenue recognition

Revenue comprises the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. It is shown net of value added and other sales-based taxes.

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.

Segmental reporting

The Group operates in three main geographical areas: UK, South Africa and the Rest of the World. 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.

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.

1. Group accounting policies continued

Property, plant and equipment continued

The estimated useful lives of Group assets are as follows:

Buildings	25 – 50 years
Plant, machinery and equipment	3 – 15 years
Motor vehicles	4 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. 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 against profits on a straight line basis over the lease term.

Provisions

Warranty provisions – provision is made for the estimated liability on products under warranty. Revenue received in respect of extended warranties is recognised over the period of the warranty. Liability is recognised upon the sale of a product and is estimated using historical data.

Re-organisation costs – provision is made for costs of re-organising 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.

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

Retirement benefit obligations

The Group operates a defined benefit scheme in the UK and a number of defined contribution pension schemes.

A full actuarial valuation of the Group's defined benefit scheme is carried out every three years with interim reviews in the intervening years; these valuations are updated to 31 March each year by qualified independent actuaries. The operating and financing costs of the scheme are recognised separately in the Income Statement; service costs are spread systematically over the lives of employees; and financing costs are recognised in the periods in which they arise. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the Statement of Comprehensive Income.

The asset or liability in respect of defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the market value of scheme assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit cost method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities, which have terms to maturity approximating the terms of the related liability.

Pension scheme surpluses (to the extent that they are considered recoverable) or deficits are recognised in full on the face of the Balance Sheet.

Curtailment gains are recognised in the Income Statement.

The costs of the Group's defined contribution pension schemes are charged to the Income Statement in the period in which they fall due. The assets of these schemes are held in independently administered funds.

1. Group accounting policies continued

Exceptional items

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

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.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement. Amounts payable/receivable under interest rate swaps are accounted for as adjustments to finance cost/income for the period.

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

Trade receivables – trade receivables are recognised initially at fair value less provision 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. The Directors do not believe development costs can be measured accurately enough to warrant capitalisation.

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 currency of the parent entity.

Transactions and balances

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

Translation of overseas net assets

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

Notes to the group accounts
Year ended 31 March 2012
Continued

1. Group accounting policies continued

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 three main geographical areas: UK, South Africa and the Rest of the World. 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 2012

	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue	116.8	74.0	9.5	200.3
Underlying operating profit/(loss)	12.5	(0.5)	0.1	12.1
Exceptional operating items	—	(0.5)	0.5	—
Operating profit/(loss)	12.5	(1.0)	0.6	12.1
Finance costs				(3.1)
Exceptional finance costs				(1.2)
IAS 19 finance income				1.6
Profit before taxation				9.4
Taxation				—
Profit from continuing operations				9.4
Net debt				(17.8)
Segmental assets	104.4	57.1	8.2	169.7
Segmental liabilities	(82.2)	(15.0)	(1.4)	(98.6)
Additions to property, plant and equipment	2.7	2.7	—	5.4
Depreciation	3.9	2.3	0.1	6.3

Revenues of £32.9m (2011: £29.6m) are derived from a single customer. These revenues are attributable to the UK segment.

2. Segmental reporting continued

Continuing operations — year ended 31 March 2011

	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue	114.0	72.4	9.7	196.1
Underlying operating profit/(loss)	11.6	0.2	(0.1)	11.7
Exceptional operating items	(3.8)	—	2.7	(1.1)
Operating profit	7.8	0.2	2.6	10.6
Finance costs				(3.4)
Finance income				0.2
IAS 19 finance income				0.1
Profit before taxation				7.5
Taxation				(0.8)
Profit from continuing operations				6.7
Net debt				(10.6)
Segmental assets	107.6	60.7	6.8	175.1
Segmental liabilities	(75.6)	(15.6)	(4.5)	(95.7)
Additions to property, plant and equipment	6.3	1.6	—	7.9
Depreciation	3.9	2.6	0.1	6.6

3. Operating profit

The following items have been included in arriving at operating profit:

	2012 £m	2011 £m
Staff costs (see note 4)	41.2	40.1
Depreciation of property, plant and equipment (all owned assets)	6.2	6.6
Depreciation of investment properties	0.1	—
Other operating lease rentals payable:		
– plant and machinery	1.6	1.5
– other	3.1	3.4
Research and development expenditure	2.2	2.3
(Profit)/loss on disposal of property, plant and equipment	(0.4)	0.1

Auditors' remuneration

Services provided by the Group's auditors and network firms:

	2012 £m	2011 £m
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	0.1	0.1
Audit of subsidiaries pursuant to legislation	0.1	0.1
Tax services	0.1	—
	0.3	0.2

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Year ended 31 March 2012
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4. Employees

	2012 £m	2011 £m
Staff costs:		
– wages and salaries	36.3	36.0
– social security costs	2.3	2.2
– pension costs		
– defined benefit	1.5	1.3
– defined contributions	1.1	1.0
– exceptional pension credit (see note 5)	—	(0.4)
	41.2	40.1

Included in wages and salaries are £0.3m (2011: £nil) of redundancy costs classed as exceptional items in the Income Statement.

	2012 Number	2011 Number
Average monthly numbers employed:		
– UK	827	847
– overseas	803	819
	1,630	1,666

Directors' emoluments

	2012 £m	2011 £m
Salaries and short-term employee benefits	0.9	1.3
Post employment benefits	0.1	0.1
	1.0	1.4

Further information about the Directors' remuneration may be found in the Remuneration Report on pages 29 to 32.

Highest paid Director

	2012 £m	2011 £m
Salaries and short-term employee benefits	0.3	0.6
Post employment benefits	0.1	—
	0.4	0.6

Key management compensation

	2012 £m	2011 £m
Salaries and short-term employee benefits	1.6	1.5
Post employment benefits	0.1	0.1
	1.7	1.6

Key management is defined as the Directors of Norcros plc together with selected other senior managers. In 2012 two further senior managers were considered to be key management. The inclusion of their costs increased key management compensation by £0.4m compared to the previous year.

5. Exceptional items

Exceptional operating items	2012 £m	2011 £m
Impairment of associate's carrying value and related costs[1]	0.5	—
Past service pension credit[2]	—	0.4
Restructuring costs[3]	(0.5)	—
Property provisions[4]	—	(4.2)
Profit on disposal of investments[5]	—	2.7
	—	(1.1)
Exceptional finance costs		
Write-off of capitalised costs of raising debt finance[6]	(1.2)	—

1 In 2009 the carrying value of the Group's Greek associate was fully impaired together with associated costs including the mark to market value of the related cross currency swap. This swap has now matured and other associated costs paid. The cost of settling the cross currency swap was £0.5m lower than initially estimated.

2 The pension credit related to the impact of changes in pensioners' benefits in the UK defined benefit pension scheme.

3 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.

4 The provision to cover the Group's onerous property leases was increased by £4.2m last year, of which £2.0m related to the Springwood Drive property and £2.2m to the remaining three UK onerous property leases.

5 Profit on disposal of the Group's 25% investment in R.J. Beaumont & Co Pty Ltd.

6 Following the refinancing of the Group's banking facilities in September 2011, £1.2m of costs relating to the previous banking arrangement have been written off.

6. Finance income and costs

	2012 £m	2011 £m
Finance costs		
Interest payable on bank borrowings	1.4	1.5
Amortisation of costs of raising debt finance	0.7	1.2
Movement on fair value of derivatives	0.7	—
Discount on property lease provisions	0.3	0.7
Total finance costs	3.1	3.4
Finance income		
Movement on fair value of derivative financial instruments	—	(0.2)
Total finance income	—	(0.2)
Net finance costs	3.1	3.2

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Year ended 31 March 2012
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7. Taxation

Taxation comprises:

	2012 £m	2011 £m
Current		
UK taxation	0.8	0.8
Deferred		
Origination and reversal of temporary differences	(0.8)	–
Taxation	–	0.8

The tax for the period under review is different from the standard rate of corporation tax in the UK (26% throughout the period). The differences are explained below:

	2012 £m	2011 £m
Profit before tax	9.4	7.5
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 26% (2011: 28%)	(2.4)	(2.1)
Effects of:		
– over provision in prior years	0.3	–
– income/expenses not chargeable/deductible for tax purposes	1.0	(0.3)
– losses not recognised	(0.9)	(0.6)
– recognition of UK losses and capital allowances	1.7	–
– origination and timing differences	0.3	2.2
Total tax charge	–	(0.8)

There is no tax impact relating to components of other comprehensive income.

8. Non-GAAP measures

	2012 £m	2011 £m
Profit before taxation	9.4	7.5
Adjusted for:		
– exceptional operating items	–	1.1
– amortisation of costs of raising finance	1.9	1.2
– net movement on fair value of derivative financial instruments	0.7	(0.2)
– discount on property lease provisions	0.3	0.7
– IAS 19 finance income	(1.6)	(0.1)
Underlying profit before taxation	10.7	10.2
Taxation attributable to underlying profit before taxation	0.4	(0.8)
Underlying earnings	11.1	9.4

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

9. 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 2012 the potential dilutive ordinary shares amounted to 2,383,527 (2011: 116,155) as calculated in accordance with IAS 33.

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

	2012 £m	2011 £m
Basic and diluted:		
– earnings for the year	9.4	6.7
– underlying earnings for the year (see note 8)	11.1	9.4

	2012 Number	2011 Number
Weighted average number of shares for basic earnings per share	577,231,925	577,025,912
Share options and warrants	2,383,527	116,155
Weighted average number of shares for diluted earnings per share	579,615,452	577,142,067

	2012	2011
Basic earnings per share	1.6p	1.2p
Diluted earnings per share	1.6p	1.2p
Basic underlying earnings per share	1.9p	1.6p
Diluted underlying earnings per share	1.9p	1.6p

10. Share-based payments

	Price per share	1 April 2011	Granted	Exercised	Lapsed	31 March 2012	Date from which exercisable	Expiry date
Approved Performance Share Plan (APSP)	0.0p	—	7,045,037	—	—	7,045,037	30.06.14	N/A
Save As You Earn Scheme (1) (SAYE)	56.5p	67,975	—	—	(67,975)	—	01.03.11	31.08.11
Save As You Earn Scheme (2) (SAYE)	9.3p	4,102,243	—	(2,506,492)	(112,271)	1,483,480	01.03.12	31.08.12
Save As You Earn Scheme (3) (SAYE)	9.4p	1,864,246	—	—	(338,879)	1,525,367	01.03.14	31.08.14
Save As You Earn Scheme (4) (SAYE)	10.1p	—	3,001,492	—	(106,929)	2,894,563	01.03.15	31.08.15

Details of the terms of the APSP and SAYE scheme are disclosed in the Remuneration Report.

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 £0.2m was recognised in respect of share options in the period (2011: £0.1m). 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 (2)	SAYE (3)	SAYE (4)	APSP
Date of grant	22.12.08	20.12.10	20.12.11	01.09.11
Initial exercise price	10.0p	9.4p	10.1p	0.0p
Revised exercise price after capital raising adjustment	9.3p	N/A	N/A	N/A
Number of shares granted initially	4,325,760	1,864,296	3,001,492	7,045,037
Revised number of shares after capital raising adjustment	4,642,065	1,864,296	3,001,492	7,045,037
Expected volatility	69.95%	67.39%	59.53%	65.67%
Expected option life	3 years	3 years	3 years	3 years
Risk free rate	4.6%	2.1%	2.0%	2.0%
Expected dividend yield	3%	3%	3%	3%

The share price at 31 March 2012 was 10.0p. The average price during the year was 12.26p. 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 where available.

11. Goodwill

	2012 £m	2011 £m
At beginning of the year	23.9	23.8
Exchange differences	(0.5)	0.1
	23.4	23.9

Goodwill is allocated to the Group's CGUs. A summary of the goodwill allocation is presented below:

	2012 £m	2011 £m
Triton Showers	19.1	19.1
Tile Africa Group	4.3	4.8
	23.4	23.9

The recoverable amount of a CGU is determined by a value-in-use calculation. These calculations use cash flow projections based on financial forecasts approved by management covering a two-year period with a growth rate of 3% applied in future periods. The key assumption for the value-in-use calculations are those regarding discount rates, growth rates, future gross margin improvements and cash flows. Discount rates of 9.0% in the UK and 11.7% in South Africa have been applied depending on the region in which the CGU operates. The discount rate is 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 rate 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. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2010	35.3	73.9	109.2
Exchange differences	0.5	0.8	1.3
Additions	0.2	7.7	7.9
Disposals	(0.2)	(4.9)	(5.1)
At 31 March 2011	35.8	77.5	113.3
Exchange differences	(1.7)	(3.1)	(4.8)
Additions	0.5	4.9	5.4
Disposals	(0.9)	(0.5)	(1.4)
At 31 March 2012	**33.7**	**78.8**	**112.5**
Accumulated depreciation			
At 1 April 2010	9.3	52.9	62.2
Exchange differences	—	0.3	0.3
Charge for the year	1.0	5.6	6.6
Disposals	(0.1)	(4.8)	(4.9)
At 31 March 2011	10.2	54.0	64.2
Exchange differences	(0.2)	(2.0)	(2.2)
Charge for the year	1.0	5.2	6.2
Disposals	(0.1)	(0.4)	(0.5)
At 31 March 2012	**10.9**	**56.8**	**67.7**
Net book amount at 31 March 2011	25.6	23.5	49.1
Net book amount at 31 March 2012	**22.8**	**22.0**	**44.8**

Plant and equipment includes motor vehicles, computer equipment and plant and machinery.

13. Investment properties

	Investment property £m
Cost	
At 31 March 2010, 31 March 2011 and **31 March 2012**	**6.3**
Accumulated depreciation	
At 1 April 2010	0.8
Charge for the year	–
At 31 March 2011	0.8
Charge for the year	0.1
At 31 March 2012	**0.9**
Net book amount at 31 March 2011	5.5
Net book amount at 31 March 2012	**5.4**

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 to their carrying value.

14. Inventories

	2012 £m	2011 £m
Raw materials	**9.9**	9.2
Work in progress	**0.7**	0.8
Finished goods	**34.9**	32.3
	45.5	42.3

Provisions held against inventories totalled £2.9m (2011: £3.0m).

The cost of inventories recognised as an expense within cost of sales in the Income Statement amounted to £110.9m (2011: £109.9m).

During the year the Group charged £0.3m (2011: £0.2m) of inventory write-downs to the Income Statement within cost of sales.

15. Trade and other receivables

	2012 £m	2011 £m
Trade receivables	**33.8**	36.8
Less: provision for impairment of trade receivables	**(0.3)**	(0.4)
Trade receivables – net	**33.5**	36.4
Other receivables	**4.3**	3.1
Prepayments and accrued income	**2.9**	3.1
	40.7	42.6

The fair value of trade receivables does not differ 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:

	2012 £m	2011 £m
Sterling	**30.1**	34.1
South African Rand	**9.3**	7.4
Australian Dollar	**1.3**	1.1
	40.7	42.6

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

	2012 £m	2011 £m
At beginning of year	**0.4**	0.7
Provision for receivables impairment	**0.2**	0.2
Receivables written off during the year as uncollectible	**(0.3)**	(0.5)
At end of year	**0.3**	0.4

As at 31 March 2012, trade receivables of £29.6m (2011: £32.1m) were fully performing.

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15. Trade and other receivables continued

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.

As of 31 March 2012, trade receivables of £0.3m (2011: £0.4m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2011: 100%). The ageing of these receivables is as follows:

	2012 £m	2011 £m
Less than three months	0.1	0.1
Greater than three months	0.2	0.3
	0.3	0.4

At 31 March 2012 trade receivables of £3.9m (2011: £4.3m) 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:

	2012 £m	2011 £m
Up to one month	2.7	3.3
One to two months	0.5	0.5
Two to three months	0.1	0.2
Greater than three months	0.6	0.3
	3.9	4.3

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.

16. Cash and cash equivalents

	2012 £m	2011 £m
Cash at bank and in hand	2.9	7.7

Cash at bank and in hand includes the following for the purposes of the Consolidated Cash Flow Statement:

	2012 £m	2011 £m
Cash and cash equivalents as above	2.9	7.7
Less: bank overdrafts (note 18)	(0.4)	(3.1)
	2.5	4.6

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

17. Trade and other payables

	2012 £m	2011 £m
Trade payables	30.9	27.1
Other tax and social security payables	2.1	2.1
Amounts owed to associates	—	0.1
Other payables	3.5	3.6
Accruals and deferred income	14.1	17.7
	50.6	50.6

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

18. Borrowings

	2012 £m	2011 £m
Non-current		
Bank borrowings (secured):		
– bank loans	21.0	17.0
– less: costs of raising finance	(0.7)	(1.8)
Total non-current	20.3	15.2
Current		
Bank borrowings (secured):		
– bank overdrafts (note 16)	0.4	3.1
Total borrowings	20.7	18.3

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:

	2012 £m	2011 £m
Not later than one year	0.4	3.1
After more than one year:		
– between one and two years	—	17.0
– between two and five years	21.0	—
– costs of raising finance	(0.7)	(1.8)
	20.3	15.2
Total borrowings	20.7	18.3

Capital risk management

The Group has available a £51.0m committed banking facility which expires in October 2015. This provides the Group with a sound financial structure for the medium term with £30.0m being available for cash draw down. Under this facility bank borrowings are secured by the Group's UK assets.

Interest rate profile

The effective interest rates at the balance sheet dates were as follows:

	2012 %	2011 %
Bank loans	2.2	3.6
Overdraft	2.0	3.5

At 31 March 2012 the bank loans carried interest based on LIBOR plus a margin of 1.5% (2011: 3.0%). Overdrafts carry interest at base rate plus a margin of 1.5% (2011: 3.0%).

Currency profile of net debt

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

	2012 £m	2011 £m
Sterling	19.9	10.3
Euro	0.3	0.1
South African Rand	(1.3)	(2.7)
Australian Dollar	(1.1)	3.1
US Dollar	—	(0.2)
	17.8	10.6

19. Derivative 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, cross currency swaps and forward exchange contracts.

Derivative financial instruments carried at fair value through the Income Statement

	2012 £m Assets	2012 £m Liabilities	2011 £m Assets	2011 £m Liabilities
Cross currency swap	—	—	—	(1.7)
Forward foreign exchange contracts	—	(0.4)	0.4	(0.1)
	—	(0.4)	0.4	(1.8)

Forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2012 were €16.6m and US$24.7m (2011: €12.6m and US$17.6m).

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next twelve months. Gains and losses recognised on forward exchange contracts to date have been taken to the 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 £18.5m (excluding amortised finance costs) the effect of a 1% change in market interest rates would be approximately £0.2m 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 £2.3m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £2.5m 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 £0.5m. Likewise a 5% weakening in both these currencies would lead to a £0.5m reduction in profits.

20. 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.

The main rate of corporation tax was reduced from 28% to 26% from 1 April 2011. A further reduction to 25% from 1 April 2012 was substantively enacted on 5 July 2011.

A further announcement was made in the 2012 Budget on 21 March 2012 that the rate would reduce to 24% with effect from 1 April 2012. This rate reduction was substantively enacted on 26 March 2012 and the deferred tax asset at 31 March 2012 has been re-measured accordingly.

This announcement also included provisions to reduce the main rate of corporation tax by further 1% reductions per annum to 22% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

The overall effect of the further reductions from 24% to 22%, if these applied to the deferred tax balances at 31 March 2012, would be to reduce the deferred tax asset by £0.5m (being £0.3m expected to be recognised in 2013 and £0.2m in 2014).

20. Deferred tax continued

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

	2012 £m	2011 £m
Deferred tax asset at the beginning of the year	2.2	2.6
Credited to the Income Statement	0.8	—
Credited/(debited) to Statement of Comprehensive Income	3.4	(0.4)
Deferred tax asset at the end of the year	6.4	2.2

	2012 £m	2011 £m
Accelerated capital allowances	0.6	—
Tax losses	1.1	—
Other timing differences	0.2	0.4
Deferred tax asset relating to pension deficit	4.5	1.8
	6.4	2.2

The full potential asset/(liability) for deferred tax is as follows:

	2012 £m	2011 £m
Accelerated capital allowances	1.6	(1.4)
Other timing differences	1.4	2.2
Net deferred tax asset relating to pension assets/deficits	4.3	1.4
Tax losses	18.1	20.8
Advanced corporation tax asset	5.0	5.0
	30.4	28.0

21. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	South Africa property provision £m	Total £m
At 1 April 2010	1.1	0.4	12.6	1.9	16.0
Charged/(credited) to the Income Statement	1.1	0.8	4.2	(0.5)	5.6
Amortisation of discount	—	—	0.7	—	0.7
Utilisation	(1.1)	(0.5)	(4.4)	(1.0)	(7.0)
At 31 March 2011	1.1	0.7	13.1	0.4	15.3
Charged to the Income Statement	1.3	0.8	—	—	2.1
Amortisation of discount	—	—	0.3	—	0.3
Utilisation	(1.1)	(1.2)	(9.7)	(0.3)	(12.3)
At 31 March 2012	1.3	0.3	3.7	0.1	5.4

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

The 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 and South African property provisions have 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.

22. Retirement benefit obligations

(a) Pension costs

Norcros Security Plan

The Norcros Security Plan, the principal UK pension scheme of Norcros plc subsidiaries, is funded by a separate trust fund. 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.

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 2007/08 and replaced by defined contribution schemes.

Defined contribution pension schemes

Contributions made to these schemes amounted to £1.1m (2011: £1.0m).

22. Retirement benefit obligations continued

(b) IAS 19, 'Retirement benefit obligations'

Norcros Security Plan

The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation at 31 March 2010 and updated by Mercer Human Resource Consulting, a firm of qualified actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 March 2012. Scheme assets are stated at their market value at 31 March 2012.

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 19. The schemes were closed during the financial year 2007/08 and replaced with defined contribution schemes. Following the agreement of the allocation of surplus assets, the surplus was partially recovered in 2012 with the remaining £0.6m surplus due to be recovered in the forthcoming years.

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

	2012 Projected unit	2011 Projected unit
Discount rate	4.95%	5.50%
Inflation rate (RPI)	3.20%	3.40%
Inflation rate (CPI)	2.20%	2.70%
Increase to deferred benefits during deferment (non-GMP liabilities)	3.20%	3.40%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	3.20%	3.40%
Salary increases	3.45%	3.65%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2012 at age 65 will on average live for a further 20.4 years (2011: 20.3 years) after retirement if they are male and 23.2 years (2011: 23.1 years) if they are female.

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

	2012 £m	2011 £m
Included in operating profit:		
Current service cost	1.5	1.3
Past service credits	—	(0.4)
	1.5	0.9
Included in IAS 19 finance income:		
Interest cost	19.8	20.1
Expected return on plan assets	(21.4)	(20.2)
	(1.6)	(0.1)
Total amounts recognised in the Income Statement	(0.1)	0.8

(iii) The amounts recognised in the balance sheet are determined as follows:

		Long-term rate of return expected at 31 March 2012 %	Value at 31 March 2012 £m	Long-term rate of return expected at 31 March 2011 %	Value at 31 March 2011 £m
Equities	– Norcros Security Plan	7.25%	77.1	7.69%	81.4
Absolute return funds	– Norcros Security Plan	7.25%	142.0	7.69%	135.1
Bonds	– Norcros Security Plan	4.95%	99.0	5.50%	73.1
Cash and gilts	– Norcros Security Plan	3.10%	49.5	4.19%	72.3
	– other	—	0.6	—	1.4
Total market value of scheme assets			368.2		363.3
Present value of scheme liabilities			(386.3)		(368.9)
Pension deficit			(18.1)		(5.6)
Comprising:					
– Norcros Security Plan			(18.7)		(7.0)
– other			0.6		1.4
Deficit in schemes			(18.1)		(5.6)

22. Retirement benefit obligations continued

(b) IAS 19, 'Retirement benefit obligations' continued

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

	2012 £m	2011 £m
Deficit at the beginning of the year	(5.6)	(8.1)
Employer contributions – normal contributions	1.2	1.1
– deficit recovery plan	1.0	1.0
Pension holiday taken on South African defined contribution scheme	(0.6)	—
Past service credits	—	0.4
Currency translation adjustments	(0.2)	0.1
Current service cost	(1.5)	(1.3)
Interest cost	(19.8)	(20.1)
Expected return on scheme assets	21.4	20.2
Actuarial (loss)/gain	(14.0)	1.1
Deficit at the end of the year	(18.1)	(5.6)

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

	2012 £m	2011 £m
Opening fair value of scheme assets	363.3	354.8
Employer contributions – normal contributions	1.2	1.1
– deficit recovery plan	1.0	1.0
Employee contributions	0.8	0.7
Pension holiday taken on South African defined contribution scheme	(0.6)	—
Expected return on scheme assets	21.4	20.2
Benefits paid	(21.8)	(19.0)
Actuarial gain on scheme assets	3.1	5.0
Plan settlements	—	(0.6)
Currency translation	(0.2)	0.1
Closing fair value of scheme assets	368.2	363.3

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

	2012 £m	2011 £m
Opening scheme liabilities	(368.9)	(362.9)
Current service cost	(1.5)	(1.3)
Employee contributions	(0.8)	(0.7)
Interest cost	(19.8)	(20.1)
Actuarial loss	(17.1)	(3.9)
Benefits paid	21.8	19.0
Past service curtailment/credits	—	1.0
Closing fair value of scheme liabilities	(386.3)	(368.9)

(vii) Amounts for the current period and previous four periods are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	368.2	363.3	354.8	300.2	375.8
Present value of defined benefit obligations	(386.3)	(368.9)	(362.9)	(298.4)	(365.4)
(Deficit)/surplus in the scheme	(18.1)	(5.6)	(8.1)	1.8	10.4
Experience adjustment on scheme assets	3.1	5.0	57.1	(79.6)	(19.1)
Experience loss on scheme liabilities	—	—	(5.9)	—	—

(viii) Amounts recognised in the Statement of Comprehensive Income are as follows:

	2012 £m	2011 £m
Actuarial (loss)/gain	(14.0)	1.1
Deferred tax	3.4	(0.4)
	(10.6)	0.7

Notes to the group accounts
Year ended 31 March 2012
Continued

23. Called up share capital

	2012 £000	2011 £000
Issued and fully paid		
579,832,604 (2011: 577,326,112) ordinary shares of 1p each	5,798	5,773
Nil (2011: 148,754,684) deferred shares of 9p each	—	13,388
	5,798	19,161

The Company issued 2,506,492 1p ordinary shares to members of an SAYE scheme whose options became exercisable during the year (see note 10). Following the July 2011 AGM the Company repurchased its 148,754,684 9p deferred shares for a nominal value.

Warrant instruments

In 2010 the Company executed a warrant instrument in favour of its principal banks over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. Following a capital raising in the same year these warrants now represent 8,642,612 ordinary shares (1.49% of the issued ordinary share capital) at 31 March 2012. The warrants are exercisable at 8.97p per share at any time up to July 2017. Under IAS 33, warrants only dilute earnings per share to the extent that their fair value exceeds their cost. As at 31 March 2011 the fair value of these warrants was below their cost and they were therefore not included in the diluted earnings per share calculation; however, at 31 March 2012 these warrants had the effect of increasing the quantity of shares used to calculate diluted earnings per share by 681,297 (see note 9).

24. Consolidated cash flow statements

(a) Cash generated from operations

	2012 £m	2011 £m
Profit before taxation	9.4	7.5
Adjustments for:		
– exceptional items included in the Income Statement	—	1.1
– cash flows from exceptional costs	(11.1)	(5.9)
– depreciation	6.3	6.6
– difference between pension charge and contributions	(0.7)	(0.8)
– (profit)/loss on disposal of property, plant and equipment	(0.4)	0.1
– finance costs	4.3	3.4
– finance income	—	(0.2)
– other finance income	(1.6)	(0.1)
– share-based payments	0.2	0.1
Operating cash flows before movement in working capital	6.4	11.8
Changes in working capital:		
– increase in inventories	(5.9)	(4.2)
– decrease/(increase) in trade and other receivables	2.1	(4.2)
– increase in trade and other payables	3.4	7.4
Cash generated from operations	6.0	10.8

(b) Outflow related to exceptional items

This includes expenditure charged to exceptional provisions relating to onerous lease costs and business rationalisation and restructuring including severance and other employee costs.

(c) Analysis of net debt

	Net cash £m	Net debt £m	Total £m
At 1 April 2010	1.1	(17.0)	(15.9)
Cash flow	3.6	3.0	6.6
Other non-cash movements	—	(1.2)	(1.2)
Exchange movement	(0.1)	—	(0.1)
At 31 March 2011	4.6	(15.2)	(10.6)
Cash flow	(1.7)	(4.0)	(5.7)
Other non-cash movements	—	(1.1)	(1.1)
Exchange movement	(0.4)	—	(0.4)
At 31 March 2012	2.5	(20.3)	(17.8)

Other non-cash movements relate to an increase in transaction costs of £0.8m (2011: £nil) following the refinancing of bank debt in September 2011 less amortisation charged for the year of £1.9m (2011: £1.2m).

25. Dividends

A final dividend in respect of the year ended 31 March 2011 of £1.4m (0.24p per share) was paid in August 2011 and an interim dividend of £0.8m (0.14p per share) was paid in January 2012. A final dividend in respect of the year ended 31 March 2012 of £1.6m (0.28p per share) is to be proposed at the Annual General Meeting on 26 July 2012. These financial statements do not reflect this final dividend.

26. Capital and other financial commitments

(a) Capital commitments

	2012 £m	2011 £m
Contracts placed for future capital expenditure not provided in the financial statements	1.4	0.3

(b) Operating lease commitments

	2012 £m	2011 £m
Total commitments under operating leases:		
– not later than one year	6.5	8.6
– later than one year and not later than five years	17.6	26.9
– later than five years	20.9	26.0
	45.0	61.5

Total future sub-lease payments receivable relating to the above operating leases amounted to £1.6m (2011: £3.1m).

The above operating lease commitments are analysed as:

	2012 £m	2011 £m
Equipment:		
– not later than one year	1.3	1.0
– later than one year and not later than five years	2.5	1.7
– later than five years	0.2	0.1
Land and buildings:		
– not later than one year	5.2	7.6
– later than one year and not later than five years	15.1	25.2
– later than five years	20.7	25.9
	45.0	61.5

(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:

	2012 £m	2011 £m
Total commitments under operating leases:		
– not later than one year	0.7	0.9
– later than one year and not later than five years	3.0	2.9
– later than five years	1.4	2.1
	5.1	5.9

Notes to the group accounts
Year ended 31 March 2012
Continued

27. Related party transactions
The following transactions were carried out with related parties:

(a) Purchases of goods and services

	2012 £m	2011 £m
Purchases of goods:		
– associates	—	2.1
– Prism Cement Limited	1.5	0.4
	1.5	2.5

Goods are purchased on normal commercial terms and conditions.

Dividends of £0.7m (2011: £0.2m) were paid to Lifestyle Investments PVT Limited which owns 29.79% of the Company's issued share capital. This company is owned by Prism Cement Limited, a company of which Vijay Aggarwal is a director.

Key management and Directors' compensation is disclosed in note 4.

(b) Year end balances arising from sales/purchases of goods and services

	2012 £m	2011 £m
Payables to related parties (note 17):		
– associates	—	(0.1)
– Prism Cement Limited	(0.3)	—

28. 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.

29. 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
— Johnson Tiles (Pty) Limited* (incorporated in Australia)

— 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.

Independent auditors' report
To the members of Norcros plc

We have audited the Parent Company financial statements of Norcros plc for the year ended 31 March 2012 which comprise the Parent Company Balance Sheet and the related notes. 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).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the Directors are responsible for the preparation of the Parent Company 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 Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Parent Company 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 Chairman's Statement, Business Review, Corporate Governance Statement and the Remuneration Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

— give a true and fair view of the state of the Parent Company's affairs as at 31 March 2012;

— 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

— the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

— the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

— 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 Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Norcros plc for the year ended 31 March 2012.

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
21 June 2012

Parent company balance sheet
At 31 March 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Investments	3	177.3	177.3
Creditors: amounts falling due within one year			
Other	5	(6.5)	(7.2)
Net current liabilities		(6.5)	(7.2)
Total assets less current liabilities		170.8	170.1
Creditors: amounts falling due after more than one year			
Borrowings – bank and other loans	4	(20.3)	(15.2)
Net assets		150.5	154.9
Financed by:			
Share capital	7	5.8	19.2
Share premium account	8	0.2	86.8
Profit and loss account	8	144.5	48.9
Total shareholders' funds	8	150.5	154.9

The financial statements on pages 62 to 65 were approved on 21 June 2012 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 2012

1. Statement of accounting polices
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 Income Statement 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 27.

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.

Auditors' remuneration of £3,000 (2011: £4,000) is borne by the Company's subsidiary.

3. Investments

	Shares in subsidiaries £m
At 1 April 2011 and 31 March 2012	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.

Details of the principal operating subsidiaries indirectly owned by the Company are shown in note 29 of the Group accounts.

Notes to the parent company accounts
Year ended 31 March 2012
Continued

4. Borrowings

	2012 £m	2011 £m
Loans and bank overdrafts – secured	21.0	17.0
Costs of raising finance	(0.7)	(1.8)
	20.3	15.2
Repayable after more than one year:		
– between one and two years	—	17.0
– between two and five years	21.0	—
– costs of raising finance	(0.7)	(1.8)
	20.3	15.2

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.

5. Creditors – amounts falling due within one year

	2012 £m	2011 £m
Amounts owed to Group undertakings	5.9	6.3
Other creditors	0.6	0.9
	6.5	7.2

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

6. Deferred tax

No deferred tax has been recognised in the financial statements as the Company does not believe that utilisation of these losses is probable in the near future.

The full potential asset for deferred taxation is as follows:

	2012 £m	2011 £m
Tax losses	6.3	6.9

7. Called up share capital

	2012 £m	2011 £m
Issued and fully paid		
579,832,604 (2011: 577,326,112) ordinary shares of 1p each	5,798	5,773
Nil (2011: 148,754,684) deferred shares of 9p each	—	13,388
	5,798	19,161

The Company issued 2,506,492 1p ordinary shares to members of an SAYE scheme whose options became exercisable during the year (see note 10 in the Group accounts). Following the July 2011 AGM the Company repurchased its 148,754,684 9p deferred shares for a nominal value.

Warrant instruments

In 2010 the Company executed a warrant instrument in favour of its principal banks over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. Following a capital raising in the same year these warrants now represent 8,642,612 ordinary shares (1.49% of the issued ordinary share capital) at 31 March 2012. The warrants are exercisable at 8.97p per share at any time up to July 2017.

8. Reconciliation of movement in shareholders' funds

	Share capital £m	Capital redemption reserve £m	Share premium account £m	Profit and loss account £m	Total £m
At beginning of year	19.2	—	86.8	48.9	154.9
Purchase of own shares	(13.4)	13.4	—	—	—
Capital re-organisation	—	(13.4)	(86.8)	100.2	—
Shares issued in the year	—	—	0.2	—	0.2
Loss for the year	—	—	—	(2.4)	(2.4)
Dividends paid	—	—	—	(2.2)	(2.2)
At end of year	5.8	—	0.2	144.5	150.5

Following the July 2011 AGM the Company repurchased its 148,754,684 9p deferred shares for a nominal value. The value of these shares, being £13.4m, was placed in a capital redemption reserve. Immediately following this transaction the Company cancelled its share premium account and capital redemption reserve.

9. Dividends

A final dividend in respect of the year ended 31 March 2011 of £1.4m (0.24p per share) was paid in August 2011 and an interim dividend of £0.8m (0.14p per share) was paid in January 2012. A final dividend in respect of the year ended 31 March 2012 of £1.6m (0.28p per share) is to be proposed at the Annual General Meeting on 26 July 2012. These financial statements do not reflect this final dividend.

10. 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.

11. Financial risk management objectives and policies

A description of the Group's financial risk management policies are provided in the Directors' Report on page 23. These objectives and policies also apply to the Company.

12. 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 2012 Annual General Meeting of the Company will be held at 11.00 am on 26 July 2012 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 1 to 9 (inclusive) below will be proposed as ordinary resolutions and resolutions 10 to 12 (inclusive) below will be proposed as special resolutions.

1. To receive the audited accounts and the auditors' and Directors' Reports for the year ended 31 March 2012.
2. To approve the Board's Remuneration Report for the financial year ended 31 March 2012.
3. To declare a final dividend of 0.28p per ordinary share.
4. To elect Martin Towers as a Director.
5. To re-elect John Brown as a Director.
6. To re-elect Nick Kelsall as a Director.
7. To re-appoint PricewaterhouseCoopers LLP as auditors.
8. To authorise the Directors to determine the auditors' remuneration.
9. That the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all 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 £3,826,895 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 Services 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 Meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked.
10. That the Directors are 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 9 in the notice of this 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 Services 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 £289,916,

   and shall expire when the authority conferred on the Directors by resolution 9 in the notice of this 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.

11. 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 57,983,260;

    (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 Services 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 London Stock Exchange's Daily Official List) 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.

12. 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

D. W. Hamilton
Director and Company Secretary
21 June 2012

Registered office:
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

Notice of annual general meeting
Continued

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 24 July 2012 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 Registrars, Proxy Department at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by 11.00 am on 24 July 2012. 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 19 June 2012 (being the latest practicable date prior to the printing of this document), (i) the Company's issued share capital consisted of 579,832,604 ordinary shares carrying one vote each and (ii) the total voting rights in the Company were 579,832,604.

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 auditors 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.

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 Registrars (ID RA10), as the Company's "issuer's agent", by 11.00 am on 24 July 2012. 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 Registrars 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 providers 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. Please note that the Company takes all reasonable precautions to ensure that no viruses are present in any electronic communication which it sends, but the Company does not accept responsibility for any loss or damage arising from the opening or use of any email or attachment sent by the Company and 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 Registrars (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. 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 26 July 2012 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. The Notice convening that meeting, together with the resolutions to be proposed, appears on pages 66 to 67 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 auditors' 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 2012 is set out in full on pages 29 to 32 of this document. Any shareholder who would like a copy of the Annual Report and Accounts 2012 can obtain one by contacting our registrar on 0871 664 0300. Alternatively, the Annual Report and Accounts 2012 can be viewed on our website at www.norcros.com.

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
Dividend
The payment of the final dividend requires the approval of shareholders in general meeting. If the meeting approves resolution 3, the final dividend of 0.28p per ordinary share will be paid on 31 July 2012 to ordinary shareholders who are on the register of members on 29 June 2012 in respect of each ordinary share.

Resolution 4
Election of Martin Towers
It is proposed that Martin Towers be elected as a Director.

Brief biographical details of Martin can be found on page 20. The other Directors unanimously recommend that Martin be elected as a Director.

Resolution 5
Re-election of John Brown
Under the Company's Articles of Association, a Director must retire from office (and may offer himself for re-election) at the third Annual General Meeting following his appointment or last appointment by members at a general meeting. John Brown (who was last re-appointed at the 2009 Annual General Meeting) will therefore retire at the 2012 Annual General Meeting and offers himself for re-appointment via resolution 5.

Brief biographical details of John can be found on page 20. The other Directors unanimously recommend that John be re-elected as a Director of the Company and the Board confirms that, following performance evaluation, John's performance continues to be effective and he demonstrates commitment to the role.

Resolution 6
Re-election of Nick Kelsall
Under the Company's Articles of Association, a Director must retire from office (and may offer himself for re-election) at the third Annual General Meeting following his appointment or last appointment by members at a general meeting. Nick Kelsall (who was last re-appointed at the 2009 Annual General Meeting) will therefore retire at the 2012 Annual General Meeting and offers himself for re-appointment via resolution 6.

Brief biographical details of Nick can be found on page 20. The other Directors unanimously recommend that Nick be re-elected as a Director of the Company and the Chairman confirms that, following performance evaluation, Nick's performance continues to be effective and he demonstrates commitment to the role.

Resolution 7

Re-appointment of auditors

The Company is required to appoint auditors at each general meeting before which accounts are laid, to hold office until the end of the next such meeting. PricewaterhouseCoopers LLP have indicated that they are willing to continue as the Company's auditors for another year. You are asked to re-appoint PricewaterhouseCoopers LLP and, following normal practice, to authorise the Directors to determine their remuneration. The Directors recommend their re-appointment.

Resolution 8

Remuneration of auditors

The resolution follows best practice in giving authority to the Directors to determine the remuneration of the Company's auditors.

Resolution 9

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 27 October 2012 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 9, if passed, will renew the Directors' authority to allot shares in the capital of the Company up to a maximum aggregate nominal value of £3,826,895 (representing 382,689,518 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 19 June 2012 (being the latest practicable date prior to the publication of this document). Of this amount, ordinary shares to an aggregate nominal value of £1,913,448 (representing 191,344,759 ordinary shares which is approximately one third of the Company's issued ordinary share capital as at 19 June 2012 (being the latest practicable date prior to the publication of this document)), can only be allotted pursuant to a rights issue.

As at 19 June 2012 (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 2013.

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 10

Disapplication of pre-emption rights

The Directors are currently authorised 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 27 October 2012 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 scrip dividend (where 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 £289,916, which represents 28,991,630 ordinary shares and is approximately 5% of the Company's issued ordinary share capital as at 19 June 2012 (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 2013.

In accordance with the Statement of Principles on disapplying pre-emption rights issued by the Pre-Emption Group (which is supported by the Association of British Insurers, 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 11

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 57,983,260 ordinary shares which have an aggregate nominal value of £579,833 (representing approximately 10% of the aggregate nominal value of the issued ordinary share capital of the Company as at 19 June 2012 (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 2013.

Resolution 11 continued

Authority to purchase own shares continued

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 for the benefit 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 19 June 2012 (being the latest practicable date prior to the publication of this document), there were warrants and options over 21,591,059 ordinary shares in the capital of the Company, which represent, in aggregate, approximately 3.7% 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 4.1% of the Company's issued ordinary share capital. As at 19 June 2012 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in treasury.

Resolution 12

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 the 21 days' notice which would otherwise be required under the Companies (Shareholders' Rights) Regulations 2009 (Regulations). 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 12 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 Regulations before it can call a general meeting on such notice.

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