norcros

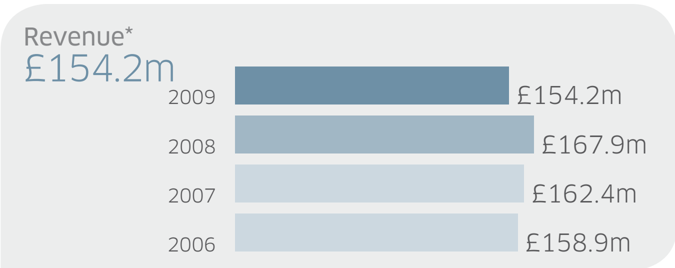
Norcros plc
annual report and accounts 2009

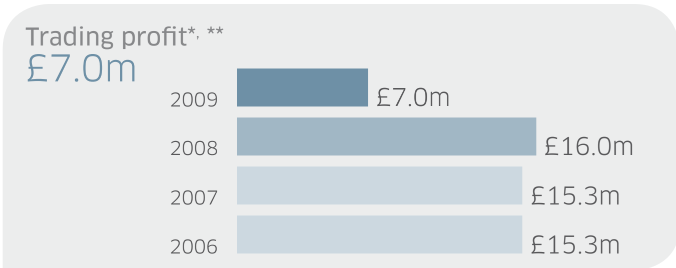
corporate statement

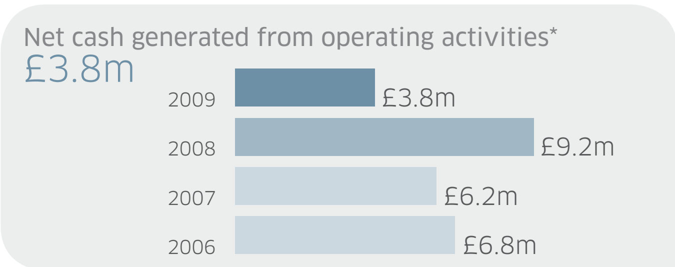
Norcros is a group of companies dedicated to making where you live and places you visit better – everywhere from homes, shops and restaurants to hotels and airports.

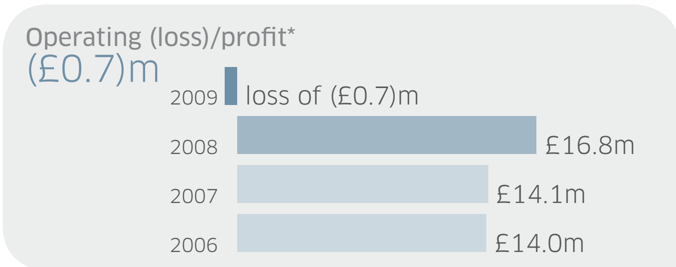
We supply high quality and innovative showers, ceramic wall and floor tiles and related products. We have three complementary UK businesses: Triton Showers, the leading UK shower company; Johnson Tiles, a leading UK tile producer; and Norcros Adhesives, a complementary tile adhesive operation. Norcros has significant operations in South Africa and has interests in Australia and Greece.

our highlights









* From continuing operations.

** Trading profit is defined as operating profit before exceptional items and operating income.

our operations

UK OPERATIONS

In the UK the Group operates through three divisions involved in the manufacture of home consumer products:

- Triton Showers is the market leader in the manufacture and marketing of domestic showers in the UK, with a leading position in electric showers and an increasing presence in mixer showers. Triton also exports products to Ireland and other overseas markets;
- Johnson Tiles is a leading manufacturer and supplier of ceramic tiles in the UK; and
- Norcros Adhesives is a UK manufacturer and supplier of adhesives, grouts, surface preparation and aftercare products for fixing ceramic and porcelain tiles, mosaics, natural stone and marble.

REST OF THE WORLD OPERATIONS

The Group has a wholly-owned subsidiary in Australia selling tiles under the “Johnson” brand. Norcros also has an associate in Greece manufacturing tiles and adhesives, and an investment in a leading Australian tile distributor and retailer (R. J. Beaumont & Co. Pty Limited).

SOUTH AFRICAN OPERATIONS

Norcros South Africa operates through three divisions and is a leading manufacturer and retailer of ceramic tiles and adhesives in South Africa under the “Johnson”, “Tile Africa” and “TAL” brands, with a complementary sanitary ware offering:

- Johnson Tiles South Africa (JTSA) which manufactures ceramic and porcelain tiles, primarily for retail through Tile Africa (TAF) stores;
- TAF which operates an integrated chain of retail stores and was acquired by Norcros South Africa in 2004. TAF sources products directly from JTSA but also sources a number of product ranges from overseas manufacturers and distributors; and
- TAL which manufactures industrial, building and tile adhesives, distributed through a range of channels, including TAF.

chairman's statement

We are well positioned in the UK shower, UK tile and South African tile markets, the medium term growth prospects for which remain attractive.

OVERVIEW

Norcros faced extremely challenging trading conditions but I am pleased to report that our ongoing cost reduction and new product initiatives have enabled us to maintain our leading market positions and to stabilise the performance of our business.

As reported in our pre-close trading statement on 27 March 2009, our performance principally reflects sharply falling demand in both the UK and South Africa, combined with operational difficulties in one of our South African businesses. The management team moved quickly to adjust the Group's cost base to reflect the lower levels of demand and took decisive action to resolve the operational issues in the South African businesses. We will take further steps as required.

With market conditions expected to remain very difficult, our focus remains on cutting costs and conserving cash, whilst also maintaining the strong market positions of our businesses through new product introductions and targeted marketing initiatives.

RESULTS

Revenue for the year was £154.2m (2008: £167.9m), a decrease of 8.2%, principally reflecting declines in UK revenues together with a smaller decline in South African revenues, which benefited from new store openings. Reported revenue was marginally impacted by a weakening in the South African Rand to Sterling exchange rate. At constant exchange rates revenue fell by 7.1%.

Trading profit of £7.0m (2008: £16.0m) was slightly ahead of the expectation in our pre-close trading statement in March 2009, albeit 56.2% lower than the prior year. Trading profit in the UK operations remained strong at £8.9m, despite the impact of lower levels of market activity and higher energy costs, but in South Africa the combination of a weak market, investment in new and existing stores, higher energy costs and underperformance of tile manufacturing resulted in a trading loss of £1.7m. Pre-tax profitability was also impacted by a £2.5m share of the loss in our Greek associate. Strategic options to realise value for this business are currently being evaluated. Profit before tax and exceptional items was lower at £2.9m (2008: £13.0m).

Finance costs before exceptional interest costs were down from £6.9m to £4.5m, reflecting the full year impact of the post flotation capital structure. Total financing costs were also £4.5m (2008: £10.7m) with no repeat of the 2008 exceptional interest costs relating to the write-off of capitalised costs on previous debt facilities.

The net exceptional operating charge of £7.7m (2008: £0.7m credit) reflects £3.5m of restructuring costs in the UK and South Africa, and property provisions of £7.0m relating to the Group's onerous leases, in part offset by a £1.5m past service pension credit and a £1.3m profit on the sale of our investment in H & R Johnson Tiles (India) Limited.

Basic earnings per share before exceptional items were 1.0p (2008: 10.7p). After exceptional items the Group made a basic loss per share of 4.2p (2008: earnings of 7.9p).

Net cash generated from operations in the period was £6.8m (2008: £13.7m) and investment in capital expenditure was £4.7m (2008: £10.4m). Major items of non-replacement capital expenditure related to new product development at Triton, new store openings and store refurbishment in South Africa, and new technology in the UK tile business in order to enhance the product range. As a result of the tight control of costs, working capital and capital expenditure, net borrowings reduced from £46.5m at 31 March 2008 to £45.8m at 31 March 2009.

In anticipation of worsening trading conditions during the year, the Group entered into discussion with its banking syndicate in respect of its £80m banking facility due to expire in July 2012. As disclosed in the pre-close trading statement, we agreed an amendment and reset of our covenants at the 31 March 2009 test date. Furthermore, the Board is pleased to report that revised terms to the £80m facility, extended to October 2012 , have been agreed following a detailed review by the banks and their advisers of the Group's businesses, operational plan, and financial projections. The key terms are summarised in the Business Review. The Board believes these arrangements provide a sound financing structure for the medium term albeit the new terms, as expected in the current environment, are significantly more expensive than the original facility. In addition the Group will incur one-off costs of approximately £3.5m which will be amortised over the life of the facility.

DIVIDENDS

The Board has concluded that it would not be appropriate to pay dividends in the current year due to the Group's trading performance, the continuing economic uncertainty and the relative level of indebtedness. As part of the new banking terms the Group is not permitted to resume the payment of any dividend until leverage is reduced. The Board will look to return to a progressive dividend policy as soon as practicable dependent upon the market environment, earnings, cash flow and within the restrictions of its revised banking terms.

INITIATIVES

We remain highly focused on our ongoing efficiency initiatives including reducing costs, controlling working capital and conserving cash. We will also continue to invest in targeted marketing programmes and other initiatives with the aim of ensuring that the Group's businesses drive profitable revenue growth and gain market share. Of particular importance is the focus on new product development and customer service. These actions and our results-driven culture should ensure the emergence of stronger and more efficient businesses which are well placed to take advantage of the upturn when it occurs.

The Group has taken strong action to address the operational issues in South Africa by installing new management and closing inefficient capacity. Some of these measures will inevitably take time to bear fruit but the Board believes the actions taken will strengthen our business and position it to take advantage of the medium term growth prospects in the South African market. In addition, a range of cost reduction measures has been implemented throughout the Group's operations that have produced savings of around £2m in the year ended 31 March 2009. The impact of these, combined with other measures, are estimated to give rise to annualised savings in the region of £3.5m to £4m at a one-off cash cost of approximately £2.5m. The savings include significant headcount reduction from restructuring and tight control of discretionary spend. The Board is monitoring developments very closely to ensure delivery of these plans and reviewing the need for any further action.

EMPLOYEES

The increased demands from market challenges and the impact of restructuring programmes during the year have required extremely high levels of professionalism, dedication and tenacity. On behalf of the Board I wish to thank all our employees for their contribution. In difficult markets it is of crucial importance to delight customers and deliver outstanding levels of customer service, and this can only be achieved by the ongoing commitment and enthusiasm of our employees. The strong market positions of our businesses are evidence of the success of our approach at every level of the organisation.

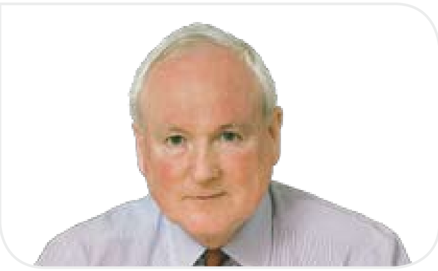
SUMMARY AND OUTLOOK

We expect that conditions will continue to be tough in the current year but having stabilised the performance of the business we are aiming to improve returns. We are well positioned in the UK shower, UK tile and South African tile markets, the medium term growth prospects for which remain attractive. Having renegotiated the Group banking facilities on viable, albeit more expensive terms we can now focus on a longer term recovery strategy for the business and the restoration of shareholder value.

J. E. BROWN
CHAIRMAN
31 JULY 2009

business review

Notwithstanding the significant decline in demand across all the Group's businesses, we produced Group trading profits of £7.0m.



OUR BUSINESS

Norcros is a focused group engaged in the design, manufacture and sale of home consumer products. The Group operates in three geographical areas:

UK

In the UK the Group operates through three main divisions:

- Triton is the UK market leader in the manufacture and marketing of domestic showers, with a leading position in electric showers and a significant presence in mixer showers. Triton also exports to the Irish Republic and other overseas markets;
- Johnson Tiles is a leading manufacturer and supplier of ceramic tiles in the UK and operates across all sectors of the UK market, serving both the DIY and the trade accounts through a long-established national distribution network; and
- Norcros Adhesives is a UK manufacturer and supplier of adhesives, grouts, surface preparation and aftercare products for fixing ceramic and porcelain tiles, mosaics, natural stone and marble.

SOUTH AFRICA

In South Africa Norcros operates through three divisions and is a leading manufacturer and retailer of ceramic tiles and adhesives under the "Johnson", "Tile Africa" and "TAL" brands with a complementary sanitary ware offering:

- JTSA manufactures ceramic and porcelain tiles, primarily for supply to the TAF stores;
- TAF is a chain of retail stores acquired in December 2004. TAF sources products directly from JTSA and from a number of independent local and overseas manufacturers; and
- TAL manufactures industrial, building and tile adhesives, distributed through a range of channels, including TAF.

REST OF THE WORLD

The Group has a wholly-owned subsidiary in Australia selling tiles under the "Johnson" brand. Norcros also has an associate in Greece, manufacturing tiles and adhesives, and an investment in a leading Australian tile distributor and retailer R. J. Beaumont & Co. Pty Limited.

OUR STRATEGY

TRITON SHOWERS

Triton is well positioned to benefit from the growth in the shower market reflecting Triton's excellent consumer brand loyalty and awareness. Future growth is expected to be achieved through:

- the continued growth of the UK shower market through increased penetration and a shortening in the replacement cycle;
- market share gains in the UK mixer shower market;
- a comprehensive new product development programme targeted at the commercial care and retail segments; and
- continued investment in market and brand development.

Norcros innovation

Elegance is the latest range to be launched by Johnson Tiles. The range has been designed to perfectly replicate the look and feel of natural marble, travertine and onyx but without the high cost and maintenance.

JOHNSON TILES

Future revenue growth in Johnson Tiles is expected to be achieved through:

- continued growth in share of the UK specification sector;
- an emphasis on design and product development;
- a focused retail proposition with improved product displays and depth of offering;
- a continued focus on improving customer service levels and choice; and
- an enhanced website.

SOUTH AFRICA

Future growth of Norcros South Africa is expected to be realised through:

- the continued growth of the South African tile market;
- the expansion and refurbishment of the TAF estate;
- investment in marketing and advertising to increase the brand awareness of TAF, TAL and Johnson;
- investment in new product development programmes in the JTSA and TAL operations; and
- a continued emphasis on superior customer service, supply chain improvements and increased efficiencies.

TRADING PERFORMANCE

OVERVIEW

In the year ended 31 March 2009 we experienced reduced demand in many of the markets in which the Group operates, resulting in an extremely challenging trading environment for Norcros. However, notwithstanding the significant decline in demand across all the Group's businesses, we produced Group trading profits of £7.0m.

This reflected a particularly resilient performance from our UK businesses despite the impact of the downturn in the housing market and the decline in consumer confidence and spending. Furthermore, substantial increases in energy costs and the weakness in Sterling significantly impacted profitability. We responded decisively by cutting costs and increasing selling prices. At the same time we continued to invest in new product and marketing programmes with the result that we were able to produce a good trading performance for the year.

In South Africa, performance was adversely impacted by market softness, higher energy costs, investment in new and existing stores and by under-performance in our tile manufacturing business. The latter issues have been decisively addressed following senior management changes and the closure of the inefficient wall tile facility.

Triton, our market-leading domestic shower business, delivered a very robust trading profit and significant cash generation.

TRADING PERFORMANCE CONTINUED

UK

Our UK businesses have continued to trade resiliently against a backdrop of increasingly softer market conditions and higher energy costs experienced in the period. Overall revenue declined 12.2% to £94.6m and trading profits were 35% lower at £8.9m (2008: £13.7m), with operating margins of 9.4% (2008: 12.7%).

TRITON SHOWERS

Triton, our market-leading domestic shower business, delivered a very robust trading profit and significant cash generation, continuing to reflect the resilience of its business model and the decisive management actions taken to counteract the weak trading conditions. Triton experienced a decline in revenues of 17.8% with a decline in UK revenues of 16.5 % and export revenues lower by 23.1%. Relative to the overall decline in the UK market, revenue in the trade sector held up well with revenue growth in electric showers in the national and independent merchant segment. The success reflects our effective promotional programmes and strong new product introductions. In retail, performance across the specific channels continued to be mixed, with significant destocking at a number of accounts persisting longer than expected and more than offsetting growth in revenue in other accounts. The decline in export sales continued to reflect the weak market conditions in Ireland, Triton's largest export market.

Triton's UK performance must be considered in the context of an estimated 17% decline in the UK shower market and the significant destocking in the retail segment. Against this backdrop Triton has maintained its overall leading UK market position.

We continue to invest significantly in new product development, marketing and promotional programmes. As a result over 70% of Triton's revenue continues to be derived from products introduced in the last three years. The business has maintained its market-leading position reflecting the breadth of its customer base and the strength of its product offering. Its position in the trade segment reflects the added focus in the care market, the key relationships with local authorities, housing associations and the success with projects such as the "Decent Homes" initiative. The range of thermostatic electric showers and the T80 range of electric showers have underpinned our position in this segment. The "affordable style" range of electric showers, offering inspirational products at affordable prices, has continued to sell well in both the trade and retail sectors, appealing to a large proportion of consumers.

In terms of operational performance, we have reduced employee costs by 10% by flexing direct labour and through a number of redundancy programmes. Overheads were 10% lower by tight control of costs and by flexing discretionary expenditure proportionately with demand.

Norcros innovation

Material Lab is our innovative central London showroom, a friendly, creative environment to stimulate ideas and provide technical support.

Trading profit was significantly lower than last year, principally reflecting the decline in the market and substantial destocking, albeit the management actions taken to recover input cost increases through sales price increases and the significant reduction in costs ensured that profit margins were largely maintained.

The ability of Triton to deliver a robust profit performance and significant cash generation, despite the challenging trading environment, reflects the resilience of its operating model, the flexibility of its cost structure and the strength of its brand and franchise. Our leading presence in the mature electric shower market, where replacement is a key driver of demand, has underpinned activity levels and we believe will continue to do so. Triton remains well positioned to take advantage of any improvement in market conditions, by our continuing drive to offer exciting and affordable new products backed up with our excellent customer service.

JOHNSON TILES

In the face of tougher trading conditions in the second half of the year our UK tile business, Johnson Tiles, held up well. Following an overall revenue decline of 9.5% in the first half, the decision to focus our resources on the national retail accounts in order to secure volumes proved successful, with the second half revenue decline limited to 5.0%. As a result full year revenues declined by 7.2%. UK revenues declined 9.5% compared to an estimated decline in the market of 11% and our export revenues finished the year strongly at 7.9% ahead with particularly strong performances in Eastern Europe, France and the Middle East.

Our investment in a new state-of-the-art inkjet printing facility earlier in the year is proving a success. This equipment is unique to the UK and has resulted in both higher quality products and faster process of new product introductions, which in turn has led to new product listings in both the key UK distributors and major DIY accounts.

Another key focus has been the creation of a new product offering to target the private sector specifier. Following market research and feedback from the customer base of our Material Lab we launched, the “Absolute” product range at the 100% Design exhibition in September 2008. This range is primarily targeted at the architectural and interior design markets and has been well received.

To further supplement our private sector package we launched our new website in September 2008. This has been welcomed by specifiers and we believe that this initiative together with our product offering and our highly trained sector-specific field sales team have strongly positioned us to achieve our goal of becoming the market leader in this segment.

As a result of the decisive commercial and cost actions taken during the year, together with the decline in energy prices currently being enjoyed, Johnson Tiles is well positioned to benefit from any upturn in the market when it occurs.

TRADING PERFORMANCE CONTINUED

JOHNSON TILES CONTINUED

Early and decisive management action was taken to mitigate the impact of the volume decline and the £2.4m increase in energy costs. A comprehensive cost reduction programme was implemented in the first half year and further additional contingency plans were implemented in the second half including a 5% pay reduction and redundancies of approximately 70.

These actions limited the impact on performance of the significant increase in energy costs, the decline in market activity and the adverse impact on input costs of the sharp weakening in Sterling in the last quarter, and ensured the business generated positive operating cash despite a small trading loss.

As a result of the decisive commercial and cost actions taken during the year, together with the decline in energy prices currently being enjoyed, the business is well positioned to benefit from any upturn in the market when it occurs.

NORCROS ADHESIVES

Our UK adhesive business continued to make very sound progress particularly given the softer market conditions in the second half of the year. Revenues increased by 32% reflecting a significant increase in new account openings and the initial benefits of new business in the DIY retail sector. This success was achieved as a result of a significant new product programme and additional investment in sales and marketing resources. Following the investment in our own manufacturing facility early last year we are now producing in-house approximately 80% of our total adhesive revenues. These products have been well received by the market and the decision to invest in own manufacture has contributed to both revenue growth and an improvement in underlying profitability. Overall the business recorded a small trading profit reflecting the revenue growth and tight control of costs.

Looking forward, our plans involve the formulation and launch of a new range of self-levelling compounds following on from the recent successful launch of an enhanced range of grouts and silicone sealants. Despite the softer construction market we are confident of continuing to build on the progress this year with specific prospects identified in the public sector housing improvement projects and the infrastructure development for the 2012 Olympics.

SOUTH AFRICA

Our South African operations were impacted by a sharp downturn in market activity, increased overhead costs from committed investment in new and existing stores, higher energy costs, higher input costs resulting from the weaker Rand exchange rate, and by underperformance in our tile manufacturing business.

Gross Domestic Product in South Africa reduced from 5.1% growth in 2007 to 3.1% in 2008 reflecting a sharp decline of 1.8% in the final quarter of 2008. This declining trend has accelerated with a 6.4% contraction in the first quarter of 2009, with the construction industry particularly hard hit despite an increase in government infrastructure spending. Building plan approvals have

Norcros innovation

Our decision to invest in our own manufacture of tile adhesives in the UK has contributed to revenue growth and improved profitability.

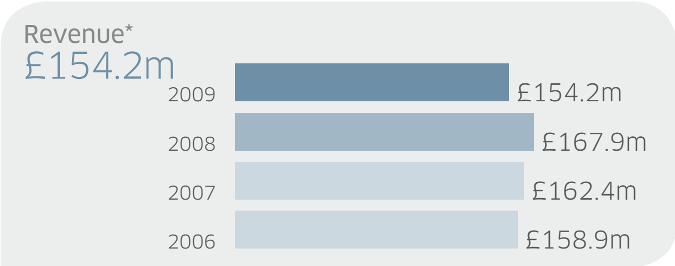
slowed markedly and cement sales, another key indicator, fell by 8.3% for the year ending March 2009. Notwithstanding these issues and the economic background, the overall revenue of our South African business grew, in constant currencies, by 2.1%, principally reflecting the benefit of the prior and current year new store openings, targeted marketing initiatives and selective sales price increases.

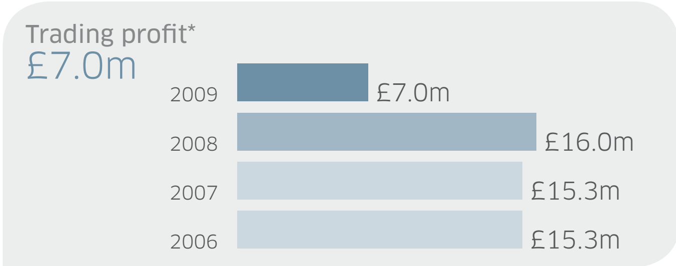
Tile Africa delivered revenue growth of 2.3% but incurred a small trading loss, largely reflecting lower like-for-like sales and increased costs associated with new store openings. Despite the tough market, good progress has been made in selectively improving our retail footprint with the successful opening of our Pinetown, Ballito, Greenstone and Centurion branches. This expansion reflects commitments made in the 2008 financial year and no further new store commitments have been made pending recovery in the trading environment. During the second half of the financial year we closed our underperforming store at Ormonde and completed the sale of our old store at Bloemfontein following a restructuring of its operations. As previously reported we restructured the Pietermaritzburg and Somerset West stores, realising £1.0m gross proceeds from their disposal in the first half of the financial year.

Focus on securing further operational improvements in our stores is being maintained with increased training across all levels of the business. Early benefits have already been seen with our customer service independently rated as top in the sector. We are also pressing ahead with further plans to reduce our operating cost structure, removing approximately 40 additional positions through efficiency and productivity improvements at a low cost with the redeployment of staff in our new stores. This follows on from the similar exercise carried out early in the year where we redeployed 65 personnel to support our new store programme. The estate now comprises 36 "owned" stores and five franchise operations.

TAL, our adhesive operation, was also impacted by the softer trading conditions but still managed to grow overall revenues marginally, reflecting particularly strong growth in the building construction segment on the back of new product introductions, partly offset by flat tile adhesive revenues and a small decline in the industrial adhesive segment. Our business continues to benefit from our success in product innovation underpinned by our superior technical expertise in both our cementicious and general adhesive ranges. As a result we expect to continue to grow our market share in both the rapid set and hot melt markets. Our rapid set technology has been a key driver in our success in tile adhesive and is now being successfully applied to the epoxy and cementicious flooring market. The size of this market is significant and any opportunities gained can be accommodated from our existing plant capacity in the short to medium term. Our hot melt market share is approximately 15% and we believe good growth opportunities exist in the growing Fast Moving Consumer Goods sector. The very competitive trading environment and the under recovery of input cost increases, particularly raw materials and distribution charges, led to a reduction in trading profit but the business continues to provide an excellent return on investment and strong cash generation.

business review continued





* From continuing operations.

TRADING PERFORMANCE CONTINUED

SOUTH AFRICA CONTINUED

JTSA, our tile manufacturing operation, experienced a very difficult year. Despite constant currency revenue growth of 4%, the effect of significantly higher energy costs and imported raw materials compounded by higher distribution costs and plant inefficiencies resulted in a significant operating loss for the year. In response we have implemented a significant restructuring programme including changes in senior management and the closure of our inefficient wall tile plant in December 2008, resulting in a headcount reduction of approximately 17% of the total workforce. We have taken further corrective action to improve our production volumes and efficiencies and have announced additional measures to reduce headcount by a further 35. This further phase was completed at the end of May 2009. We also plan to automate aspects of our quality control process which will result in a further reduction in headcount of 16, together with material cost savings. We are confident that the actions taken will both improve manufacturing productivity and reduce our cost base which should deliver a significant improvement in operating performance.

REST OF THE WORLD

Our Australian business, Johnson Tiles, continued to make good progress against a background of difficult market conditions with revenues, on a constant currency basis, increasing by 2.9%. Our actions to get the business onto a stable and profitable platform through a series of sales and marketing initiatives and a programme of cost base restructuring are bearing fruit. We took action in August 2008 to close our unprofitable New Zealand branch generating annualised savings of £0.2m, and from October 2008 to February 2009 we implemented a series of redundancies across the administration and distribution functions including the closure of the decorating facility. In total we have reduced our headcount by 19, or 35%.

The sales generation initiatives have included the distribution of Artistic Stone, a new range of decorative product which is a combination of natural stone, glass and metallic finishes, the opening of a new trade centre and warehouse in New South Wales, a new factory outlet in Thomastown which has been established at the premises of our adhesive supplier, the opening of a new commercial showroom and cash and carry drive-through at the premises of one of our key customers in Melbourne; and investment in improving and enhancing the website. We remain confident that the actions taken will position the business onto a more sustainable profit platform and allow strategic options to be evaluated.

Norcros innovation

Because everyone's showering needs are different, Triton offers the biggest range of electric, mixer, digital and power showers in Britain.

GREECE

The performance of Philkeram Johnson, our 50% owned Greek tile and adhesives associate, was impacted by a severe downturn in building activity.

The tile manufacturing operation experienced a very challenging year. Revenues in local currency, declined by 14.2% which, together with considerably higher energy and distribution costs, and the action taken to curtail production, resulted in a significant operating loss for the year. In response an extensive restructuring programme has been implemented, including a reduction of approximately 18% of the total workforce. Furthermore action has been taken to cut production volumes by around 35% in order to reduce inventory levels and preserve cash.

The performance of the adhesive operation was also affected by the tough trading environment with local currency revenues 9.1% lower. The breadth of the product portfolio, encompassing adhesives, grouts, surface preparation and aftercare products, and the variety of end-user applications supported a more resilient revenue performance. Despite the revenue decline and higher distribution charges, the adhesives business recorded a trading profit in the year, albeit lower than the prior year.

The Group equity accounts for its share of the results of the Greek associate and its share of the post-tax loss was £2.5m (2008: £0.2m loss). Whilst this loss is a non-cash item the Board are evaluating options to realise value for this business.

SUMMARY

The markets in which Norcros operates are expected to continue to be adversely impacted by negative macro-economic forces throughout the balance of 2009 and into 2010. Against this background we will continue to run the business tightly, focusing on driving increased revenue and cash generation, whilst ensuring the cost base is aligned to the market circumstances. We are confident that the combination of the measures already taken, combined with our strong market positions and product and marketing initiatives, have positioned us well to take advantage of opportunities as they arise.

FINANCIAL REVIEW

REVENUE

Group revenues declined on a reported basis by 8.2% or by £13.7m to £154.2m (2008: £167.9m). The underlying decline on a constant currency basis was lower at 7.1% or £11.8m (2008 restated to constant currency: £166.0m), principally reflecting the translation impact of the weaker South African Rand/Sterling exchange rate between the two periods. The Group recorded declines in revenue in the UK and South Africa although growth was experienced in our Australian tiles business.

Finance costs reduced significantly to £4.5m from £6.9m in 2008. This reduction reflects the full-year benefit of the Company's capital structure following the listing in July 2007.

FINANCIAL REVIEW CONTINUED

TRADING AND OPERATING PROFIT

Trading profit, as reported, declined by 56.2% to £7.0m (2008: £16.0m) and on a constant currency basis by 55% (2008 restated to constant currency: £15.7m). Our UK businesses remained profitable overall and the losses experienced in the Australian tile operation were further reduced. However our South African operations recorded an overall loss, reflecting the market conditions and the operational issues referred to earlier. Trading profit margins declined from 9.5% to 4.5%. Operating losses were £0.7m (2008: profit of £16.8m).

FINANCE COSTS

Finance costs reduced significantly to £4.5m from £6.9m in 2008. This reduction reflects the full-year benefit of the Company's capital structure following the listing in July 2007, when the Group's debt levels were reduced by £72.0m and the bank facilities renewed on more advantageous terms. In addition the Group now denominates all its borrowings in Sterling rather than a mix of Sterling and South African Rand as in previous years, leading to a significant saving in finance costs.

Finance income largely reflects the net income relating to our UK defined benefit pension scheme which amounted to £2.3m compared to £3.4m last year. The decline reflects the reduction in the pension scheme surplus brought forward at 31 March 2008 and the increase in the discount rate from 5.7% to 6.9% this year.

SHARE OF LOSS OF ASSOCIATES

The Groups 50% share in its Greek associate resulted in a post tax loss of £2.5m (2008: loss of £0.2m).

PROFIT BEFORE TAX

Profit before tax and exceptional items was £2.9m (2008: £13.0m) reflecting the fall in trading profits noted above. The Group reported a loss before tax and after exceptional items of £4.8m (2008: profit of £9.9m).

EXCEPTIONAL ITEMS

The exceptional net charge of £7.7m in 2009 is detailed in note 5 to the accounts. The major items comprise a £7.0m increase in the provision relating to legacy onerous lease obligations dating back to the disposal of a number of businesses in the early 1990s and a £3.5m charge for restructuring the Group's businesses to mitigate the impact of the decline in Group revenues. These costs are partially offset by a £1.3m profit on the sale of our 19% share in H & R Johnson (India) Limited and a £1.5m credit relating to changes in pension scheme rules which enable pensioners to withdraw a greater portion of their pension up front in return for lower annual increases in the future.

The exceptional credit of £0.7m in 2008 relates to the Group's share of the surplus after costs arising from the closure of the South African defined benefit pension schemes effective from 1 March 2008. Exceptional interest costs of £3.8m in 2008 relate to the write-off of capitalised costs relating to the previous debt facilities.

Norcros innovation

Johnson Tiles was the first ceramics company within the whitewares sector to gain certification on the basis of the ISO 14001 standard in 1998. We have since upgraded certification to meet the requirements of ISO 14001:2004.

TAXATION

The taxation charge for 2009 amounts to £1.5m (2008: £0.4m) and principally reflects the write-off of a £0.9m deferred tax asset recognised on the Consolidated Balance Sheet at 31 March 2008. This asset related to the recognition of tax losses in South Africa but the current economic climate has increased the uncertainty surrounding the potential use of these losses going forward. The Group has therefore prudently decided not to recognise such assets in 2009.

EARNINGS PER SHARE

Earnings per share, based on earnings before exceptional items of £1.5m (2008: £12.8m), amounted to 1.0p (2008: 10.7p). After exceptional items the Group made a basic loss per share of 4.2p (2008: earnings of 7.9p).

DIVIDENDS

Given the current economic conditions no interim or final dividends have been proposed this year, this compares to interim and final dividends of 0.56p per share and 2.66p per share respectively for the previous year.

PENSION SCHEMES

The Group contributed £2.1m into its UK defined benefit pension scheme during the year, which included a £1.0m additional contribution to the scheme agreed in 2006.

The total charge in respect of defined benefit schemes to operating expenses (excluding exceptional credits) in the Consolidated Income Statement was £1.1m (2008: £1.4m).

The gross defined benefit pension scheme surplus on the UK scheme reduced during the year by £8.4m to £1.3m.

The reduction principally reflects the decrease in asset values, partly offset by a decrease in the value of the scheme liabilities caused by changes in the applicable discount rate from 5.7% in 2008 to 6.9% this year.

The Group's contributions to its defined contribution pension schemes were £0.9m (2008: £0.8m).

CASH FLOW AND FINANCIAL POSITION

Taking into account the reduction in profitability, the Group has recorded a year of solid cash generation from its operations amounting to £6.8m (2008: £13.7m) and net cash generated after tax and interest of £3.8m (2008: £9.2m). The table overleaf sets out the key cash flow components and the movement in Group net debt.

Despite the decline in profitability in 2009 the Group reduced its debt by £0.7m during the year.

FINANCIAL REVIEW CONTINUED

KEY CASH FLOW COMPONENTS AND MOVEMENT IN GROUP NET DEBT

	2009 £m	2008 £m
Cash flow from operations	**6.8**	13.7
Interest and tax	**(3.0)**	(4.5)
Free cash flow available for investment	**3.8**	9.2
Net proceeds from equity issue	**–**	72.2
Capital expenditure	**(4.7)**	(10.4)
Dividends	**(4.0)**	(0.8)
Proceeds from sale of shares in investments	**4.0**	–
Other items including other disposal proceeds, foreign exchange and amortised financing costs	**1.6**	(3.8)
Movement in net debt	**0.7**	66.4
Opening net debt	**(46.5)**	(112.9)
Closing net debt	**(45.8)**	(46.5)

Despite the decline in profitability in 2009 the Group reduced its debt by £0.7m during the year.

Included within the figure of £6.8m, cash generated from operations is an increase in working capital of £0.5m (2008: increase of £3.5m). This reflects the results of management actions to tightly control working capital in the current economic conditions.

Of the capital expenditure of £10.4m in 2008, £3.8m was the final payment relating to the strategic decision to exercise the option to purchase 14 freehold and two leasehold TAF retail stores. Therefore, on a like-for-like basis, capital expenditure of £4.7m in 2009 represents 71% of that in the prior year.

BANK FUNDING

As set out in the Chairman's Statement the Group has agreed with its banks to revise the terms of its £80m banking facility. Following this revision the Group will have available the following:

- a £60m revolving credit facility of which £40m is available as cash drawings, this facility is subject to a margin of between 3% and 5% above LIBOR; and
- a £20m term loan facility attracting a cash paid margin of 6% above LIBOR together with rolled up interest of between 7% and 11%.

The Group's banking covenants (interest cover, leverage cover, debt service cash cover and capital expenditure) have been reset at levels that provide adequate headroom and flexibility.

The Group paid an arrangement fee of 1.5% of the total facility. Overall the costs relating to the revision of the facility are expected to be approximately £3.5m which will be amortised over the life of the facility. The facility is available until October 2012.

Norcros innovation

Johnson Tiles has been awarded the Queen's Award for Environmental Achievement for our ceramic waste recycling scheme. In addition Johnson Tiles was positioned 25th in the Sunday Times 60 Best Green Companies Award 2009.

The Group has also granted warrants to its banks equivalent to 5% of its fully diluted share capital. These warrants are exercisable at 10p per share at any time up to July 2017.

FOREIGN CURRENCY TRANSLATION

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 below sets out the relevant exchange rates used:

	Average rate vs £	
	2009	2008
South African Rand	**14.32**	14.03
Australian Dollar	**2.05**	2.31
Euro	**1.20**	1.41
US Dollar	**1.71**	2.01

	Closing rate vs £	
	2009	2008
South African Rand	**13.71**	16.08
Australian Dollar	**2.06**	2.17
Euro	**1.12**	1.26
US Dollar	**1.48**	1.99

The movement in average exchange rates compared to 2008 had the effect of reducing 2008 reported Group revenue and trading profit by £1.9m and £0.3m respectively.

KEY PERFORMANCE INDICATORS

Management uses a full suite of measures to manage and monitor the performance of its individual businesses. The Board considers that its key performance indicators are the measures most relevant in monitoring its progress to creating shareholder value. The relevant statistics for 2009 and 2008 are as follows:

	2009 £m	2008 £m	Change %
Revenue*	**154.2**	166.0	(7.1)
Trading profit*	**7.0**	15.7	(55.4)
Profit before tax and before exceptional items	**2.9**	13.0	(77.7)
Basic earnings per share before exceptional items – pence	**1.0p**	10.7p	(90.7)
Dividend per share – pence	**–**	3.22p	–
Cash generated from operations	**6.8**	13.7	(50.4)
Net debt	**45.8**	46.5	1.5

* Expressed in constant currencies.

We are confident that the combination of the measures already taken, combined with our strong market positions and product and marketing initiatives, have positioned us well to take advantage of opportunities as they arise.

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 below:

KEY COMMERCIAL RELATIONSHIPS

Whilst the Group has a diverse range of customers and suppliers there are nevertheless certain key customers who account for high levels of revenue. Many of the contractual arrangements with such customers are short term in nature (as is common in the domestic shower and tile manufacturing 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 decreased economic activity. Therefore the importance of relationships with key customers is recognised and dealt with by senior personnel.

COMPETITION

The Group operates within a competitive environment. 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 company 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. If any of these facilities (including technology used to operate them) were to fail, the effect on the Group could be significant. To mitigate this 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 a very experienced and globally co-ordinated product sourcing function which could mitigate the risk of failure. Finished inventory holdings across the Group's operations would also act as a limited buffer in the event of operational failure. In addition the Group maintains a business interruption insurance policy to mitigate losses caused by a serious event affecting manufacturing capability.

STAFF RETENTION AND RECRUITMENT

While staff retention and recruitment has not been an issue to date, 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. Group policy is to remunerate its key personnel in line with market rates and practice.

Since the Company listed in July 2007 key management has been incentivised via a Long Term Incentive Plan and other key personnel via a Company Share Option Scheme.

Norcros innovation

Absolute is a new collection of wall and floor tiles by Johnson Tiles targeted specifically at architects and the interior design market.

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) and as such its 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, where possible, to help mitigate this risk. In addition the Group may, where it is considered advantageous, partially denominate its borrowings in South African Rand to part hedge any translational profit and asset risk.

INTEREST RATE RISK

The Group chooses to manage the interest rate risk on its debts by entering interest rate hedges covering the majority of this debt. At the year end, £48.0m of the Group's £51.0m long term debt was covered by hedges which expire on dates up to March 2010. This position 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 an occupational defined benefits pension scheme. The Group's most recent financial results show an aggregate surplus in this scheme, as at 31 March 2009 of £1.3m 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 tri-annual valuation) to re-assess its position with regard to its pension commitments in conjunction with external actuarial advice.

ENERGY PRICE RISK

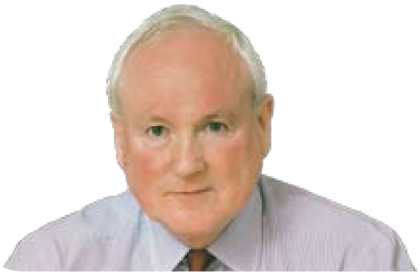
Energy costs are a significant proportion of the Group's manufacturing costs, especially in its tile manufacturing businesses. Prices are monitored on a regular basis and, where believed to be advantageous, a proportion of energy costs are hedged.

J. MATTHEWS
GROUP CHIEF EXECUTIVE

N. P. KELSALL
GROUP FINANCE DIRECTOR

directors and officers

JOHN BROWN (AGE 65)
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 also the non-executive chairman of Voller Energy Group plc and non-executive director of Lookers plc and Henry Boot plc, all London Stock Exchange listed companies. He also holds a number of other Directorships.



JOE MATTHEWS (AGE 64)
GROUP CHIEF EXECUTIVE
Appointed to the Board in October 1991 and appointed Group Chief Executive in April 1996. He joined Norcros in 1974 holding a number of senior positions including Managing Director of H & R Johnson Tiles Limited and Chairman of both Triton plc and the Group's Ceramics Division.

NICK KELSALL (AGE 52)
GROUP FINANCE DIRECTOR
Appointed to the Board in October 1996. After qualifying as a chartered accountant in 1982 he held senior positions at Touche Ross and Waterford Wedgewood plc. He joined the Norcros Group in 1993 as Finance Director of H & R Johnson Tiles Limited before taking up his current position.

DAVID HAMILTON (AGE 66)
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.

LES TENCH (AGE 64)
NON-EXECUTIVE DIRECTOR
Appointed to the Board on admission of Norcros plc to the London Stock Exchange on 16 July 2007. Les joined CRH plc in 1992 and from 1998 until his retirement in December 2002 was managing director of CRH Europe – Building Products. Les was also a non-executive director of Shepherd Building Group Limited from 1994 until 2004 and is currently non-executive chairman of SIG plc.

JAMIE STEVENSON (AGE 60)
NON-EXECUTIVE DIRECTOR
Appointed to the Board on admission of Norcros plc to the London Stock Exchange on 16 July 2007. An economics graduate from Cambridge University, he spent seven years with the Building Employers' Confederation before entering the City as an equity analyst in 1984. Having spent three years as a non-executive director with McCarthy Stone plc, he is now a non-executive director with Interior Services Group plc and a teaching fellow at Exeter University's School of Business and Economics.

advisers and company information

COMPANY WEBSITE
www.norcros.com

LISTING DETAILS

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

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Manchester M2 3PW

financial calendar

Annual General Meeting	9 September 2009
Interim results	Announcement November 2009
Interim Report	Available to shareholders November 2009

directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company acts as a holding company for the Norcros Group.

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 are included in the Chairman's Statement and the Business Review on pages 2 to 17. Key performance indicators are shown on page 15.

The Directors do not recommend a final dividend for the year ended 31 March 2009 (2008: 2.66p). This follows the decision not to pay an interim dividend earlier in the year (2008: 0.56p).

DIRECTORS

Biographical details of the present Directors are set out on page 18. The Directors who served during the year are set out below:

John Brown	–	Chairman
Les Tench	–	Non-executive
Jamie Stevenson	–	Non-executive
Joe Matthews	–	Group Chief Executive
Nick Kelsall	–	Group Finance Director
David Hamilton	–	Director and Company Secretary

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 proved to have acted fraudulently or dishonestly.

PURCHASE OF OWN SHARES

During the previous financial year 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 shares during the year (2008: 300,000).

SUBSTANTIAL SHAREHOLDING

As at 31 March 2009 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 Ltd	29.92%
JP Morgan Asset Management	12.51%
Jupiter Asset Management	7.10%
Artemis Fund Managers	6.83%
Charles Stanley	6.31%
Bridgepoint Capital	6.28%
UBS Global Asset Management	3.39%

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 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.

CORPORATE SOCIAL RESPONSIBILITY

The Board takes regular account of the significance of social, environmental and ethical matters. This involves identifying and assessing the significant risks and opportunities available to the Group.

The Group considers environmental management to be an integral and fundamental part of its business strategy. The Group is committed to ensuring it complies with all the latest environmental legislation and other standards that affect its activities, now and as they change. In addition the Group aims to develop advanced technological solutions that make its products even more environmentally compatible.

CHARITABLE DONATIONS

The Group made donations for charitable purposes of £8,000 during the year (2008: £6,000). There were no political donations (2008: £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, custom and practice. Group trade payables amounting to £18.6m (2008: £19.8m) reported in note 18 to the accounts represent 61 days (2008: 62 days) of average daily purchases. The Parent Company has no trade creditors (2008: nil).

RESEARCH AND DEVELOPMENT

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

CORPORATE GOVERNANCE

Details of the Group's corporate governance is contained on pages 26 to 30 of the Annual Report.

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 and exchange rate 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 seeks to secure a substantial proportion of its bank loans at fixed rates via interest rate swap facilities and seeks to hedge its interest rate risk for at least two thirds of the expected drawn debt. Currently there are interest rate swaps in place of £48m expiring between December 2009 and March 2010.

CREDIT RISK

The Group maintains a credit insurance policy for all its operations which, together with appropriate internal procedures, ensures credit risks are well managed.

FINANCIAL RISK MANAGEMENT CONTINUED

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 January 2010 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 advantageous.

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.

AUDITORS

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 9 September 2009 at the Stanneylands Hotel, Stanneylands Avenue, Wilmslow, Cheshire SK9 4EY. The Notice of this meeting, together with the resolutions to be proposed, appears on pages 76 to 80 of this report. The Directors recommend all shareholders to vote in favour of all the resolutions, 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

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 Directors' Report, the audited accounts and the auditors' reports 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 2009 is set out in full on pages 31 to 34 of this document. Any shareholder who would like a copy of the Annual Report and Accounts 2009 can obtain one by contacting our registrar on 0871 664 0300. Alternatively, the Annual Report and Accounts 2009 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.

ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES CONTINUED

RESOLUTIONS 3 AND 4:

Re-election of Directors

Under the Company's Articles of Association up to one third of the Company's Directors are obliged to retire by rotation at Annual General Meetings and may put themselves forward for re-election by shareholders. The Directors who fall due for retirement and re-election, through separate resolutions numbered 3 and 4, are John Brown and Nick Kelsall. Brief biographical details of the Directors seeking re-election can be found on page 18. The remaining Directors are satisfied that John Brown, as a Non-executive Director continues to perform effectively and demonstrates commitment to his role as Non-executive Chairman. The remaining Directors therefore unanimously recommend that each of John and Nick Kelsall be re-elected as a Director of the Company.

RESOLUTION 5:

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 them and, following normal practice, to authorise the Audit Committee to determine their remuneration. The Directors recommend their re-appointment.

RESOLUTION 6:

Remuneration of auditors

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

RESOLUTION 7:

Power to allot shares

The Directors are currently authorised to allot relevant securities (which includes ordinary shares) of the Company but their authorisation ends on the date of the Annual General Meeting. Paragraph (a) of this resolution seeks to renew the Directors' authority to allot shares. This authority is limited to the amounts set out in the resolution being approximately one third of the total ordinary share capital in issue as at 28 July 2009, being the latest practicable date prior to the publication of this document. As at 28 July 2009, the Company did not hold any shares in the Company in treasury. In December 2008 the Association of British Insurers issued new guidance on the approval of allotments of shares, in which it stated that, in addition to requests for authorisation to allot new shares in an amount up to one-third of the existing issued share capital of a company, it would regard as routine requests to authorise the allotment of a further one-third in connection with a rights issue. In light of this, paragraph (b) of resolution 7 proposes that a further authority be conferred on the Directors to allot unissued shares in connection with a rights issue in favour of holders of equity securities (which would include ordinary shareholders) as required by the rights of those securities or as the Directors may otherwise consider necessary, up to a further nominal amount of £4,958,489.47, being approximately one third of the total ordinary share capital in issue as at 28 July 2009 (being the latest practicable date prior to publication of this document). The authorities sought in paragraph (a) and (b) of this resolution will each expire at the earlier of 8 December 2010 or the next Annual General Meeting of the Company.

Other than in relation to the employee share plans operated by the Group, the Directors have no present intention of exercising these authorities. The purpose of giving the Directors these authorities is to maintain the Company's flexibility to take advantage of any appropriate opportunities that may arise.

RESOLUTION 8:

Disapplication of pre-emption rights

This resolution, which will be proposed as a special resolution, seeks to renew the authority conferred on the Directors at last year's Annual General Meeting to issue equity securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. Listed companies in the UK typically obtain these authorities on an annual basis, in compliance with regulation and best practice. 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 £743,773.42 which represents 5% of the Company's issued ordinary share capital as at 28 July 2009 (being the latest practicable date prior to the publication of this document). The renewed authority will remain in force until the earlier of 8 December 2010 or the next Annual General Meeting of the Company.

ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES CONTINUED

RESOLUTION 8: CONTINUED

Disapplication of pre-emption rights continued

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Treasury Shares Regulations") came into force on 1 December 2003, with the result that the requirements of Section 89 of the Companies Act 1985 also apply to a sale by the Company of any shares it holds as treasury shares under the Treasury Shares Regulations, except to the extent these are disapplied. If resolution 8 is passed then the authority sought and the limits set by this resolution will disapply the application of Section 89 of the Companies Act 1985 from a sale of treasury shares to the extent specified in this resolution.

RESOLUTION 9:

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 1985. The authority limits the number of shares that could be purchased to a maximum of 14,875,468 (representing less than 10% of the issued ordinary share capital of the Company as at 28 July 2009 (being the latest practicable date prior to the publication of this report)) and sets minimum and maximum prices. This authority will expire on the earlier of 8 December 2010 or the date of the next Annual General Meeting of the Company.

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.

The Treasury Shares Regulations, which came into force on 1 December 2003, permit the Company to purchase and hold as treasury shares, ordinary shares with an aggregate nominal value not exceeding 10% of the nominal value of the issued ordinary shares of the Company at the relevant time. Shares held in treasury in this manner 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. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

As at 28 July 2009 (being the latest practicable date prior to the publication of this report), there were options outstanding over 5,558,168 ordinary shares in the capital of the Company which represent 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 would represent 4.2% of the Company's issued ordinary share capital. As at 28 July 2009, (being the latest practicable date prior to the publication of this report) the Company did not hold any shares in treasury.

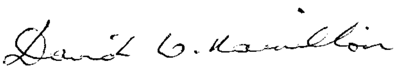
ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES CONTINUED

RESOLUTION 10:

Notice of General Meeting

This resolution, which will be proposed as a special resolution, is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulations implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an annual general meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. This resolution seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed in order to renew this power.



D. W. HAMILTON
DIRECTOR AND COMPANY SECRETARY
31 JULY 2009

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 good governance and the Code of Best Practice set out in Section 1 of the Combined Code on Corporate Governance appended to the Listing Rules of the UK Listing Authority (the “Combined Code”).

For the year ended 31 March 2009, the Company has complied with the FRC 2006 Combined Code in all respects.

BOARD BALANCE AND INDEPENDENCE

The Board currently comprises a Non-executive Chairman, two 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 page 18.

Taking into account the provisions of the Combined Code, the Chairman and Non-executive Directors are considered by the Board to be independent of the Company’s Executive management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The terms and conditions of appointment of 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 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 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, appraise the Chairman. The Non-executive Directors appraise the performance of each of the Executive Directors. Appraisals are conducted on an annual basis.

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	3	1	1
L. Tench	10	3	1	1
J. R. Stevenson	10	3	1	1
J. Matthews	9	–	–	–
N. P. Kelsall	10	–	–	–
D. W. Hamilton	9	–	–	–

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 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 page 28). 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, or become Chairman of a FTSE 100 company. 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 these Directors are set out on page 18.

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 Jamie Stevenson, 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. It 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.

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 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 independent Non-executive Directors. The Committee's Report is set out on pages 31 to 34.

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 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, after a vote has been taken, except where taken on a poll, 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 number of shares in respect of which proxy appointments have been validly made;
- the number of votes for the resolution;
- the number of votes against the resolution; and
- the number of shares in respect of which the vote was directed to be 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 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 in the Business Review.

Norcros' 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. Norcros examines the size and trend of these premiums and the extent to which it can mitigate the risk and reduce the overall risk burden in the business by considering the appropriate level of insurance deductible and the potential benefit of self-insurance in some areas.

OPERATIONAL STRUCTURE, REVIEW AND COMPLIANCE

In addition to the Group Finance Director, the Group has Senior Financial Managers at 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 above, together with the size and complexity of the Group, it is not necessary to employ such a department at the present time. It 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 provide only 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.

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 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.

Joe Matthews and Nick Kelsall participate in the Company's annual bonus scheme. Subject to the achievement of Group financial performance targets for the year, the Remuneration Committee may award bonuses of up to 100% of the Directors' basic salary.

It is the Board's intention to continue to award shares to Joe Matthews and Nick Kelsall under the Group's Long Term Incentive Plan (LTIP). The shares awarded will vest with the Director after a period of at least three years and will be dependent on an average annual increase in earnings per share 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 average earnings growth objective is a sufficient period to reward the Directors for continuing long term earnings growth. In any year the value of shares notionally awarded to a Director under this scheme will not exceed that Director's basic salary.

If the earnings per share growth is on target thereby allowing 100% of his LTIP to vest, the percentage composition of each Director's remuneration (based on his 2008/09 remuneration) will be as follows:

	Non-performance related	Performance related
J. Matthews	82%	18%
N. P. Kelsall	79%	21%
D. W. Hamilton	100%	–

DIRECTORS' SERVICE CONTRACTS

The details of the service contracts of those who have served as Directors in the year are:

	Contract date	Notice period
J. Matthews	16.07.07	12 months
N. P. Kelsall	16.07.07	12 months
D. W. Hamilton	16.07.07	12 months
J. E. Brown	16.07.07	1 month
L. Tench	16.07.07	1 month
J. R. Stevenson	16.07.07	1 month

Joe Matthews, Nick Kelsall and David Hamilton 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 and Jamie Stevenson are on fixed term contracts of three years from their contract date 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 18.

remuneration report continued

INTEREST IN SHARES

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

	31 March 2009 Number	1 April 2008 Number
THE COMPANY – ORDINARY SHARES 10P		
J. Matthews	**4,170,000**	2,250,000
N. P. Kelsall	**2,000,000**	1,080,000
D. W. Hamilton	**2,525,000**	1,480,000
J. E. Brown	**61,102**	61,102
L. Tench	**61,102**	61,102
J. R. Stevenson	**61,102**	61,102

All Directors' interests are beneficially held. There has been no change in the interest set out above between 31 March 2009 and 31 July 2009.

MEMBERS OF THE REMUNERATION COMMITTEE

The members of the Remuneration Committee during the year were:

Les Tench (Chairman)

John Brown

Jamie Stevenson

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:

Source: Hemscott

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	Benefits in kind £000	Expense allowances (including car allowance) £000	FURBS £000	2009 Total £000	2008 Total £000
J. Matthews	**286**	**1**	**29**	**63**	**379**	359
N. P. Kelsall	**192**	**1**	**24**	**–**	**217**	204
D. W. Hamilton	**100**	**3**	**20**	**–**	**123**	212
J. E. Brown	**80**	**–**	**–**	**–**	**80**	62*
L. Tench	**40**	**–**	**–**	**–**	**40**	31*
J. R. Stevenson	**40**	**–**	**–**	**–**	**40**	31*
A. Lewis**	**–**	**–**	**–**	**–**	**–**	9**
H. Grant**	**–**	**–**	**–**	**–**	**–**	9**
A. Haining**	**–**	**–**	**–**	**–**	**–**	6**
J. Knights**	**–**	**–**	**–**	**–**	**–**	2**
	738	**5**	**73**	**63**	**879**	925

* From appointment.

** To date of resignation.

In view of the current economic climate Joe Matthew and Nick Kelsall have waived their entitlement to bonuses due in relation to the year ending 31 March 2009. In addition there is to be no annual pay increase for any of the Directors for the year ending 31 March 2010.

Benefits in kind consist of medical insurance for every Executive Director.

Salary and fees include an amount of £nil (2008: £26,000) paid to third parties in respect of making available the services of Alan Lewis, Hamish Grant, Andrew Haining and Julian Knights to the Company.

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 with further participation invited in December 2008. 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.

Each Executive Director cancelled their participation in the December 2007 scheme in favour of participation in the December 2008 scheme.

	Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 April 2008 (10p shares)	Granted in year (10p shares)	Cancelled in year (10p shares)	**Number at 31 March 2009 (10p shares)**
J. Matthews	21.12.07	21.12.10	21.06.11	60.6p	15,842	–	(15,842)	**–**
	23.12.08	01.03.12	31.08.12	10p	–	96,000	–	**96,000**
N. P. Kelsall	21.12.07	21.12.10	21.06.11	60.6p	15,842	–	(15,842)	**–**
	23.12.08	01.03.12	31.08.12	10p	–	96,000	–	**96,000**
D. W. Hamilton	21.12.07	21.12.10	21.06.11	60.6p	15,842	–	(15,842)	**–**
	23.12.08	01.03.12	31.08.12	10p	–	96,000	–	**96,000**

LONG TERM INCENTIVE PLAN (LTIP)

In August 2007 the Executive Directors and selected senior management were made awards of shares under the LTIP. Vesting of these shares is subject to achieving growth in EPS of at least 5% above annual Retail Price Index (RPI) over the three year period from the date of award to the date of vesting. 100% of the shares vest if the Company achieves RPI plus 12%, 30% of the shares vest if the Company achieves RPI plus 5% and shares vest on a straight line basis for performance in between. No shares vest if performance is below RPI plus 5%.

DIRECTORS' INTERESTS IN THE LTIP

	Award date	At 1 April 2008 Number	**At 31 March 2009 Number**	Vesting date
J. Matthews	22.08.07	352,564	**352,564**	22.08.10
N. P. Kelsall	22.08.07	237,180	**237,180**	22.08.10

The market price on 22 August 2007 was 78.0p.

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 5.8p and the range of market prices during the year was between 37.0p and 4.0p.

Given the economic uncertainties at the time it was decided that no share options be granted under the LTIP during the year ended 31 March 2009.

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 2009 £**	Transfer value at 31 March 2008 £	Increase in transfer value less Directors' contributions £
N. P. Kelsall	12,828	11,420	**160,019**	71,802	88,217

	Increase in accrued pension for the year less inflation/ deflation £	Increase in accrued pension for the year £
N. P. Kelsall	955	915

Nick Kelsall is no longer an active member of the UK defined benefit scheme.

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 £58,000 (2008: £54,000) to this scheme.

On behalf of the Board

L. TENCH
CHAIRMAN OF THE REMUNERATION COMMITTEE
31 JULY 2009

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 Remuneration Report and the Group and the Parent Company 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 and the Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS as adopted by the European Union and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are also required by the Disclosure and Transparency Rules of the Financial Services Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Parent Company.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group and Parent Company financial statements and the Directors' Remuneration Report comply with the Companies Act 1985, 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

group accounts

in accordance with international financial reporting standards year ended 31 March 2009

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 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Norcros plc for the year ended 31 March 2009 and on the information in the Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referenced to the Business Review from the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Directors' Report, the Corporate Governance Statement, the unaudited sections of the Remuneration Report, and the other information referred to on the inside front cover. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

OPINION

In our opinion:

→ the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended;

→ the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

→ the information given in the Directors' Report is consistent with the Group financial statements.

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
MANCHESTER
31 JULY 2009

consolidated income statement

year ended 31 March 2009

	Notes	2009 £m	2008 £m
CONTINUING OPERATIONS			
Revenue	2	**154.2**	167.9
OPERATING (LOSS)/PROFIT	3	**(0.7)**	16.8
Trading profit*		**7.0**	16.0
Exceptional operating items	5	**(7.7)**	0.7
Other operating income		**–**	0.1
Operating (loss)/profit		**(0.7)**	16.8
Finance costs	6	**(4.5)**	(6.9)
Exceptional interest costs	5	**–**	(3.8)
Total finance costs		**(4.5)**	(10.7)
Finance income	6	**2.9**	4.0
Share of loss of associates		**(2.5)**	(0.2)
(LOSS)/PROFIT BEFORE TAXATION		**(4.8)**	9.9
Taxation	7	**(1.5)**	(0.4)
(LOSS)/PROFIT FOR THE PERIOD	25	**(6.3)**	9.5
(LOSS)/EARNINGS PER SHARE			
From continuing operations:			
Basic (loss)/earnings per share	8	**(4.2)p**	7.9p
Diluted (loss)/earnings per share	8	**(4.2)p**	7.9p

* Trading profit is defined as operating profit before exceptional operating items and other operating income.

consolidated statement of recognised income and expense

year ended 31 March 2009

	2009 £m	2008 £m
(Loss)/profit for the period	**(6.3)**	9.5
Actuarial losses on retirement benefit obligations	**(4.8)**	(4.4)
Foreign currency translation adjustments	**6.4**	(1.9)
Total recognised income and expense for the year	**(4.7)**	3.2

consolidated balance sheet
at 31 March 2009

	Notes	2009 £m	2008 £m
NON-CURRENT ASSETS			
Goodwill	10	**22.9**	22.3
Investment in associates	11	**2.1**	4.2
Financial assets	11	**4.3**	4.3
Trade investments	12	**1.7**	4.4
Property, plant and equipment	13	**45.4**	45.6
Investment properties	14	**5.6**	5.8
Deferred tax asset	21	**–**	0.9
		82.0	87.5
CURRENT ASSETS			
Inventories	15	**36.5**	32.7
Trade and other receivables	16	**31.3**	33.6
Derivative financial instruments	20	**1.5**	0.6
Pension scheme asset	23	**0.5**	0.7
Cash and cash equivalents	17	**7.3**	3.3
		77.1	70.9
CURRENT LIABILITIES			
Trade and other payables	18	**(35.1)**	(36.4)
Derivative financial instruments	20	**(1.7)**	–
Current tax liabilities		**(0.6)**	(0.6)
Financial liabilities – borrowings	19	**(2.4)**	(2.2)
		(39.8)	(39.2)
NET CURRENT ASSETS		**37.3**	31.7
TOTAL ASSETS LESS CURRENT LIABILITIES		**119.3**	119.2
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings	19	**(50.7)**	(47.6)
Other non-current liabilities		**(1.1)**	(1.1)
Provisions	22	**(17.2)**	(11.4)
		(69.0)	(60.1)
NET ASSETS		**50.3**	59.1
FINANCED BY:			
Ordinary share capital	24	**14.9**	14.9
Share premium	25	**63.4**	63.4
Retained earnings and other reserves	25	**(28.0)**	(19.2)
TOTAL EQUITY	25	**50.3**	59.1

The financial statements on pages 38 to 69 were approved on 31 July 2009 and signed on behalf of the Board by:

J. MATTHEWS
GROUP CHIEF EXECUTIVE

N. P. KELSALL
GROUP FINANCE DIRECTOR

consolidated cash flow statement

year ended 31 march 2009

	Notes	2009 £m	2008 £m
CASH GENERATED FROM OPERATIONS	26	**6.8**	13.7
Income taxes paid		**(0.4)**	(0.2)
Interest received		**0.8**	1.0
Interest paid		**(3.4)**	(5.3)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**3.8**	9.2
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of businesses, net of overdraft acquired		**–**	(0.6)
Proceeds from disposal of investments		**4.0**	–
Dividends received from associates and trade investments		**–**	0.1
Purchase of property, plant and equipment		**(4.7)**	(10.4)
Proceeds from sale of property, plant and equipment		**2.0**	0.6
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**1.3**	(10.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary share capital		**–**	72.2
Repayment of borrowings		**–**	(128.3)
Drawdown of new borrowings		**2.8**	57.2
Dividends paid to Company's shareholders		**(4.0)**	(0.8)
NET CASH (USED)/GENERATED IN FINANCING ACTIVITIES		**(1.2)**	0.3
NET INCREASE/(DECREASE) IN CASH AT BANK AND IN HAND AND BANK OVERDRAFTS		**3.9**	(0.8)
Cash at bank and in hand and bank overdrafts at beginning of the period		**1.1**	2.1
Exchange movements on cash and bank overdrafts		**(0.1)**	(0.2)
CASH AT BANK AND IN HAND AND BANK OVERDRAFTS AT END OF THE PERIOD	17	**4.9**	1.1

notes to the group accounts
year ended 31 March 2009

1. GROUP ACCOUNTING POLICIES

GENERAL INFORMATION
Norcros plc (the "Company") which is the ultimate Parent Company of the Norcros Group is incorporated in England and Wales 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 31 July 2009.

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 International Financial Reporting Standards (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 1985 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 2009
The following standards and amendments to existing standards became mandatory during the year:

- IFRIC 14, 'IAS 19 – The limit on defined benefit asset', minimum funding requirements and their interaction. This interpretation has been considered and does not have an impact on the Group's financial statements; and
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. The Group's accounting policy for share-based compensation arrangements was already in compliance with the interpretation.

STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2009 BUT NOT RELEVANT
The following interpretations and amendments to existing standards became mandatory during the year. The Group has considered these and believes them to be irrelevant to the Group's operations:

- IFRIC 13, 'Customer loyalty programmes';
- IAS 16, 'Property, plant and equipment';
- IAS 27 (amendment), 'Consolidated and separate financial statements';
- IAS 28, 'Financial instruments: presentation';
- IAS 29 (amendment), 'Financial reporting in hyperinflationary economies';
- IAS 31, 'Interests in joint ventures';
- IAS 38, 'Intangible assets';
- IAS 40, 'Investment property';
- IAS 41 (amendment), 'Agriculture'; and
- IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance', IFRIC 15, 'Agreements for construction of real estates'.

STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP
The following standards and amendments to existing standards have been published but are not mandatory for the Group's results in the year ended 31 March 2009:

- IFRS 2 (amendment), 'Share-based payments'; IAS 23 (amendment), 'Borrowing costs'; IAS 1 (revised), 'Presentation of financial statements'; IAS 32 (amendment), 'Financial instruments: presentation'; IFRS 1 (amendment), 'First time adoption of IFRS'; and
- IFRS 8, 'Operating segments', was issued during the year. The standard requires a management approach under which segment information is presented on the same basis as for internal reporting. Management are currently assessing the implications of IFRS 8 and the impact, if any, will be reflected in the September 2009 interim financial statements.

1. GROUP ACCOUNTING POLICIES CONTINUED

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. 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.

ASSOCIATES

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share in associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements is recognised in reserves.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting polices of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The associates have a statutory accounting reference date of 31 December. In respect of the years ended 31 March 2009 and 31 March 2008, the associates have been included based on audited financial statements drawn up to 31 December 2008 and 31 December 2007 as adjusted for transactions in the three months to 31 March each year.

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.

Critical judgements have been made in the following areas:

- estimated impairment of goodwill and long life assets – the Group tests annually whether goodwill has 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 have been carried out using the assumptions in note 10;
- 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 23); and
- 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.

1. GROUP ACCOUNTING POLICIES CONTINUED

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

A geographic segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

PRIMARY REPORTING FORMAT – GEOGRAPHIC SEGMENTS

The Group is organised into three geographical segments, the UK, South Africa and Rest of the World.

Segment revenue, result, assets and liabilities include amounts directly attributable to a segment and amounts that can be reasonably allocated to a segment. Amounts that cannot be allocated to segments are included as unallocated.

SECONDARY REPORTING FORMAT – BUSINESS SEGMENTS

The worldwide group operates in two business segments:

- showers; and
- tiles and adhesives.

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, including goodwill, 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.

TRADE INVESTMENTS

The Group holds certain investments in unlisted entities which do not meet the definition of associates as prescribed by IAS 28, 'Investments in associates'. These investments have been classified as "Trade investments" and are valued at cost less impairment losses because their fair value cannot be accurately calculated. Income received from Trade investments is recorded in the Consolidated Income Statement as "Other operating income".

1. GROUP ACCOUNTING POLICIES CONTINUED

PROPERTY PLANT AND EQUIPMENT

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

The estimated useful lives of Group assets are as follows:

Buildings	25 – 50 years
Plant, 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 of 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 recognised income and expense, when the deferred tax is also dealt with in equity and is shown in the statement of recognised income and expense.

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.

Reorganisation costs – provision is made for costs of reorganising 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.

1. GROUP ACCOUNTING POLICIES CONTINUED

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 recognised income and expense.

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.

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 – 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 reorganisation and default or delinquency in payment are considered indicators that the trade receivables are impaired. The amount of provision is the difference between the assets 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.

1. GROUP ACCOUNTING POLICIES CONTINUED

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 value 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 of 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.

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
PRIMARY SEGMENT
CONTINUING OPERATIONS – YEAR ENDED 31 MARCH 2009

	UK £m	South Africa £m	Rest of the World £m	Group £m
REVENUE	**94.6**	**52.6**	**7.0**	**154.2**
Trading profit/(loss)	8.9	(1.7)	(0.2)	7.0
Exceptional operating items	(5.8)	(1.0)	(0.9)	(7.7)
Operating profit/(loss)	3.1	(2.7)	(1.1)	(0.7)
Finance costs				(4.5)
Finance income				2.9
Share of loss of associates				(2.5)
Loss before taxation				(4.8)
Taxation				(1.5)
Loss from continuing operations				(6.3)
Segment assets	104.9	47.8	6.4	159.1
Unallocated assets				–
TOTAL ASSETS				**159.1**
Segment liabilities	(43.4)	(10.1)	(1.6)	(55.1)
Unallocated liabilities*				(53.7)
TOTAL LIABILITIES				**(108.8)**
Capital expenditure	2.3	1.9	0.1	4.3
Depreciation	4.0	2.3	0.1	6.4

* Unallocated liabilities include borrowings and tax liabilities.

2. SEGMENTAL REPORTING CONTINUED

PRIMARY SEGMENT CONTINUED

CONTINUING OPERATIONS – YEAR ENDED 31 MARCH 2008

	UK £m	South Africa £m	Rest of the World £m	Group £m
REVENUE	**107.7**	**53.8**	**6.4**	**167.9**
Trading profit/(loss)	13.7	2.6	(0.3)	16.0
Exceptional operating items	–	0.7	–	0.7
Other operating income	–	–	0.1	0.1
Operating profit/(loss)	13.7	3.3	(0.2)	16.8
Finance costs				(6.9)
Exceptional interest costs				(3.8)
Finance income				4.0
Share of loss of associates				(0.2)
Profit before taxation				9.9
Taxation				(0.4)
Profit from continuing operations				9.5
Segment assets	109.0	42.4	6.1	157.5
Unallocated assets*				0.9
TOTAL ASSETS				**158.4**
Segment liabilities	(38.0)	(9.8)	(1.1)	(48.9)
Unallocated liabilities**				(50.4)
TOTAL LIABILITIES				**(99.3)**
Capital expenditure	3.1	7.2	0.1	10.4
Depreciation	3.8	1.6	0.1	5.5

* Unallocated assets include deferred tax assets.

** Unallocated liabilities include borrowings and tax liabilities.

2. SEGMENTAL REPORTING CONTINUED
SECONDARY SEGMENT
CONTINUING OPERATIONS

	Showers £m	Tiles and adhesives £m	Group £m
YEAR ENDED 31 MARCH 2009			
Revenue	**47.2**	**107.0**	**154.2**
Segment assets	**40.9**	**105.7**	**146.6**
Unallocated assets*			**12.5**
TOTAL ASSETS			**159.1**
Capital expenditure	**0.7**	**3.6**	**4.3**
Year ended 31 March 2008			
Revenue	57.4	110.5	167.9
Segment assets	46.2	106.4	152.6
Unallocated assets*			5.8
TOTAL ASSETS			158.4
Capital expenditure	0.9	9.5	10.4

* Unallocated assets include deferred tax assets, central assets and UK surplus property assets.

3. OPERATING (LOSS)/PROFIT
The following items have been included in arriving at operating (loss)/profit:

	2009 £m	2008 £m
Staff costs (see note 4)	**35.4**	33.5
Depreciation of property, plant and equipment (all owned assets)	**6.3**	5.5
Depreciation of investment properties	**0.1**	–
Other operating lease rentals payable:		
– plant and machinery	**1.3**	1.1
– other	**4.1**	3.1
Research and development expenditure	**1.9**	1.5
Profit on disposal of property, plant and equipment	**(0.6)**	(0.3)

3. OPERATING (LOSS)/PROFIT CONTINUED

AUDITORS' REMUNERATION

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

	2009 £m	2008 £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	**0.2**	0.1
Corporate finance	**–**	0.5
	0.3	0.7

Corporate finance fees in 2008 related to the costs of the Company's listing on 16 July 2007. These costs were charged to the share premium account.

4. EMPLOYEES

	2009 £m	2008 £m
Staff costs:		
– wages and salaries	**32.8**	29.9
– social security costs	**2.0**	2.0
– pension costs	**2.1**	2.3
– exceptional pension credits	**(1.5)**	(0.7)
	35.4	33.5

Included in wages and salaries are £2.0m of redundancy costs classed as exceptional items in the income statement.

	2009 Number	2008 Number
Average numbers employed:		
– UK	**764**	886
– overseas	**992**	1,084
	1,756	1,970

DIRECTORS' EMOLUMENTS

	2009 £m	2008 £m
Salaries and short term employee benefits	**0.9**	0.9
Post employment benefits	**0.1**	0.1
	1.0	1.0

Further information about the Directors' remuneration may be found in the Remuneration Report on pages 33 to 34.

4. EMPLOYEES CONTINUED

HIGHEST PAID DIRECTOR

	2009 £m	2008 £m
Salaries and short term employee benefits	**0.4**	0.4

KEY MANAGEMENT COMPENSATION

	2009 £m	2008 £m
Salaries and short term employee benefits	**1.2**	1.3
Post employment benefits	**0.1**	0.1
	1.3	1.4

Key management is defined as the Directors of Norcros plc together with selected other senior managers.

5. EXCEPTIONAL ITEMS

EXCEPTIONAL OPERATING ITEMS

	2009 £m	2008 £m
Pension curtailments credit[1]	**–**	0.7
Past service pension credit[2]	**1.5**	–
Restructuring costs[3]	**(3.5)**	–
Property provisions[4]	**(7.0)**	–
Profit on disposal of investments[5]	**1.3**	–
	(7.7)	0.7
EXCEPTIONAL INTEREST COSTS		
Write-off of capitalised financing costs[6]	**–**	(3.8)

[1] Following the closure of the South African defined benefit pension schemes an asset of £0.7m was recognised by the Group. The surplus in these schemes had not been recognised in prior years.

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

[3] Restructuring costs relate to redundancies and asset write-downs 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 £7.0m in the year.

[5] Profit on disposal of the Group's 19% investment in H & R Johnson (India) Limited.

[6] Following the refinancing of the Group's banking facilities £3.8m of costs relating to the previous banking arrangements were written-off in the prior year.

6. FINANCE INCOME AND COSTS

	2009 £m	2008 £m
FINANCE COSTS		
Interest payable on bank borrowings	**3.4**	4.9
Interest payable on shareholder loans	**–**	1.1
Amortisation of costs of raising debt finance	**0.1**	0.4
Movement on fair value of derivative financial instruments	**0.5**	–
Discount on property lease provisions	**0.5**	0.5
TOTAL FINANCE COSTS	**4.5**	6.9
FINANCE INCOME		
Bank interest receivable	**(0.6)**	(0.5)
Other finance income (see note 23)	**(2.3)**	(3.4)
Movement on fair value of derivative financial instruments	**–**	(0.1)
TOTAL FINANCE INCOME	**(2.9)**	(4.0)
NET FINANCE COSTS	**1.6**	2.9

7. TAXATION

Taxation comprises:

	2009 £m	2008 £m
CURRENT		
Overseas tax	**(0.3)**	–
DEFERRED		
Origination and reversal of temporary differences	**(1.2)**	(0.4)
TAXATION	**(1.5)**	(0.4)

The tax for the period under review is different from the standard rate of corporation tax in the UK (28% throughout the period). The differences are explained below:

	2009 £m	2008 £m
(Loss)/profit before tax	**(4.8)**	9.9
Profit/(loss) on ordinary activities multiplied by rate of corporation tax in the UK (2009: 28%; 2008: 30%)	**1.3**	(3.0)
Effects of:		
– expenses not deductible for tax purposes	**(0.4)**	(0.1)
– losses not recognised	**(1.5)**	2.8
– write-off of prior year deferred tax asset	**(0.9)**	–
– differences on overseas tax rates	**–**	(0.1)
TOTAL TAX CHARGE	**(1.5)**	(0.4)

8. EARNINGS PER SHARE

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assure conversion of all potential dilutive ordinary shares. At 31 March 2009 the potential dilutive ordinary shares amounted to nil (2008: 664) as calculated in accordance with IAS 33.

The calculation of earnings per share is based on the followings profits and numbers of shares:

	2009 £m	2008 £m
Basic and diluted:		
– (loss)/profit for the financial year	**(6.3)**	9.5
Basic and diluted before exceptionals:		
– (loss)/profit for the financial year	**(6.3)**	9.5
– exceptional items (net of taxation)	**7.8**	3.3
	1.5	12.8

	2009 Number	2008 Number
Weighted average number of shares for basic earnings per share	**148,417,884**	120,040,103
Share options	**–**	664
Weighted average number of shares for diluted earnings per share	**148,417,884**	120,040,767

8. EARNINGS PER SHARE CONTINUED

	2009	2008
Basic (loss)/earnings per share	**(4.2)p**	7.9p
Diluted (loss)/earnings per share	**(4.2)p**	7.9p
Basic earnings per share before exceptionals	**1.0p**	10.7p
Diluted earnings per share before exceptionals	**1.0p**	10.7p

Earnings per share before exceptionals is disclosed in order to show the underlying performance of the Group.

9. SHARE-BASED PAYMENTS

	Price per share	1 April 2008	Granted	Lapsed	31 March 2009	Date from which exercisable	Expiry date
Long Term Incentive Plan (LTIP)	0.0p	878,763	–	(113,378)	**765,385**	22.08.10	22.08.17
Company Share Option Plan (CSOP)	78.0p	714,747	–	(121,796)	**592,951**	22.08.10	22.08.17
Save As You Earn scheme (1) (SAYE)	60.6p	981,199	–	(782,253)	**198,946**	01.03.11	31.08.11
Save As You Earn scheme (2) (SAYE)	10.0p	–	4,325,760	(203,520)	**4,122,240**	01.03.12	31.08.12

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

Under the CSOP senior management can be awarded an annual grant of share options at market price. Share options under the CSOP are exercisable between three and ten years from the date of grant. The full award would vest if, over the three years following the grant, the growth in the Group's earnings per share exceeds the increase in the RPI plus 5%. No shares will vest if growth in earnings per share is less than RPI plus 5%.

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 credit of £0.1m was recognised in respect of share options in the period (2008: charge of £0.2m) as management no longer anticipate that the EPS growth targets for the LTIP and the CSOP will be achieved. 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:

	LTIP	CSOP	SAYE(1)	SAYE(2)
Date of grant	22.08.07	22.08.07	21.12.07	22.12.08
Exercise price	0.0p	78.0p	60.6p	10.0p
Number of shares granted	878,763	714,747	981,199	4,325,760
Expected volatility	25.56%	25.56%	28.06%	28.06%
Expected option life	3 years	3 years	3 years	3 years
Risk free rate	5.30%	5.30%	4.57%	4.61%
Expected dividend yield	3%	3%	3%	3%

The share price at 31 March 2009 was 5.8p. The average price during the year was 21.4p. Expected volatility is based on historic volatility over the last three years of the construction and materials sector.

10. GOODWILL

	2009 £m	2008 £m
At beginning of the year	**22.3**	22.0
Exchange differences	**0.6**	(0.3)
Additions	**–**	0.6
	22.9	22.3

10. GOODWILL CONTINUED

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

	2009 £m	2008 £m
Triton Showers	**19.1**	19.1
Tile Africa Group	**3.8**	3.2
	22.9	22.3

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 and cash flows. Discount rates of between 11% and 14.3% 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 value-in-use calculations did not result in any impairment. Neither a 1% reduction in future growth rate nor a 1% increase in the discount rates would result in any impairment being required.

11. INVESTMENTS IN ASSOCIATES

	2009 £m	2008 £m
At beginning of year	**4.2**	4.1
Share of loss after tax	**(2.5)**	(0.2)
Exchange differences	**0.4**	0.3
	2.1	4.2
FINANCIAL ASSETS		
At 1 April 2008 and **31 MARCH 2009**	**4.3**	4.3

No goodwill has been attributed to associates.

Financial assets represents long term loans to associates.

The Group's share of the results of its principal associates (see note 30), all of which are unlisted, and its share of the assets and liabilities are as follows:

	2009 £m	2008 £m
Revenue	**17.6**	17.5
Loss after taxation	**(2.5)**	(0.2)
Total assets	**30.7**	25.1
Total liabilities	**(21.2)**	(16.0)

12. TRADE INVESTMENTS

	£m
COST	
At 1 April 2008	4.4
Disposals during the year	(2.7)
AT 31 MARCH 2009	**1.7**

The Group's trade investments as at 31 March 2009 are as follows:

	Percentage ownership	Nature of business	Country of incorporation
R. J. Beaumont & Co (Pty) Ltd	25%	Tiles	Australia

During the year the Group disposed of its 19% investment in H & R Johnson (India) Limited, realising a profit on disposal before taxes of £1.3m.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
COST			
At 1 April 2007	25.8	60.6	86.4
Exchange differences	(0.5)	(1.9)	(2.4)
Additions	4.5	5.9	10.4
Transfers	0.7	(0.7)	–
Disposals	(0.3)	(0.1)	(0.4)
At 31 March 2008	30.2	63.8	94.0
Exchange differences	1.7	3.2	4.9
Additions	0.1	4.2	4.3
Disposals	(0.8)	(3.6)	(4.4)
AT 31 MARCH 2009	**31.2**	**67.6**	**98.8**
ACCUMULATED DEPRECIATION			
At 1 April 2007	5.7	38.2	43.9
Exchange differences	–	(0.9)	(0.9)
Charge for the year	0.8	4.7	5.5
Transfers	0.5	(0.5)	–
Disposals	–	(0.1)	(0.1)
At 31 March 2008	7.0	41.4	48.4
Exchange differences	0.1	1.6	1.7
Charge for the year	0.9	5.4	6.3
Disposals	–	(3.0)	(3.0)
AT 31 MARCH 2009	**8.0**	**45.4**	**53.4**
Net book amount at 31 March 2008	23.2	22.4	45.6
NET BOOK AMOUNT AT 31 MARCH 2009	**23.2**	**22.2**	**45.4**

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

14. INVESTMENT PROPERTIES

	Investment property £m
COST	
At 1 April 2007 and 1 April 2008	6.4
Disposals	(0.1)
AT 31 MARCH 2009	**6.3**
ACCUMULATED DEPRECIATION	
At 1 April 2007	0.6
Charge for the year	–
At 31 March 2008	0.6
Charge for the year	0.1
AT 31 MARCH 2009	**0.7**
Net book amount at 31 March 2008	5.8
NET BOOK AMOUNT AT 31 MARCH 2009	**5.6**

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.

15. INVENTORIES

	2009 £m	2008 £m
Raw materials	**8.7**	7.9
Work in progress	**0.8**	1.0
Finished goods	**27.0**	23.8
	36.5	32.7

Provisions held against inventories totalled £2.4m (2008: £2.1m).

The cost of inventories recognised as an expense within cost of sales in the income statement amounted to £85.2m (2008: £91.9m).

During the year the Group charged £1.3m (2008: £0.2m) of inventory write-downs to the income statement, £0.5m is reflected within cost of sales and £0.8m is reflected in exceptional costs.

16. TRADE AND OTHER RECEIVABLES

	2009 £m	2008 £m
Trade receivables	**25.6**	27.4
Less: provision for impairment of trade receivables	**(0.5)**	(0.5)
Trade receivables – net	**25.1**	26.9
Other receivables	**3.2**	3.5
Amounts owed by associates	**0.3**	0.3
Prepayments and accrued income	**2.7**	2.9
	31.3	33.6

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

Concentration of credit risk with respect to trade receivables is limited due to the breadth of the Group's customer base. Taking into account the Group's credit insurance, management believes 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:

	2009 £m	2008 £m
Sterling	**24.1**	26.7
South African Rand	**6.0**	6.0
Australian Dollar	**1.2**	0.9
	31.3	33.6

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

	2009 £m	2008 £m
At beginning of year	**0.5**	0.3
Provision for receivables impairment	**0.1**	0.2
Receivables written off during the year as uncollectable	**(0.1)**	–
At end of year	**0.5**	0.5

As at 31 March 2009, trade receivables of £20.8m (2008: £21.1m) were fully performing.

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

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

16. TRADE AND OTHER RECEIVABLES CONTINUED

At 31 March 2009 trade receivables of £4.3m (2008: £5.8m) 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:

	2009 £m	2008 £m
Up to one month	**3.3**	4.9
One to two months	**0.4**	0.6
Two to three months	**0.2**	0.1
Greater than three months	**0.4**	0.2
	4.3	5.8

As of 31 March 2009, trade receivables of £0.5m (2008: £0.5m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2008: 100%). The ageing of these receivables is as follows:

	2009 £m	2008 £m
Less than three months	**0.1**	0.1
Greater than three months	**0.4**	0.4
	0.5	0.5

The maximum exposure to credit risk at 31 March 2009 is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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

17. CASH AND CASH EQUIVALENTS

	2009 £m	2008 £m
Cash at bank and in hand	**7.3**	3.3

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

	2009 £m	2008 £m
Cash and cash equivalents as above	**7.3**	3.3
Less: bank overdrafts (note 19)	**(2.4)**	(2.2)
	4.9	1.1

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

18. TRADE AND OTHER PAYABLES

	2009 £m	2008 £m
Trade payables	**18.6**	19.8
Other tax and social security payables	**2.1**	1.7
Amounts owed to associates	**0.6**	0.5
Other payables	**2.7**	2.6
Accruals and deferred income	**11.1**	11.8
	35.1	36.4

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

19. BORROWINGS

	2009 £m	2008 £m
NON-CURRENT		
Bank borrowings (secured):		
– bank loans	**51.0**	48.0
– less: costs of raising finance	**(0.3)**	(0.4)
TOTAL NON-CURRENT	**50.7**	47.6
CURRENT		
Bank borrowings (secured):		
– bank overdrafts (note 17)	**2.4**	2.2
TOTAL CURRENT	**2.4**	2.2
TOTAL BORROWINGS	**53.1**	49.8

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:

	2009 £m	2008 £m
Not later than one year	**2.4**	2.2
After more than one year:		
– later than two years and not later than five years	**51.0**	48.0
– costs of raising finance	**(0.3)**	(0.4)
	50.7	47.6
TOTAL BORROWINGS	**53.1**	49.8

CAPITAL RISK MANAGEMENT

The Group has available an £80.0m committed banking facility which expires in 2012. As set out in the Business Review on page 14 the Group has agreed with its banks to revise the terms of this facility. This revision provides the Group with a sound financial structure for the medium term. Under this facility bank borrowings are secured by the Group's UK assets.

19. BORROWINGS CONTINUED

INTEREST RATE PROFILE

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

	2009 %	2008 %
Bank loans	**5.3**	8.4
Overdraft	**4.5**	6.9

The bank loans carry interest based on LIBOR plus a margin of 0.9%. Overdrafts carry interest at base rate plus margin of 0.9%.

The Group has entered into an interest rate swap agreement covering £48.0m of its borrowings. Details of this arrangement are included in note 20.

CURRENCY PROFILE OF NET DEBT

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

	2009 £m	2008 £m
Sterling	**46.6**	29.0
Euro	**(0.1)**	(0.3)
South African Rand	**(2.0)**	15.7
Australian Dollar	**2.4**	2.1
US Dollar	**(1.1)**	–
	45.8	46.5

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Group issues or holds 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, interest rate swaps and forward exchange contracts, except for loans to associates which are held as non-current assets and analysed in note 11.

DERIVATIVE FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE THROUGH THE INCOME STATEMENT

	2009 £m Assets	**2009 £m Liabilities**	2008 £m Assets	2008 £m Liabilities
Interest rate swaps	**–**	**(1.3)**	–	–
Cross currency swap	**–**	**(0.1)**	–	–
Forward foreign exchange contracts	**1.5**	**(0.3)**	0.6	–
	1.5	**(1.7)**	0.6	–

20. DERIVATIVE AND FINANCIAL INSTRUMENTS CONTINUED

INTEREST RATE SWAPS

The notional principal amounts of outstanding interest rate swap contracts at 31 March 2009 were £48.0m (2008: £44.4m).

At 31 March 2009, the fixed interest rates were 3.75% for Sterling borrowings (2008: 4.71% for Sterling and 10.88% for South African Rand) and the main floating rates are base rate and LIBOR. Gains and losses recognised on interest rate swap contracts to date have been taken to the income statement.

CROSS CURRENCY SWAPS

The notional principal amount of outstanding cross currency swaps at 31 March 2009 was €6.6m (2008: €6.6m). The Group uses the cross currency swap to manage its foreign exchange exposure upon the interest receivable on the Euro denominated loan made to its associate, Philkeram – Johnson SA (note 11).

At 31 March 2009, the fixed interest rate receivable on the Sterling notional amount was 2.90% (2008: 4.59%) and the fixed interest rate payable was 3.16% (2008: 3.12%) on the equivalent Euro amount.

The Group has not sought to adopt hedge accounting in respect of this derivative.

FORWARD FOREIGN EXCHANGE CONTRACTS

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2009 were €13.2m and US$14.2m (2008: €9.0m and US$11.0m).

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 hedged £48.0m of its £51.0m long term loans for most of the coming year, the effect of a 1% change in market interest rates would be negligible.

(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 £1.8m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £2.0m increase in net assets.

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

21. DEFERRED TAX

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

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008: 28%). The movement on the deferred tax account is as shown below:

	2009 £m	2008 £m
Deferred tax asset at the beginning of the period	**0.9**	1.5
Charged to income statement	**(0.9)**	(0.4)
Exchange differences	**–**	(0.2)
Deferred tax asset at the end of the period	**–**	0.9

	2009 £m	2008 £m
Accelerated capital allowances	**–**	(1.5)
Other timing differences	**–**	1.1
Deferred tax liability relating to pension surplus	**(0.2)**	(0.2)
Tax losses	**0.2**	1.5
	–	0.9

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

	2009 £m	2008 £m
Accelerated capital allowances	**1.0**	0.4
Other timing differences	**5.2**	4.6
Deferred tax liability relating to pension surplus	**(0.2)**	(0.2)
Tax losses	**19.8**	19.7
Advanced corporation tax asset	**5.0**	5.0
	30.8	29.5

22. PROVISIONS

	Warranty provision £m	Restructuring provision £m	Property provision £m	Total £m
At 1 April 2007	1.0	0.3	12.3	13.6
Charged to the income statement	1.1	–	–	1.1
Amortisation of discount	–	–	0.5	0.5
Utilisation	(1.0)	(0.2)	(2.6)	(3.8)
At 31 March 2008	1.1	0.1	10.2	11.4
Charged to the income statement	1.2	3.4	7.0	11.6
Amortisation of discount	–	–	0.5	0.5
Utilisation	(1.1)	(2.6)	(2.6)	(6.3)
AT 31 MARCH 2009	**1.2**	**0.9**	**15.1**	**17.2**

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 reorganisations and company disposals. This is expected to be utilised within twelve months of the balance sheet date.

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

23. RETIREMENT BENEFIT OBLIGATIONS

(A) PENSION COSTS

NORCROS SECURITY PLAN

The Norcros Security Plan, the 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 in the previous year and replaced by defined contribution schemes.

DEFINED CONTRIBUTION PENSION SCHEMES

Contributions made to these schemes amounted to £0.9m (2008: £0.8m).

(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 2006 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 2009. Scheme assets are stated at their market value at 31 March 2009.

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 previous financial year and replaced with defined contribution schemes. Following the agreement of the allocation of surplus assets a surplus of £0.5m has been recognised as it is considered to be recoverable by the Group.

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

	2009 Projected unit	2008 Projected unit
Valuation method		
Discount rate	**6.90%**	5.70%
Inflation rate	**3.00%**	3.30%
Increase to deferred benefits during deferment (non GMP liabilities)	**3.00%**	3.30%
Increases to pensions in payment (other than pre 1988 GMP liabilities)	**3.00%**	3.30%
Salary increases	**4.00%**	4.30%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2009 at age 65 will on average live for a further 19.4 years after retirement if they are male and 22.3 years if they are female.

(ii) The amounts recognised in the income statement are as follows:

	2009 £m	2008 £m
Current service cost	**1.1**	1.4
Past service curtailment/credits	**(1.5)**	(0.7)
Interest cost	**19.8**	19.0
Expected return on plan assets	**(22.1)**	(22.4)
AMOUNTS RECOGNISED IN THE INCOME STATEMENT	**(2.7)**	(2.7)

23. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(B) IAS 19, 'RETIREMENT BENEFIT OBLIGATIONS' CONTINUED

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

		Long term rate of return expected at 31 March 2009 £m	Value at 31 March 2009 £m	Long term rate of return expected at 31 March 2008 %	Value at 31 March 2008 £m
Equities	– Norcros Security Plan	**9.10%**	**91.5**	7.75%	125.5
Bonds	– Norcros Security Plan	**6.90%**	**86.4**	6.50%	101.2
Cash and gilts	– Norcros Security Plan	**4.20%**	**121.8**	4.50%	140.5
	– other	**–**	**0.5**	–	8.6
Total market value of scheme assets			**300.2**		375.8
Present value of scheme liabilities			**(298.4)**		(365.4)
Pension surplus			**1.8**		10.4
Comprising					
Norcros Security Plan			**1.3**		9.7
Other			**0.5**		0.7
Surplus in schemes			**1.8**		10.4
Amounts not recognised			**(1.3)**		(9.7)
Asset recognised			**0.5**		0.7

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

	2009 £m	2008 £m
Surplus at the beginning of the year	**10.4**	18.3
Contributions	**2.1**	2.4
Past service curtailment/credits	**1.5**	0.7
Currency translation adjustments	**–**	(0.3)
Current service cost	**(1.1)**	(1.4)
Interest cost	**(19.8)**	(19.0)
Expected return on scheme assets	**22.1**	22.4
Cash repaid to the Group	**(0.2)**	–
Actuarial loss	**(13.2)**	(12.7)
Surplus at the end of the year	**1.8**	10.4

23. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(B) IAS 19, 'RETIREMENT BENEFIT OBLIGATIONS' CONTINUED

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

	2009 £m	2008 £m
Opening fair value of scheme assets	**375.8**	388.1
Employer contributions	**2.1**	2.4
Employee contributions	**0.8**	0.6
Expected return on scheme assets	**22.1**	22.4
Benefits paid	**(20.8)**	(18.1)
Actuarial loss on scheme assets	**(79.6)**	(19.1)
Cash repaid to Group	**(0.2)**	–
Currency translation	**–**	(0.5)
Closing fair value of scheme assets	**300.2**	375.8

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

	2009 £m	2008 £m
Opening scheme liabilities	**(365.4)**	(369.8)
Current service cost	**(1.1)**	(1.4)
Employee contributions	**(0.8)**	(0.6)
Interest cost	**(19.8)**	(19.0)
Actuarial gain	**66.4**	6.4
Benefits paid	**20.8**	18.1
Past service curtailment/credits	**1.5**	0.7
Currency translation	**–**	0.2
Closing fair value of scheme liabilities	**(298.4)**	(365.4)

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	**300.2**	375.8	388.1	386.6	341.9
Present value of defined benefit obligations	**(298.4)**	(365.4)	(369.8)	(379.6)	(348.2)
Surplus/(deficit) in the scheme	**1.8**	10.4	18.3	7.0	(6.3)
Experience adjustment on scheme assets	**(79.6)**	(19.1)	(1.3)	33.2	8.9
Experience adjustment on scheme liabilities	**–**	–	5.2	0.1	(2.7)

23. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(B) IAS 19, 'RETIREMENT BENEFIT OBLIGATIONS' CONTINUED

(viii) Amounts recognised in the statement of recognised income and expense are as follows:

	2009 £m	2008 £m
Actuarial loss	**(13.2)**	(12.7)
Currency translation and other adjustments	**–**	(0.3)
Restriction on recognition of surplus	**8.4**	8.6
	(4.8)	(4.4)

24. ORDINARY CALLED UP SHARE CAPITAL

	2009 £000	2008 £000
AUTHORISED		
200,000,000 (2008: 200,000,000) ordinary shares of 10p each	**20,000**	20,000
ISSUED AND FULLY PAID		
148,717,884 (2008: 148,717,884) ordinary shares of 10p each	**14,872**	14,872

25. SHAREHOLDERS' FUNDS AND STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 1 April 2007	0.1	5.5	(3.6)	(18.2)	(16.2)
Shares issued	14.8	57.9	–	–	72.7
Actuarial loss on retirement benefit obligations	–	–	–	(4.4)	(4.4)
Profit for the period	–	–	–	9.5	9.5
Dividends	–	–	–	(0.8)	(0.8)
Share-based payments	–	–	–	0.2	0.2
Foreign currency translation adjustments	–	–	(1.9)	–	(1.9)
At 31 March 2008	14.9	63.4	(5.5)	(13.7)	59.1
Actuarial loss on retirement benefit obligations	–	–	–	(4.8)	(4.8)
Loss for the period	–	–	–	(6.3)	(6.3)
Dividends	–	–	–	(4.0)	(4.0)
Share-based payments	–	–	–	(0.1)	(0.1)
Foreign currency translation adjustments	–	–	6.4	–	6.4
AT 31 MARCH 2009	**14.9**	**63.4**	**0.9**	**(28.9)**	**50.3**

26. CONSOLIDATED CASH FLOW STATEMENTS

(A) CASH GENERATED FROM OPERATIONS

	2009 £m	2008 £m
(Loss)/profit before taxation	**(4.8)**	9.9
Adjustments for:		
– exceptional items included in the income statement	**7.7**	3.1
– cash flows from exceptional costs	**(4.3)**	(2.8)
– other operating income	**–**	(0.1)
– depreciation	**6.4**	5.5
– difference between pension charge and contributions	**(1.0)**	(1.0)
– profit on disposal of property, plant and equipment	**(0.6)**	(0.3)
– finance costs	**4.5**	6.9
– finance income	**(2.9)**	(4.0)
– share of loss of associates	**2.5**	0.2
– share-based payments	**(0.1)**	0.2
– exchange differences	**(0.1)**	(0.4)
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL	**7.3**	17.2
Changes in working capital:		
– increase in inventories	**(1.9)**	(2.7)
– decrease in trade and other receivables	**4.0**	0.2
– decrease in payables	**(2.6)**	(1.0)
CASH GENERATED FROM OPERATIONS	**6.8**	13.7

(B) OUTFLOW RELATED TO EXCEPTIONAL ITEMS

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

(C) ANALYSIS OF NET DEBT

	Net cash £m	Net debt £m	Total £m
At 1 April 2007	2.1	(115.0)	(112.9)
Cash flow	(0.8)	71.1	70.3
Other non-cash movements	–	(4.8)	(4.8)
Exchange movement	(0.2)	1.1	0.9
At 31 March 2008	1.1	(47.6)	(46.5)
Cash flow	3.9	(2.8)	1.1
Other non-cash movements	–	(0.1)	(0.1)
Exchange movement	(0.1)	(0.2)	(0.3)
AT 31 MARCH 2009	**4.9**	**(50.7)**	**(45.8)**

Other non-cash movements relate to the movement in capitalised finance costs of £0.1m (2008: £3.8m) together with rolled up interest in relation to shareholder loans of £nil (2008: £1.0m).

27. CAPITAL AND OTHER FINANCIAL COMMITMENTS

(A) CAPITAL COMMITMENTS

	2009 £m	2008 £m
Contracts placed for future capital expenditure not provided in the financial statements	**1.0**	2.4

27. CAPITAL AND OTHER FINANCIAL COMMITMENTS CONTINUED

(B) OPERATING LEASE COMMITMENTS

	2009 £m	2008 £m
Total commitments under operating leases:		
– not later than one year	**9.1**	7.7
– later than one year and not later than five years	**28.7**	25.7
– later than five years	**35.3**	36.3
	73.1	69.7

Total future sub-lease payments receivable relating to the above operating leases amounted to £5.2m (2008: £7.3m).

The above operating lease commitments are analysed as:

	2009 £m	2008 £m
Equipment:		
– not later than one year	**1.0**	1.0
– later than one year and not later than five years	**1.5**	1.6
– later than five years	**–**	0.1
Land and buildings:		
– not later than one year	**8.1**	6.7
– later than one year and not later than five years	**27.2**	24.1
– later than five years	**35.3**	36.2
	73.1	69.7

(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:

	2009 £m	2008 £m
Total commitments under operating leases:		
– not later than one year	**0.5**	0.5
– later than one year and not later than five years	**2.2**	2.1
– later than five years	**2.2**	2.7
	4.9	5.3

28. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(A) LOANS TO/FROM RELATED PARTIES

	2009 £m	2008 £m
Shareholder loans:		
– at beginning of period	**–**	35.9
– loan repayments	**–**	(37.0)
– interest charged	**–**	1.1
At end of period	**–**	–
Loans to associates:		
At beginning and end of period (note 11)	**4.3**	4.3

Interest of £0.5m (2008: £0.4m) was charged in the year.

28. RELATED PARTY TRANSACTIONS CONTINUED

(B) SALES OF GOODS AND SERVICES

	2009 £m	2008 £m
Sales of goods:		
– associates	**0.2**	0.1

Goods are sold to associates on normal commercial terms and conditions.

(C) PURCHASES OF GOODS AND SERVICES

	2009 £m	2008 £m
Purchases of goods:		
– associates	**2.7**	3.1

Goods are purchased from associates on normal commercial terms and conditions.

(D) YEAR END BALANCES ARISING FROM SALES/PURCHASES OF GOODS AND SERVICES

	2009 £m	2008 £m
Receivables from related parties (note 16):		
– associates	**0.3**	0.3
Payables to related parties (note 18):		
– associates	**(0.6)**	(0.5)

29. 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.

30. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANY

The principal Group subsidiaries and associates 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 Ltd* (incorporated in Australia)
- Philkeram-Johnson SA* (Associated company – 50%**, incorporated in Greece)
- Norcros SA (Pty) Ltd* trading as Johnson Tiles (Pty) Ltd, TAL and TAF (Incorporated in South Africa)

* The Group interest is owned by Group companies other than Norcros plc.

** This investment is accounted for as an associate as the Directors do not exert control over the financial and operating activities.

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 and associated companies whose results principally affect the financial statements of the Group are included above.

parent company accounts

in accordance with UK accounting standards
year ended 31 March 2009

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 2009 which comprise the Parent Company Balance Sheet and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Norcros plc for the year ended 31 March 2009.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Remuneration Report and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referenced to the Business Review from the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Directors' Report, the Corporate Governance Statement, the unaudited section of the Remuneration Report and the other information referred to on the inside front cover. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements and the part of the Remuneration Report to be audited.

OPINION

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
- the Parent Company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
MANCHESTER
31 JULY 2009

parent company balance sheet
at 31 March 2009

	Note	**2009 £m**	2008 £m
FIXED ASSETS			
Investments	3	**177.3**	177.3
CURRENT ASSETS			
Debtors	4	**0.1**	–
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other	6	**(17.0)**	(27.4)
NET CURRENT LIABILITIES		**(16.9)**	(27.4)
TOTAL ASSETS LESS CURRENT LIABILITIES		**160.4**	149.9
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Borrowings – bank and other loans	5	**(50.7)**	(33.6)
NET ASSETS		**109.7**	116.3
FINANCED BY			
Share capital	8	**14.9**	14.9
Share premium account	9	**63.4**	63.4
Profit and loss account	9	**31.4**	38.0
TOTAL SHAREHOLDERS' FUNDS	9	**109.7**	116.3

The financial statements on pages 72 to 75 were approved on 31 July 2009 and signed on behalf of the Board by:

J. MATTHEWS
GROUP CHIEF EXECUTIVE

N. P. KELSALL
GROUP FINANCE DIRECTOR

notes to the parent company accounts
year ended 31 March 2009

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 United Kingdom and the Companies Act 1985. 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
Investments held as fixed assets are stated at cost, less any provision for impairment. Dividends received from investments are included within turnover and recognised on receipt of the dividend.

BORROWINGS
Borrowings are recognised net of transaction costs (any such costs that are incremental and directly attributable to the issue of the financial instrument) which are 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.

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 230(1) of the Companies Act 1985.

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 financial statements under note 28.

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 £5,000 (2008: £5,000) is borne by the Company's subsidiary.

3. INVESTMENTS

	Shares in subsidiaries £m
At 1 April 2008 and **31 MARCH 2009**	**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 tiles and showers.

Details of the principal operating subsidiaries indirectly owned by the Company are shown in note 30 of the Group accounts.

4. DEBTORS

	2009 £m	2008 £m
Amounts due within one year		
Prepayments	**0.1**	–

5. BORROWINGS

	2009 £m	2008 £m
Loans and bank overdrafts – secured	**51.0**	34.0
Costs of raising finance	**(0.3)**	(0.4)
	50.7	33.6
Repayable after more than one year:		
– between two and five years	**51.0**	34.0
– costs of raising finance	**(0.3)**	(0.4)
	50.7	33.6

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 2012.

6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £m	2008 £m
Amounts owed to Group undertakings	**16.8**	26.9
Other creditors	**0.2**	0.5
	17.0	27.4

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

7. DEFERRED TAX

No deferred tax has been recognised in the financial statements.

The full potential asset for deferred taxation is as follows:

	2009 £m	2008 £m
Tax losses	**7.2**	8.2
Other timing differences	**–**	–
	7.2	8.2

8. SHARE CAPITAL

	2009 £000	2008 £000
AUTHORISED		
200,000,000 (2008: 200,000,000) ordinary shares of 10p each	**20,000**	20,000
ISSUED AND FULLY PAID		
148,717,884 (2008: 148,717,884) ordinary shares of 10p each	**14,872**	14,872

9. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
At beginning of period	14.9	63.4	38.0	116.3
Loss for the period	–	–	(2.5)	(2.5)
Dividends paid	–	–	(4.0)	(4.0)
Share-based payments	–	–	(0.1)	(0.1)
AT END OF PERIOD	**14.9**	**63.4**	**31.4**	**109.7**

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 pages 21 and 22. 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 9 in the Group accounts.

notice of annual general meeting

Notice is hereby given that the 2009 Annual General Meeting of Norcros plc will be held at The Stanneylands Hotel, Stanneylands Road, Wilmslow, Cheshire SK9 4EY on Wednesday 9 September 2009 at 11.00 am to consider and, if thought fit, pass the following resolutions.

Resolutions 1 to 7 inclusive will be proposed as ordinary resolutions and resolutions 8 to 10 inclusive will be proposed as special resolutions.

ORDINARY BUSINESS

1. To receive and consider the accounts and reports of the Directors and the auditors for the financial year ended 31 March 2009.
2. To approve the Remuneration Report for the financial year ended 31 March 2009.
3. To re-elect John Brown as a Director of the Company.
4. To re-elect Nick Kelsall as a Director of the Company.
5. To authorise the Audit Committee to re-appoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office until the conclusion of the next Annual General Meeting before which accounts are laid.
6. To authorise the Audit Committee to determine the auditors' remuneration.

SPECIAL BUSINESS

7. That the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 as amended (the Act) to exercise all the powers of the Company to allot:

   (a) relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £4,958,489.47; and

   (b) relevant securities comprising of equity securities (within the meaning of Section 94 of the Act) up to a further aggregate nominal amount of £4,958,489.47 in connection with an offer by way of a rights issue.

   Such authorities shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 8 December 2010, save that the Company may, before such expiry, make any offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired. These authorities revoke all previous authorities to directors pursuant to Section 80 of the Act, without prejudice to any allotment of securities made pursuant to such authorities.

   For the purposes of this resolution, "rights issue" means an offer to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class) to subscribe to further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to (i) fractions of such securities, (ii) the issue, transfer and/or holding of any securities in certificated form or in uncertificated form, (iii) the use of one or more currencies for making payments in respect of such offer, (iv) any such shares or other securities being represented by depositary receipts, (v) treasury shares or (vi) any legal or practical problems arising under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory.

8. That subject to the passing of resolution 7 above:

   (a) the Directors be empowered pursuant to Section 95 of the Companies Act 1985 as amended (the Act), to allot equity securities (within the meaning of Sections 94(2) and 94(3A) of the Act) paid for in cash pursuant to the general authority given by paragraph (a) of resolution 7 above:

      (i) in connection with any rights issue, open offer or other pre-emptive offer, 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 to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to (i) fractions of such securities, (ii) the issue, transfer and/or holding of any securities in certificated form or in uncertificated form, (iii) the use of one or more currencies for making payments in respect of such offer, (iv) any such shares or other securities being represented by depositary receipts, (v) treasury shares or (vi) any legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in any territory; and

      (ii) otherwise than pursuant to paragraph 8(a)(i) above, up to an aggregate nominal amount of £743,773.42 (being a sum equal to approximately 5% of the Company's issued ordinary share capital); and

SPECIAL BUSINESS CONTINUED

8. continued

   (b) pursuant to the general authority given by paragraph (b) of resolution 7 above in connection with a rights issue, as if Section 89(1) of the Act did not apply to any such allotment. References herein to the allotment of equity securities shall include the sale of treasury shares (within the meaning of Section 162A of the Act);

   (c) the powers given by this resolution shall expire on 8 December 2010 or, if earlier, at the conclusion of the next Annual General Meeting of the Company. Notwithstanding such expiry, the authority shall permit the Company to make allotments of equity securities in respect of offers or agreements made before such expiry which would or might require equity securities to be allotted after such expiry. All previous disapplications of Section 89(1) of the Act are revoked without prejudice to any allotment of securities pursuant thereto; and

   (d) for the purposes of this resolution, "rights issue" has the same meaning as in resolution 7 above.

9. That the Company be generally and unconditionally authorised for the purposes of Section 166 of the Act as amended to make market purchases (within the meaning of Section 163(3) of that Act) of ordinary shares of 10p each in the Company (ordinary shares) provided that:

   (a) the maximum aggregate number of ordinary shares which may be purchased is 14,875,468 (representing less than 10% of the issued ordinary share capital as at 28 July 2009);

   (b) the minimum price which may be paid for an ordinary share is 10p;

   (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is contracted to be purchased; and

   (d) this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 8 December 2010, save that the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be completed wholly or partly after the expiry of the authority, and may complete a purchase of ordinary shares pursuant to any such contract.

10. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board

D. W. HAMILTON
DIRECTOR AND COMPANY SECRETARY
31 JULY 2009

REGISTERED OFFICE:
LADYFIELD HOUSE
STATION ROAD
WILMSLOW
CHESHIRE
SK9 1BU

NOTES:

ENTITLEMENT TO ATTEND AND VOTE

1. In accordance with Regulation 41(1) of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Company's register of members at 6.00 pm on 7 September 2009 (or, in the case of an adjournment, no later than 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time. Changes to entries on the register of members after 6.00 pm 7 September 2009 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

APPOINTMENT OF PROXIES

2. A member of the Company is entitled to appoint another person as his proxy to exercise all or any of the rights to attend and to speak and to vote at the meeting. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

   A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy the member may photocopy the proxy form. The member must indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as the member's proxy (which, in aggregate, should not exceed the number of shares held by the member). The member must be also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A proxy need not be a member of the Company.

3. A proxy form is enclosed for your use.

4. If you are not a member of the Company but you have been nominated under Section 146 of the Companies Act 2006 by a member to enjoy information rights you do not have any right to appoint one or more proxies. Please read the section on Nominated Persons below.

5. In order to be valid, an appointment of proxy must be returned by sending the Form of Proxy enclosed with this document by post or (during normal business hours only) by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the meeting.

6. The appointment of the Chairman as proxy has been included for convenience. If you wish to appoint any other person as proxy delete the words "the Chairman of the meeting" and add the name of the proxy appointed. If you complete the form of proxy but do not delete the words "the Chairman of the meeting" and you do not appoint a proxy, the Chairman shall be entitled to vote as proxy.

7. A "vote withheld" option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" a resolution.

8. The proxy may vote as he/she thinks fit (or abstain) on any resolution where no specific direction is given or on any other business which may properly come before the meeting.

APPOINTMENT OF PROXIES THROUGH CREST

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by no later than 11.00 am on Monday 7 September July 2009, the latest time(s) for receipt of proxy appointments specified in this Notice of meeting. No message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which our registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

NOTES: CONTINUED

APPOINTMENT OF PROXIES THROUGH CREST CONTINUED

9. continued

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

CHANGING PROXY INSTRUCTIONS

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy form of proxy and would like to change the instructions using another hard-copy form of proxy, please contact Capita Registrars at Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or telephone 0871 664 0300 (calls cost 10p per minute plus network extras).

If you submit more than one valid proxy appointment (unless the proxy appointments clearly relate to different shares), the appointment received last before the latest time for the receipt of proxies will take precedence.

TERMINATION OF PROXY APPOINTMENTS

11. To revoke a proxy instruction you will need to inform the Company by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars at Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 11.00 am on Monday 7 September 2009. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy will not prevent you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

WEBSITE PUBLICATION OF AUDIT CONCERNS

12. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (Section 527 to 531), where requested by either:

(a) a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company; or

(b) at least 100 members having a right to vote at the meeting and each holding, on average, at least £100 of paid up share capital,

the Company must publish on its website, a statement setting out any matter that such members propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with PricewaterhouseCoopers LLP ceasing to hold office since the last Annual General Meeting.

Where the Company is required to publish such a statement on its website, it:

(a) may not require the members making the request to pay any expenses incurred by the Company in complying with the request;

(b) must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and

(c) must deal with the statement as part of the business of the meeting.

NOTES: CONTINUED

WEBSITE PUBLICATION OF AUDIT CONCERNS CONTINUED

12. continued

A member wishing to request publication of such a statement on the Company's website must send the request to the Company using one of the following methods:

- in hard-copy form to Norcros plc, Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU, marked for the attention of Nick Kelsall – the request must be signed by you; or
- by fax to 01625 549 011 marked for the attention of Nick Kelsall.

Whichever form of communication is chosen, the request must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported; and be received by the Company at least one week before the meeting.

WEBSITE PUBLICATION OF INFORMATION IN ADVANCE OF GENERAL MEETINGS

13. Information required by Section 311A of the Companies Act 2006 (Traded companies: publication of information in advance of general meetings) can be located on the Company's website at www.norcros.com.

SHAREHOLDERS' RIGHTS TO ASK QUESTIONS

14. Pursuant to Section 319A of the Companies Act 2006 (Right to ask question at meeting of traded company), the Company must answer any question put forward by a shareholder at the Annual General Meeting, save that the Company does not need to answer such question if:

(a) to do so would:

(i) interfere unduly with the preparation of the meeting; or

(ii) involve the disclosure of confidential information;

(b) the answer has already been given on a website in the form of an answer to a question; or

(c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

NOMINATED PERSONS

15. If you are not a member of the Company but you have been nominated under Section 146 Companies Act 2006 by a member to enjoy information rights, there may also be an agreement between you and the member appointing you as proxy for the meeting. If you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

DOCUMENTS AVAILABLE FOR INSPECTION

16. Printed copies of this Notice and the 2009 Reports and Accounts are available for inspection at the registered office of the Company during usual business hours on any weekday (weekends and public holidays excluded) and will be available for inspection at the place of the Annual General Meeting from 10.45 am (at least 15 minutes prior to the meeting) until the conclusion of the meeting.

ATTENDANCE AND RESULTS

17. If you propose to attend the meeting, please detach and bring the Annual General Meeting attendance card with you.

18. The results of the Annual General Meeting will be announced to the UK Listing Authority and will appear on our website, www.norcros.com on 10 September 2009.

ISSUED SHARE CAPITAL

19. As at 28 July 2009 (being the latest practicable date prior to printing of this document), the Company's issued share capital consisted of 148,754,684 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 28 July 2009 were 148,754,684.

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the design portfolio
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www.design-portfolio.co.uk

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