Norcros plc Annual report and accounts 2010

norcros

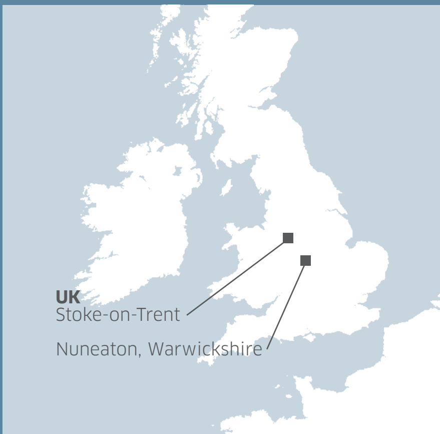
Dedicated to making where you live and places you visit better

Corporate statement

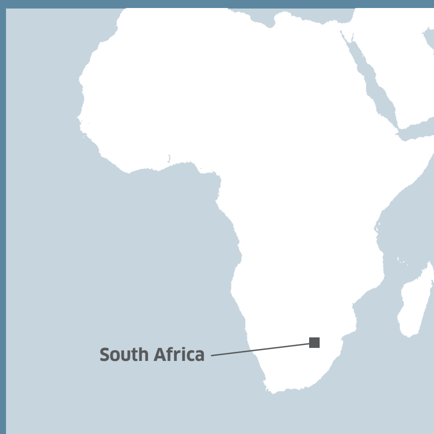
Norcros supplies high quality and innovative showers, ceramic wall and floor tiles and related products. We have three complementary UK businesses: Triton Showers, Johnson Tiles and Norcros Adhesives as well as significant operations in South Africa and interests in Australia and Greece.

Our businesses have a long, successful track record of serving consumers, architects, designers, retailers and wholesalers. Our emphasis is on innovation, quality and service combined with a strong understanding of our customers' needs. We invest significantly and continuously in our people and processes. We are a substantial group with consistent, high quality standards and considerable resources. We aim to use our strong brands, our innovative products and our leading market positions to drive investment returns and shareholder value.

UK



South Africa



Top left – UK: Norcros operates out of Stoke-on-Trent and Nuneaton, Warwickshire within the UK. Our main brands in the UK are Triton, Johnson Tiles and Norcros Adhesives.

Top right – South Africa: Norcros is a leading supplier within South Africa with the well established brands of Tile Africa, Johnson and TAL.

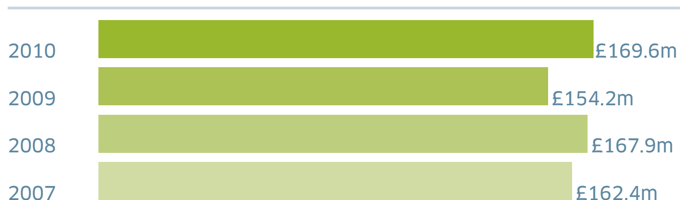
Below – Rest of the World: We have a wholly-owned subsidiary in Australia which sells tiles under the "Johnson" brand and an associate in Greece manufacturing tiles and adhesives.

Rest of the World

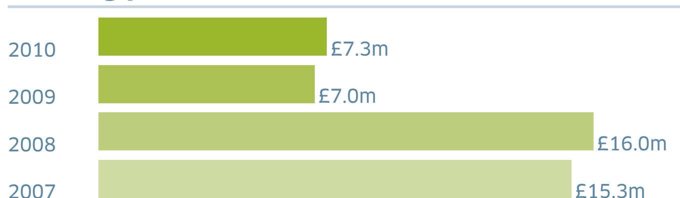
To find out what's happening at all our destinations visit **www.norcros.com**

Highlights

Revenue £169.6m

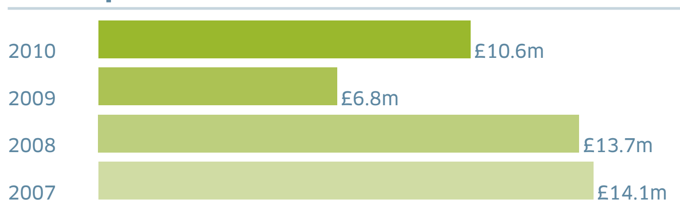


Trading profit* £7.3m

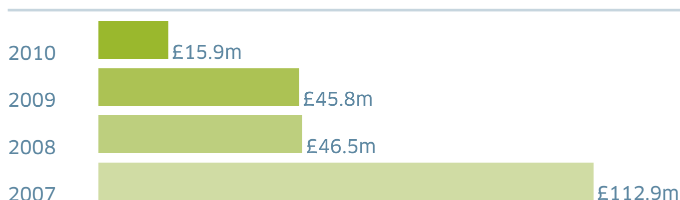


* Trading profit is defined as operating profit before exceptional items and operating income.

Cash generated from operations £10.6m



Net debt £15.9m



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Norcros: at a glance

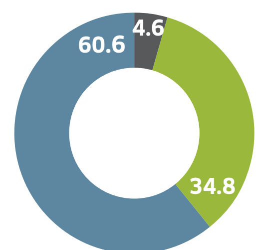
Our operations

Norcros focuses on three related businesses: showers, tiles and adhesives.

We design, manufacture and distribute our products, either to businesses or direct to consumers. We have a leading position in the UK market and have significant tile and adhesive operations in South Africa, as well as operations in Australia and Greece.

We organise our Group into three geographic areas: the UK, South Africa and the Rest of the World. This gives us a combination of well established businesses with strong market positions and growth opportunities in new markets.

Revenue %



Visit our website for full details on all our products and services
www.norcros.com

Revenue – UK

£102.7m
+8.6%

Revenue – South Africa

£59.0m
+12.2%

Revenue – Rest of the World

£7.9m
+12.9%

Triton: Market leader in the manufacture and marketing of showers with a strong position in electric showers and an increasing presence in mixer showers; Triton also exports products to the Irish Republic and other overseas markets.

Johnson Tiles: Leading manufacturer and supplier of ceramic tiles.

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

We are a leading manufacturer of ceramic tiles and adhesives and a leading retailer of these and associated products such as sanitary ware under the "Johnson", "Tile Africa" and "TAL" brands.

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.

JOHNSON·TILES

Chairman's statement

The proceeds of the capital raising significantly strengthened the Group's financial position, both reducing borrowings and overall interest cost.

John Brown Chairman

Summary

- Revenue for the year increased by 10.0% to £169.6m
- Trading profit of £7.3m is 4.3% ahead of last year
- The Group completed a capital raising exercise raising gross proceeds of £30m
- Well positioned to take advantage of organic growth opportunities
- The Group now has significantly reduced borrowings and interest costs

Overview

I am pleased to report that the Group has delivered a solid performance, ahead of market expectations and with significant progress in a number of areas. This result has been delivered despite the substantial downturn in demand in our major markets.

The performance in our UK businesses was particularly encouraging and the initial benefits of the operational improvements implemented in our South African tile manufacturing and retail operations started to show through in the second half of the year.

Following the successful capital raising in December 2009, which raised net proceeds of £27.7m, and the intense focus on cash, net debt was reduced by £29.9m to £15.9m (2009: £45.8m).

Results

Revenue for the year increased by 10.0% to £169.6m (2009: £154.2m), benefiting from the relative strength of the South African Rand and Australian Dollar to Sterling exchange rates. At constant exchange rates revenue increased by 2.4%, reflecting growth across all of our UK businesses partly offset by declines in both our overseas operations.

Group trading profits of £7.3m (2009: £7.0m) were 4.3% higher than prior year. Trading profit in our UK operations grew by 30.3% to £11.6m, with our businesses outperforming their industry peers and growing market share on the back of successful product and marketing initiatives. Conversely, in South Africa the continuation of very weak economic conditions and significantly reduced building activity resulted in a trading loss of £3.7m, albeit our South African adhesive operation delivered a resilient performance and reported results in line with last year.

Pre-tax profitability was impacted by exceptional charges of £8.2m (2009: charge of £7.7m), £2.5m of which related principally to the closure of underperforming retail stores in South Africa and a further £5.7m charge related to the impairment of the carrying value of the Group's Greek Associate together with associated costs. This reflects the continuing losses in this business, which was adversely impacted by the extreme difficulties in the local economy in Greece.

Group loss before tax and exceptional items was £1.8m (2009: profit of £2.9m), with the higher trading profits more than offset by higher net finance costs, which increased from £3.9m to £5.3m. In addition there was a £3.4m increase in the IAS 19 pension interest charge reflecting a £1.1m expense this year compared with £2.3m income in the prior year.

Basic losses per share before exceptional items were 0.6p (2009: earnings of 1.0p) and basic losses per share as reported were 3.4p (2009: losses of 4.2p).

Net cash generated from operations in the period was £10.6m (2009: £6.8m) reflecting a significant increase in the rate of cash conversion. Capital expenditure was £3.9m (2009: £4.7m) and included new product development at Triton, investment in ink jet technology in the UK tiles business, store upgrades and the purchase of the Randburg store in South Africa. Net debt at 31 March 2010 reduced to £15.9m from £45.8m at 31 March 2009 and leverage measured as net debt/EBITDA was 1.3 times. All banking covenants were met and since January 2010 we have enjoyed the lowest level of bank margin available within the facility agreement.

The UK defined benefit pension scheme valuation calculated under IAS 19 reduced from a surplus of £1.3m at 31 March 2009 to a deficit of £9.3m at 31 March 2010. The reduction principally reflects the fall in the applicable discount rate from 6.9% to 5.7% and a strengthening in mortality assumptions, partly offset by an increase in the scheme's asset values.

Capital structure
As previously reported, the Group agreed to revised terms on its banking facilities in July 2009 which, as a consequence of the difficult borrowing market and tight liquidity environment, are more onerous than those under the previous facilities. On 4 December 2009, the Group completed a capital raising exercise which raised gross proceeds of approximately £30.0m (approximately £27.7m net of expenses) through the issue of 428,571,428 new ordinary shares via a firm placing and placing and open offer of new shares. The net proceeds were used to reduce the Group's debt, thereby significantly strengthening the Group's financial position, both reducing the Group's borrowings and overall interest cost.

Dividend
The Board has determined not to propose a final dividend in respect of the year ended March 2010. This follows no interim dividend being declared.

It is, however, the Board's intention to return to a progressive dividend policy, within the restrictions placed on the Group by the terms of its bank facility agreement and subject to the Group's earnings, cash flow and balance sheet position.

Initiatives
South Africa
Operational improvements have been implemented in our South African tile manufacturing and retail businesses by the new management team. In tile manufacturing, the deployment of specialist tile manufacturing resource succeeded in stabilising the plant and more recently returning it to an efficient level of throughput and quality. We have also completed the closure of four underperforming stores in our retail business. Our second half results were more encouraging and, in spite of the continuing market difficulties, we are confident of re-establishing a solid base for future growth.

Australia
As recently announced the Group completed post year end the disposal of its 25.5% investment in R.J. Beaumont & Co (Pty) Limited for a consideration of c. £4.3m net of expenses, generating a profit on disposal of £2.6m which will be reported in the Group's financial statements for the year ended 31 March 2011. This disposal realises value from the Group's investment and the net proceeds will be used to further reduce debt and associated interest costs.

Board changes
In anticipation of his retirement from the Board in 2011, Joe Matthews, who has been Group Chief Executive since April 1996, will step down as Group Chief Executive on 31 March 2011 and from the Board at the Annual General Meeting in July 2011.

Nick Kelsall, currently Group Finance Director, is appointed Group Chief Executive-designate with effect from 1 July 2010 and will succeed Joe as Group Chief Executive with effect from 1 April 2011.

The Board undertook a thorough process of evaluating both internal and external candidates, and the Board congratulates Nick on this appointment.

The Board will now undertake a search for a new Group Finance Director and a further announcement will be made in due course.

I am delighted to welcome Mr Vijay Aggarwal, who joined the Board as a Non-executive Director on 8 October 2009. Mr Aggarwal is the Managing Director of Prism Cement Limited (formerly H & R Johnson (India) Limited, a company in India in which the Group previously had a direct interest, which has recently merged with Prism Cement Limited). Prism Cement Limited is the parent of Lifestyle Investments PVT Limited, a major shareholder of Norcros plc. The Group has recently announced Mr Girija Sankar Patnaik as an alternate Non-executive Director to Mr Aggarwal. Mr Patnaik is a member of the senior management team of Prism Cement Limited.

Employees
I would like to extend the Board's thanks and gratitude to everyone in the Group for their continuing hard work and dedication during an exceptionally challenging year.

Summary and outlook
Looking ahead, the UK outlook for consumer spending in the current year remains uncertain. Public sector investment is expected to decline, whilst private sector investment is forecast to remain muted. In South Africa, the economy is projected to show a slow recovery. Despite these challenging conditions, the Group is in good shape with a strong balance sheet, following the recent capital raising, and resilient revenue driven by essential repair and maintenance activity and continued focus and investment in new product development. Last year's major operational improvements in our South African operations should also yield benefits in the current year.

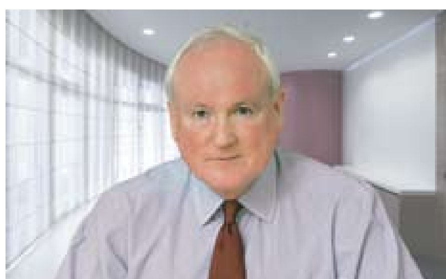
An encouraging start has been made to the current financial year. With the strength of our leading market positions, we believe the Group is well positioned to take advantage of any organic growth opportunities in its key markets as well as any market recovery when it occurs and we look forward to making further progress in 2010/11.

J. E. Brown
Chairman
22 June 2010

One of Triton's stylish thermostatic mixer showers.

Business review

Our results reflect a very strong performance from our UK businesses despite the effects of the significant decline in the housing market and the downturn in consumer confidence and spending.


Joe Matthews Group Chief Executive

Nick Kelsall Group Finance Director

Strategy

Triton Showers

Triton is well positioned to benefit from the long-term growth in the shower market building on its high quality product range, consumer brand loyalty and strong service capability. Future long-term 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;
- continued investment in market and brand development; and
- the maintenance of a superior service ethos.

Johnson Tiles

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

- an emphasis on design and product development;
- continued growth in share of the UK specification sector;
- focused sales and marketing programmes targeted at the trade, retail and selected export markets;
- a strong emphasis on competitiveness and the maintenance of close relations with our customer base; and
- consistently delivering excellent customer service.

South Africa

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

- renewed 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; and
- a continued emphasis on superior customer service, supply chain improvements and increased efficiencies.

JOHNSON·TILES

Our business

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

UK

In the UK the Group operates through three complementary businesses:

- 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 and power showers. Triton also exports showers to a number of 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 accounts and the trade through a long established national distribution network. It also exports to selected overseas markets; 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 business units and is a leading manufacturer and retailer of ceramic tiles and adhesives with a complementary sanitary ware offering under the "Johnson", "Tile Africa" and "TAL" brands:

- Tile Africa (TAF) operates a chain of retail stores focused on ceramic tile and associated products such as showers and sanitary ware, and sources products directly from Johnson Tiles South Africa (JTSA) and also from a number of independent local and overseas manufacturers;
- JTSA manufactures ceramic and porcelain tiles, for supply to the TAF stores and other independent retailers, distributors and contractors; 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 ceramic tiles and adhesives.

Top: A Tile Africa Roomset.

Above: Exterior of Tile Africa's Fourways store in South Africa.

Business review continued

Revenue

£169.6m
+10.0% 2009: £154.2m

Trading profit

£7.3m
+4.3% 2009: £7.0m

Cash generated from operations

£10.6m
+55.9% 2009: £6.8m

Net debt

£15.9m
–65.3% 2009: £45.8m

Trading performance

Overview

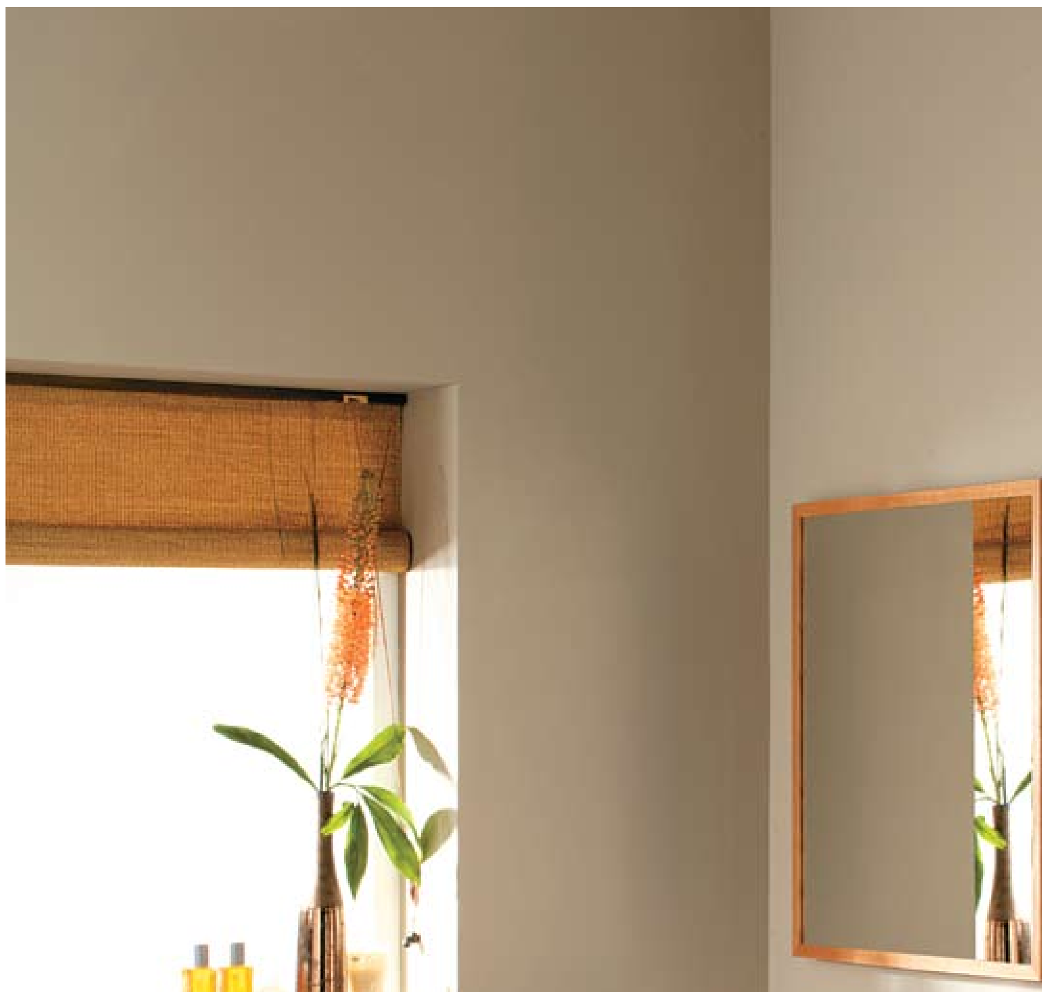
In the year ended 31 March 2010 we continued to experience extremely tough trading conditions with subdued or reduced demand in many of the markets in which the Group operates. However, despite the toughest year for some time we delivered revenue growth and resilient trading profits of £7.3m compared to £7.0m last year.

This result reflects a very strong performance from our UK businesses despite the effects of the significant decline in the housing market and the downturn in consumer confidence and spending. Profitability benefited from lower energy costs but continued to be adversely impacted by the weakness in Sterling. The strong UK performance reflects our commitment to and the success of our new product and marketing programmes combined with our continued focus on costs.

In South Africa, our performance continued to be adversely impacted by the downturn in economic activity, our investment in new and existing stores and by under-performance in our tile manufacturing business. Operational changes have been implemented by the new management team to improve productivity and efficiency and the level of losses in the second half of the year were significantly reduced.

UK

Our UK businesses produced a robust performance despite the difficult trading environment. Overall revenue grew by 8.6% to £102.7.m (2009: £94.6m) and trading profits were 30% higher at £11.6m (2009: £8.9m), with increased operating margins of 11.3% (2009: 9.4%).



Triton's growth has been driven by the success of our new product ranges, our "best in class" customer service, our drive on improving quality and our strong brand awareness.

Triton Showers

Triton, our market leading domestic shower business, delivered a very resilient profit and cash performance, reflecting the strength of its business model and the decisive management actions taken to counteract the weak market conditions. Total revenues were 9.3% higher, with UK revenues 12.3% higher and export revenues lower by 4.8%. The decline in export sales principally reflect the significant decline in activity levels in Ireland. In an exceptionally competitive UK market we grew revenues in the trade sector with notable successes in the national and independent merchant segment, reflecting the benefits of new contracts and higher over-the-counter business and the success of our promotional programmes and new product introductions. In retail, we significantly outperformed the market with revenue growth in both the DIY and home shopping segments.

This growth has been driven by the success of our new product ranges, our "best in class" customer service, our drive on improving quality and our strong brand awareness.

Triton's performance must be judged in the context of a lower UK shower market and minimal restocking following last year's significant destocking in the retail segment. Against this backdrop Triton has both maintained its leading UK market position and increased its share of the market.

We continue to invest significantly in new product development, marketing and promotional programmes. As a result over 70% of the Company'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.

Left: Triton's Unichrome Mersey range of thermostatic mixer showers.

Above: Johnson Tiles Elegance wall tiles and Absolute floor tiles installed at the Green House Hotel, Bournemouth.

Business review continued

Above: Johnson Tiles' Material Lab in London.

Above right: Triton's Satellites range of wireless thermostatic mixer showers.

Revenue

£169.6m

+10.0%

2009: £154.2m

Trading performance continued

UK continued

Triton Showers continued

The weakness in Sterling and price increases in copper and zinc adversely impacted on gross margins but were offset by prompt action on the cost base.

Trading profits were ahead of last year. Furthermore as a result of the management focus to recover input cost increases and reduce operating costs, net profit margins were largely maintained. The ability of Triton to consistently deliver good profits and excellent cash generation, in spite of the tough trading conditions, reflects the resilience of its operating model, the flexibility of its cost structure and the strength of its brand and franchise. Our leading and growing presence in the 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 very 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

Johnson Tiles is the leading ceramic tile manufacturer in the UK and a market leader in the supply of both manufactured and imported tiles to the trade. Johnson's business is well diversified operating across all sectors of the UK market, consumer, house builder and both public and private sector specifications. Johnson is also the leading exporter of tiles from the UK.

Johnson Tiles continued to perform well with overall revenues 8.0% higher than last year. This was against the backdrop of the extremely tough trading conditions with the UK tile market estimated to have declined by c.10% driven by lower demand in all sectors. In recent months, the consumer and private house builder markets have stabilised but the private contract market has experienced a sharp decline (c. 20%) as the pipeline fill has been largely utilised and new projects are being cancelled or delayed.

To offset the tough trading conditions resources were focused on the commercial and DIY multiples segments and on the private sector specification market. To support the drive to these market sectors further investment was made in inkjet printing technology with a second machine installed and commissioned in August 2009. Driving innovative inkjet product designs has benefited sales in the consumer sector.

Similarly, private sector specification work has benefited from the investment in our design studio, Material Lab, and the Absolute product portfolio, together with promotional activity through exhibitions at 100% Design and Ecobuild. We are on track to achieve our goal of becoming the market leader in the specification sector.

As a result of the above initiatives our UK revenues grew by 6.6% since last year.

Triton Showers has maintained its market-leading position reflecting the breadth of its customer base and the strength of its product offering.

Export revenues also performed well in difficult market conditions. Our strong focus on market leading innovative inkjet products and excellent customer service resulted in 16.2% year on year growth. Strong gains in the Middle East, France and North America have been the key drivers.

Significant cost reduction programmes were also implemented at Johnson Tiles including an across the board 5% pay reduction. The combination of these cost reduction programmes and significantly lower energy costs offset the adverse impact on margins of Sterling weakness, with the result that the business was able to deliver both a trading profit (compared to a small loss last year) and significant cash generation in the year.

Whilst market conditions are expected to continue to be challenging for the foreseeable future we have re-positioned and re-focused the business resulting in a significant turn around in performance and providing the platform to deliver a further improvement in returns as the markets recover.

Norcros Adhesives

Despite the difficult trading environment, Norcros Adhesives grew revenue by 4% resulting in an increase in trading profit.

The number of new customer gains slowed compared to the previous year, but this was countered, to some extent, by the development of several established accounts and additional sales from new product introductions.

As planned, the new Pro 50 deep bed self levelling compound was successfully launched during the year, and this has rapidly gained a substantial level of sales.

New product developments currently being progressed include a range of super grouts, which have been formulated following market research into fixer requirements. These will be marketed as a four in one product, namely fine textured, rapid setting, flexible and anti microbial.

Overhead expenditure was tightly managed, resulting in significant savings against the budget, and an ongoing cost reduction programme is being pursued in respect to the supply of raw materials and services.

A new logistics matrix was introduced in the final quarter, utilising a number of different haulage providers and this has enabled reduced distribution costs and improved service levels.

In order to increase the rate of revenue growth of the business, we plan to increase sales resource and step up marketing initiatives to underpin the development of a larger scale business.

Robotic palletiser stacking product for despatch at the Norcros Adhesives UK manufacturing base.

Business review continued

Norcros South Africa endured a challenging year on the back of difficult economic conditions and internal challenges faced in our tile production unit in particular.

Trading profit

£7.3m

+4.3%

2009: £7.0m

Trading performance continued

South Africa

Norcros South Africa endured a challenging year on the back of difficult economic conditions and internal challenges faced in our tile production unit in particular.

Against the backdrop of a 1.8% decline in South African Gross Domestic Product, the building and renovation sector was particularly hard hit with retail glass, paint and hardware revenues down 11.1% against the previous year and the levels of building completions falling by 20.5%.

As a result, the overall revenue of our South African business on a constant currency basis declined by 6.3% reflecting the weak market conditions and the impact of our retail store closure programme. Reported revenues increased by 12.2%, reflecting the translation benefit of the strengthening in the South African Rand to Sterling exchange rate.

Despite prompt management action to reduce payroll and operating costs and benefits from improved procurement the lower revenues, combined with lower throughput in our tile manufacturing unit, led to a trading loss of £3.7m compared to a loss of £1.7m for the previous year. This loss was however heavily weighted to the first half of the year (£2.4m) against a much reduced loss in the second half of the year (£1.3m).

In the year we started the process of re-organising the management structures in the business and we plan to make the final appointments to our senior management team early in the first half of the current year.

Despite a disappointing year, we believe the business is better positioned to take advantage of any improvement in market conditions which should lead to a further improvement in performance in the year ahead.

Tile Africa

Tile Africa, our retail tile business in South Africa, saw revenues in constant currency decline by 5% reflecting the closure of four stores as well as the extremely difficult market conditions referred to earlier. The lower revenue was partially offset by improved gross margins and tight control of stock and overhead expenses.

Overall the trading loss was slightly worse than the previous year but with the loss in the second half of the year significantly less than that in the first half.

As part of our drive to establish a consistent market offering we have continued the programme to upgrade our existing store portfolio by bringing four more stores up to our Lifestyle format. The results of these upgrades have been positive and we plan to upgrade a further five stores in the current year. We have not added any new stores this year and do not expect to resume the expansion of our Tile Africa retail footprint until 2012. We currently trade out of 32 company owned stores and three franchises, 19 of which will have been converted to our new Lifestyle format by the end of the next financial year.

In addition, we have been testing a smaller retail model aimed at smaller towns in outlying areas. We currently have two stores trading successfully in Ellisras and Lydenburg.

As previously announced, we closed four poorly-performing stores during the period recognising an exceptional charge of £2.5m.

Our strategic focus is concentrated on the following core elements:

- enhanced margins through range management and improved procurement competitiveness;
- upgrading the quality and capability of our store staff with a strong focus on product knowledge, design solutions and sales process;
- operational improvements in retail discipline in stock control, distribution costs and headcount savings;
- a critical store programme focused on the under-performing stores; and
- enhanced marketing programmes to reinforce the message that "Our home is your home".

TAL Adhesives

TAL, our adhesives operation, delivered a strong performance despite significantly lower volumes which fell 20.5% in the year. The lower volumes were partially offset by an improved revenue mix, driven in the main by increased volumes of rapid set products. This improvement in revenue mix supported by savings in the procurement of raw materials drove a good improvement in our gross margins. TAL was, as a result, able to report a good level of trading profit in line with last year's performance.

The division's long-standing relationships with key customers in the market, supported by a strong offering of trusted brands, have continued to help maintain TAL's leading market position. The strategic focus remains on our core values of product innovation, the provision of sound technical expertise and the quality guarantees that underpin our brand. This focus is supported by an improved and directed marketing effort towards architects, specifiers and fitters.

In our cementitious business the emphasis is on growing market share in the rapid set and building product segments, on the back of new and improved product launches as well as the penetration of new markets. We are also aiming to increase our tile adhesive presence in selected large retail chains, an area in which we are currently under-represented.

Our industrial adhesive business made strong progress this year on the back of an 8% growth in revenue resulting from hotmelt market share growth. We intend to further penetrate this market through the upgrade of our plant which will improve our volumes, quality and more importantly allow for the introduction of new product formats. We believe there is good potential to grow the contribution made by our industrial adhesive unit.

Johnson Tiles

Johnson Tiles experienced a tough year driven not only by the downturn in the market but also by production-related problems which affected both our volume and quality. This resulted in higher production costs which we were not able to recover in a competitive market.

Constant currency revenues declined by 20.6% driven in part by the lower level of activity referred to earlier and in part by the effects of the closure of the wall tile plant in the previous year. Our results for the year were extremely disappointing with a marginally higher trading loss than the comparable period. The strength of the Rand compared to Sterling relative to the previous year further exacerbated the reported performance. We do however believe that the actions that have been taken, which were not short-term fixes, are starting to bear fruit and will lead to a significantly improved performance. The trading loss in the second half year was approximately half the loss in the first half year.

Top and above: Tile Africa store interiors.

Business review continued

Above and right: Product produced by Johnson Tiles South Africa.

Trading performance continued
South Africa continued
Johnson Tiles continued

The problems in production resulted from a combination of excessive downtime and poor production management. In the first half of the year we replaced the senior management team and focused on reducing plant downtime. In addition we engaged the help of external specialist expertise from the UK and Italy to help up-skill both our engineering and production teams. Good progress was delivered in the fourth quarter with the plant stabilising and production volumes returning to targeted levels at the required quality. The plant is currently operating at levels in line with management's expectations and a number of initiatives are underway to reduce unit costs of manufacturing by driving down our gas, raw material and consumable costs.

Simultaneously we are also planning to enrich our mix of product aimed at further improving our margins by introducing a wider range of larger-format floor and porcelain ranges as well as a focused range of white wall tile. Additional resources have been devoted to design and product development.

We plan to significantly bolster our sales resource in the next financial year through the establishment of a dedicated sales team to drive the expected opportunities in the independent market. The new sales team will focus on key retail accounts, key architectural and specifications accounts and growing our exports exposure. The new sales function will be supported by a concerted marketing drive directed at architects, specifiers and fitters.

Rest of the World

Our Australian business, Johnson Tiles, which made good progress in the first half of the year, encountered a number of operational difficulties in the second half. Revenues on a constant currency basis declined by 2.5% in the period and a disappointing trading loss of £0.6m was reported compared to last year's loss of £0.2m.

Several key overseas suppliers suffered from the tightening in global credit markets with production schedules delayed, resulting in significant stock outs in a number of core line items. This held back revenue for a number of months. In addition results were impacted by additional costs relating to the implementation of a new IT system and an increase in the provision for bad debts. On the positive side good progress was made in reducing freight costs through the establishment of small, local warehouses in a number of states and in reducing inventory levels. A positive operating cash performance was achieved in the period.

We remain confident that the actions taken will strengthen the business and allow strategic options to be evaluated.

Cash generated from operations

£10.6m
+55.9%
2009: £6.8m

TAL's long-standing relationships with key customers in the market, supported by a strong offering of trusted brands, have continued to help maintain its leading market position.

Greece

The performance of Philkeram Johnson, our 50% owned Greek tile and adhesives associate, continues to be impacted by the prolonged downturn in local building activity levels.

On a constant currency basis, revenues in the tile business declined by 21.5% which, combined with the action taken to curtail production output as a result of the drive to reduce inventory levels and conserve cash, resulted in a higher trading loss than the comparable period. Action continues to be taken to reduce operating costs including manning levels in line with the maximum permissible under Greek labour laws.

The adhesives operation was also affected by the market conditions, with revenues 11.7% lower on a constant currency basis. Despite the volume shortfall, margins increased and together with tight control of costs the business recorded a trading profit marginally higher than the comparable period last year.

The Group equity accounts for its share of the results of the Greek associate and its share of the post tax loss was £2.8m (2009: £2.5m). Whilst the loss is a non-cash item, the Board in conjunction with our local partner is continuing to evaluate the options to realise value for this business.

Due to the continuing post-tax losses and the severe difficulties in the Greek economy we have decided to fully impair the remaining carrying value of the loan to the associate. In addition we have provided for the mark to market valuation of the cross currency swap which was used to hedge this loan along with other associated costs. These items, totalling £5.7m, have been charged to exceptional operating items in the consolidated income statement. These charges, which were previously announced on 16 April 2010, together with the losses noted above, mean the associate now has a nil carrying value in the consolidated balance sheet, therefore no losses will be charged in future years.

Summary

Activity levels in the Group's markets in 2010 will continue to be influenced by adverse macro-economic factors which will negatively impact consumer and public expenditure. Against a continuing challenging background we remain focused on increasing revenue through market-leading new product introductions and selective marketing programmes. We will continue to drive improvements in operating cost efficiency, asset utilisation and cash conversion. We are confident that the combination of these measures, together with a robust balance sheet following the successful capital raising in December 2009, will ensure that the Group is well positioned to take advantage of market opportunities and economic recovery.

Business review continued

Against a continuing challenging background we remain focused on increasing revenue through market-leading new product introductions and selective marketing programmes. We will continue to drive improvements in operating cost efficiency, asset utilisation and cash conversion.

Net debt

£15.9m
-65.3%
2009: £45.8m

Financial review

Revenue

Group revenues increased on a reported basis by 10.0% or by £15.4m to £169.6m (2009: £154.2m). The underlying increase on a constant currency basis was lower at 2.4% or £3.9m from £165.7m (2009 restated to constant currency), principally reflecting the translation impact of the stronger South African Rand and Australian Dollar against Sterling between the two periods. The Group recorded increases in revenue in its UK businesses of 8.6% which more than offset the smaller decreases in both its South African and Australian operations.

Trading profit

Trading profit, as reported, increased by 4.3% to £7.3m (2009: £7.0m) and on a constant currency basis by 9.0% (2009 restated to constant currency: £6.7m). Our UK businesses performed extremely well and increased their trading profits by 30.3%. Losses were incurred in both South Africa and Australia reflecting continuing difficult market conditions and specific operational issues referred to earlier in the Business Review. Trading profit margins declined slightly from 4.5% to 4.3%.

Exceptional items and operating loss

Exceptional items of £8.2m have been charged in the year. The major items comprise a £5.7m charge relating to the Greek associate and a £2.5m charge relating principally to retail store closures in South Africa. Operating losses were £0.8m (2009: £0.7m).

Finance costs

Finance costs increased to £5.9m from £4.5m in 2009 reflecting the higher costs of bank debt experienced during the year and a £0.7m increase in amortisation charges in relation to capitalised financing costs.

Finance income of £0.6m was in line with 2009.

IAS 19 finance costs of £1.1m relate to our UK defined benefit pension scheme. In the previous year the equivalent figure was a £2.3m credit. This reflects the relative movements in the pension scheme assets and liabilities at 31 March 2008 and 31 March 2009. At the latter date the discount rate used to value liabilities was particularly high which coincided with a particularly low point for asset valuations.

Loss before tax

Loss before tax and exceptional items was £1.8m (2009: profit of £2.9m) principally reflecting the increase in net finance costs noted above. The Group reported a loss before tax and after exceptional items of £10.0m (2009: loss of £4.8m).

Taxation

No taxation charge has been made for 2010 (2009: £1.5m). The nil charge reflects the loss before tax made by the Group in the current year. The prior year charge reflected the write off of previously recognised deferred tax assets relating to tax losses in South Africa. Given the current economic climate we have decided to continue not to recognise these assets for the immediate future.

Key cash flow components and movement in Group net debt

	2010 £m	2009 £m
Cash flow from operations	10.6	6.8
Interest and tax	(3.0)	(3.0)
Free cash flow available for investment	7.6	3.8
Net proceeds from capital raising	27.7	—
Capital expenditure	(3.9)	(4.7)
Dividends	—	(4.0)
Proceeds from sale of shares in investments	—	4.0
Other items including other disposal proceeds, foreign exchange, rolled up interest and amortised financing costs	(1.5)	1.6
Movement in net debt	29.9	0.7
Opening net debt	(45.8)	(46.5)
Closing net debt	(15.9)	(45.8)

Loss per share
Loss per share, based on losses before exceptional items of £1.8m (2009: earnings of £1.5m), amounted to 0.6p (2009: earnings of 1.0p). After exceptional items the Group made a basic loss per share of 3.4p (2009: loss of 4.2p).

Dividends
Given the current economic conditions and consumer uncertainty no interim or final dividends have been proposed this year. It is, however, the Board's intention to return to a progressive dividend policy within the restrictions placed on the Group by the terms of its bank facility agreement and subject to the Group's earnings, cash flow and balance sheet position.

Pension schemes
The Group contributed £1.1m into its UK defined benefit pension scheme during the year.

The total charge in respect of defined benefit schemes to operating expenses (excluding exceptional credits) in the Consolidated Income Statement was £0.6m (2009: £1.1m).

The gross defined benefit pension scheme valuation on the UK scheme showed a deficit of £9.3m compared to a surplus of £1.3m last year. The reduction principally reflects the increase in the valuation of scheme liabilities caused by a reduced discount rate of 5.7% from 6.9% this year. This has been largely offset by an increase in the scheme assets as a result of the recovery in equity and bond markets since March 2009.

The Group's contributions to its defined contribution pension schemes were £0.8m (2009: £0.9m).

Cash flow and financial position
The Group has recorded a year of good cash generation from its operations amounting to £10.6m (2009: £6.8m) and net cash generated after tax and interest of £7.6m (2009: £3.8m). The table above sets out the key cash flow components and the movement in Group net debt.

The Group reduced its debt by £29.9m during the year principally reflecting the net proceeds of £27.7m from the capital raising.

Included within the figure of £10.6m cash generated from operations is a decrease in working capital of £1.9m (2009: increase of £0.5m). This reflects the results of management actions to tightly control working capital in the current economic conditions.

Capital expenditure of £3.9m in 2010 represents 83% of the prior year figure and 58% of depreciation (2009: 73%).

Bank funding
During the year the Group agreed with its banks to revise the terms of its £80m banking facility. The Group's banking covenants (interest cover, leverage cover, debt service cash cover and capital expenditure) were reset at levels that provide adequate headroom and flexibility.

Overall the costs relating to the revision of the facility were £3.5m including a 1.5% arrangement fee. These costs will be amortised over the life of the facility which expires in October 2012.

The Group has also granted warrants to its banks equivalent to 5% of its fully diluted ordinary share capital excluding the shares issues as part of the capital raising (at 31 March 2010 this represents 1.41% of the issued ordinary share capital). These warrants are exercisable at 8.97p per share at any time up to July 2017.

Subsequent to the new Bank funding the Group raised a net £27.7m from a capital raising (see Chairman's Statement). These funds were used to repay bank loans plus accumulated rolled up interest. The net effect is to leave the Group with an available facility of £52.8m of which £32.8m is available as cash drawings. This facility is currently subject to a margin of 3.0% above LIBOR.

Business review continued

Foreign currency translation

	Average rate vs £	
	2010	2009
South African Rand	12.47	14.32
Australian Dollar	1.70	2.05
Euro	1.13	1.20
US Dollar	1.59	1.71

	Closing rate vs £	
	2010	2009
South African Rand	11.10	13.71
Australian Dollar	1.65	2.06
Euro	1.11	1.12
US Dollar	1.49	1.48

Financial review continued

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 above sets out the relevant exchange rates used.

The movement in average exchange rates compared to 2009 had the effect of increasing 2009 reported Group revenue by £11.5m but reducing Group trading profit by £0.3m.

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 2010 and 2009 shown in the table on page 19.

Operational risk management

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

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 shower, tile and adhesive markets) and there exists some risk that the current performance of a business may not be maintained if such contracts were not renewed or extended, or were maintained at lower volumes due to a decline in economic activity. Therefore the importance of relationships with key customers is recognised and managed by senior personnel within the Group.

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 and adhesives. 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 personnel in line with market rates and practice.

Key performance indicators

	2010 £m	2009 £m	Change %
Revenue*	169.6	165.7	+2.4%
Trading profit*	7.3	6.7	+9.0%
Profit before tax – underlying**	3.4	4.2	-19.0%
Earnings per share – underlying** – pence	1.2p	2.8p	-57.1%
Dividend per share – pence	—	—	—
Cash generated from operations	10.6	6.8	+55.9%
Net debt	15.9	45.8	-65.3%

* Expressed in constant currencies.

** Before exceptional operating items, non-cash share of loss of associate and non-cash finance costs.

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.

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 has previously chosen to manage the interest rate risk on its debts by entering interest rate hedges covering the majority of its debt. However, given the current low levels of bank debt and low interest rates, it has been decided that, following the expiry of the Group's interest rates swaps during the year, no further hedging arrangement will be taken out for the time being. The Group's interest rate risk is reviewed regularly by Executive Management and at least annually as part of the Group budget process.

Pension scheme management

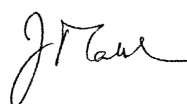
The UK companies in the Group participate in an occupational defined benefits pension scheme. The Group's most recent financial results show an aggregate deficit in this scheme, as at 31 March 2010 of £9.3m assessed in accordance with IAS 19. There are various risks that could adversely affect the funding 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.

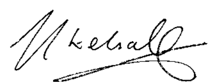
The Group considers each actuarial valuation (annual IAS 19 valuation and each tri-annual valuation) to re-assess its position with regard to its pension commitments in conjunction with external actuarial advice.

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

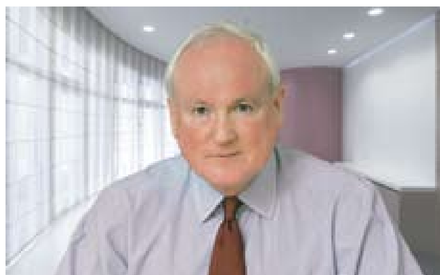


N. P. Kelsall
Group Finance Director

Directors and officers

John Brown (Age 66)
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 a non-executive director of Lookers plc and Henry Boot plc, both London Stock Exchange listed companies. He is a non-executive director of Oriel Securities Limited and 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 53)
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 Wedgwood 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 67)
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 65)
Non-executive Director

Appointed to the Board on admission of Norcros plc to the London Stock Exchange on 16 July 2007. He joined CRH plc in 1992 and from 1998 until his retirement in December 2002 was managing director of CRH Europe – Building Products. He 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 61)
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.

Vijay Aggarwal (Age 41)
Non-executive Director

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

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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Registered number
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Registered in England

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Financial PR
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The Registry
Royal Mint Court
London EC3N 4QN

Auditors
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101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Financial calendar

Annual General Meeting	28 July 2010
Interim Results	Announcement November 2010
Interim Report	Available to shareholders November 2010

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2010.

Principal activities

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

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

Results and dividends

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects are included in the Chairman's Statement and the Business Review on pages 4 to 19. Key performance indicators are shown on page 19.

The Directors do not recommend a final dividend for the year ended 31 March 2010 (2009: £nil). This follows the decision not to pay an interim dividend earlier in the year (2009: £nil).

Directors

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

John Brown – Chairman
Les Tench – Non-executive
Jamie Stevenson – Non-executive
Vijay Aggarwal – Non-executive (appointed 8 October 2009)
Girija Patnaik – Alternate Non-executive to Vijay Aggarwal (appointed 4 March 2010)
Joe Matthews – Group Chief Executive
Nick Kelsall – Group Finance Director
David Hamilton – Director and Company Secretary

The interest of the Directors in the shares of the Company at 31 March 2010 and 31 March 2009 are shown in the Remuneration Report.

Directors' and officers' liability insurance and indemnities

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

Purchase of own shares

In 2007 the Company formed the Norcros Employee Benefit Trust (the "Trust"). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust purchased 36,800 ordinary shares during the year at par (2009: nil). At the Company's 2009 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 14,875,468 ordinary shares. At the forthcoming Annual General Meeting, shareholders will be asked to renew the authority to purchase its own shares for another year. Details are contained in the Notice of meeting.

Substantial shareholding

As at 26 May 2010 the Company had received notification that the following were interested in 3% or more of the Company's issued share capital:

	Percentage of issued share capital
Lifestyle Investments PVT Limited	29.92%
Aviva Funds	11.36%
Artemis Fund Managers	9.91%
Jupiter Asset Management	7.76%
Charles Stanley	5.51%
Gartmore Investment Management	4.69%
SVM Asset Management	3.79%
Henderson New Star	3.44%

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Employees

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

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

The Group recognises its responsibilities towards disabled persons and therefore all applications from such persons are fully and fairly considered bearing in mind the respective aptitudes and abilities of the applicant. In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of an able bodied person.

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 £13,000 during the year (2009: £8,000). There were no political donations (2009: £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 £22.0m (2009: £18.6m) reported in note 18 to the accounts represent 62 days (2009: 61 days) of average daily purchases. The Parent Company has no trade creditors (2009: nil).

Research and development

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

Corporate governance

Details of the Group's corporate governance is contained on pages 28 to 31.

Financial risk management

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

Interest rate risk

The Group previously sought to secure a substantial proportion of its bank loans at fixed rates via interest rate swaps. Interest rate swaps of £48.0m expired between December 2009 and March 2010 and have not been replaced due to the current low level of debt and historically low UK LIBOR rates. This position will be reassessed during the year.

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.

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 2011 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.

Directors' report continued

Financial risk management continued

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.

Takeover directive

The Company has two classes of shares being ordinary and deferred. Ordinary shares have equal voting rights whereas deferred shares have no voting rights. The holdings of individual Directors are disclosed on page 33.

There are no significant agreements to which the Company is a party which take effect, or alter or terminate, in the event of a change of control of the Company, except for the banking facilities dated 16 July 2007 (as restated on 31 July 2009) in respect of the £52.8m term facilities which contain mandatory prepayment provisions on a change of control.

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

Statement of disclosure of information to auditors

In the case of each of the persons who are Directors the following applies:

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

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

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 28 July 2010 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 74 to 76 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 2010 is set out in full on pages 32 to 35 of this report. Any shareholder who would like a copy of the Annual Report and Accounts 2010 can obtain one by contacting our registrar on 0871 664 0300. Alternatively, the Annual Report and Accounts 2010 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.

Resolutions 3, 4 and 5
Election of Directors

Vijay Aggarwal was appointed as a Director of the Company with effect from 8 October 2009. Under the Company's Articles of Association, he is required to stand for election at the next Annual General Meeting of the Company following his appointment and as such puts himself forward for election by the shareholders.

In addition to Vijay Aggarwal's election, 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 4 and 5, are Les Tench and Jamie Stevenson. In relation to the re-election of Les Tench and Jamie Stevenson as Non-executive Directors, in accordance with the Combined Code on Corporate Governance, it is confirmed that following formal performance evaluation, each of Les Tench and Jamie Stevenson's performance continues to be effective and they continue to demonstrate commitment to the role.

Brief biographical details of the Directors seeking election and re-election can be found on page 20. The remaining Directors unanimously recommend that Vijay Aggarwal be elected and each of Les Tench and Jamie Stevenson be re-elected as a Director of the Company.

Resolution 6
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. The Directors recommend their re-appointment.

Annual General Meeting continued

Explanatory notes continued

Resolution 7

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 8

Power to allot shares

Most listed companies renew their Directors' authority to issue shares at each Annual General Meeting. Whilst such an authority was granted at last year's Annual General Meeting, following a general meeting of the Company held on 30 November 2009 (Capital Raising General Meeting) to approve various resolutions in connection with the firm placing and open offer for new ordinary shares in the Company (capital raising), that authority was revoked and new authorities to allot shares both in connection with the capital raising and outside the capital raising were granted. The Directors' authority to allot shares in relation to the capital raising expired on 31 January 2010 and whilst the Directors continue to be authorised to allot shares outside the capital raising until 28 February 2011, in accordance with best practice, this resolution seeks to renew the Directors' authority to allot shares.

Resolution 8 if passed will renew the Directors' authority to allot shares in the capital of the Company up to maximum of £3,848,455 representing the Association of British Insurers' (ABI) guideline limit of approximately two thirds of the Company's issued ordinary share capital as at 18 June 2010 (being the latest practicable date prior to the publication of this report). Of this amount, 192,422,793 ordinary shares (representing approximately one third of the Company's issued ordinary share capital as at 18 June 2010, being the latest practicable date prior to the publication of this report) can only be allotted pursuant to a rights issue.

As at 18 June 2010 (being the latest practicable date prior to the publication of this report), the Company did not hold any shares in the Company in treasury. The renewed authority will remain in force until 15 months after the passing of the resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2011.

The Directors have no present intention of exercising this authority. The purpose of giving the Directors this authority is to maintain the Company's flexibility to take advantage of any appropriate opportunities that may arise.

Resolution 9

Disapplication of pre-emption rights

The Directors are currently authorised to issue securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. Whilst the Directors were granted authority to disapply pre-emption rights at last year's Annual General Meeting, following the Capital Raising General Meeting, this authority was revoked and new authorities were conferred on the Directors to disapply pre-emption rights both in connection with the capital raising and outside the capital raising. The Directors' authority to disapply pre-emption rights in connection with the capital raising expired on 31 January 2010 and whilst the Directors continue to be authorised to disapply pre-emption rights outside the capital raising until 28 February 2011, in accordance with best practice, this resolution (which will be proposed as a special resolution) seeks to renew the Directors' authority to disapply pre-emption rights.

Other than in connection with a rights or other similar issue or scrip dividend (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) the authority contained in this resolution will be limited to an aggregate nominal value of £288,663 which represents 5% of the Company's issued ordinary share capital as at 18 June 2010 (being the latest practicable date prior to the publication of this report). The renewed authority will remain in force until 15 months after the passing of the resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2011. The Directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period. The Principles provide that companies should not issue shares for cash representing more than 7.5% of the Company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders.

Resolution 10

Authority to purchase own shares

This resolution, which will be proposed as a special resolution, is a resolution which the Company proposes to seek on an annual basis, in line with other listed companies in the UK, to give the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006 (CA 2006). The authority limits the number of shares that could be purchased to a maximum of 57,732,611 ordinary shares (representing approximately 10% of the issued ordinary share capital of the Company as at 18 June 2010, being the latest practicable date prior to the publication of this report) and sets minimum and maximum prices. The renewed authority will remain in force until 15 months after the passing of the resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2011.

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 (EPS) 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 overleaf), EPS will be enhanced until such time, if any, as such shares are resold or transferred out of treasury.

Directors' report continued

Annual General Meeting continued
Explanatory notes continued
Resolution 10 continued
Authority to purchase own shares continued

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. If any shares are purchased, they will be either cancelled or held in treasury. Any such decision will be made by the Directors at the time of purchase on the basis of the shareholders' best interests. Shares held in treasury can be cancelled, sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes. Any shares held in treasury would not be eligible to vote nor would any dividend be paid on any such shares. If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares then such shares would be immediately cancelled, in which event the number of ordinary shares in issue would be reduced.

The Directors believe that it is desirable for the Company to have this choice. Holding the repurchased shares as treasury shares gives the Company the ability to re-issue them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base.

As at 18 June 2010 (being the latest practicable date prior to the publication of this report), there were warrants and options over 14,000,938 ordinary shares in the capital of the Company which represent 2.4% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options and warrants would represent 2.7% of the Company's issued ordinary share capital. As at 18 June 2010 (being the latest practicable date prior to the publication of this report) the Company did not hold any shares in treasury.

Resolution 11
Notice of General Meeting

This special resolution is required following the implementation of the Shareholder Rights Directive through the Companies (Shareholders' Rights) Regulations 2009 (Shareholder Regulations). The Shareholder Regulations increase the notice period for general meetings of the Company to 21 days. The Company's Articles of Association permit the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. In order to be able to preserve this ability, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 11 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. The Company will also need to meet the requirements for electronic voting under the Shareholder Regulations before it can call a general meeting on 14 days' notice.

Resolution 12
Amendment to Company's Articles of Association

It is proposed in resolution 12 to adopt new Articles of Association (New Articles) in order to update the Company's current Articles of Association (Current Articles) primarily to take account of changes in the law resulting from the implementation of: (i) the Shareholder Regulations; (ii) the remaining provisions of the CA 2006 that have come into effect; and (iii) other amendments of a minor, technical and clarifying nature.

The principal changes introduced in the New Articles are summarised in the Appendix on pages 26 to 27 of this report.

A copy of the Current Articles of the Company and a copy of the proposed New Articles will be available for inspection at Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London EC1Y 4AG from the date of this report until the close of the Annual General Meeting 2010 and at the venue of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Appendix
Explanatory notes of differences between the Current Articles and the New Articles

1 Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the CA 2006 will, in the main, be removed in the New Articles. This is in line with the approach advocated by the Government – to the effect that statutory provisions should not be duplicated in a company's constitution.

2 Board meetings

The New Articles have removed the provision which stated that Notice of a meeting of the Board of Directors of the Company is not required to be given to a Director who is absent from the UK. An additional provision has also been included in the New Articles that states that Board meetings must be called on at least five working days' notice save where a Director or the Company Secretary considers in good faith that it would be in the interests of the Company to convene a Board meeting on less notice. These amendments have been made to the New Articles in light of the appointment of Vijay Aggarwal as a Director of the Company as he is based in India.

3 Authorised share capital and unissued shares

The CA 2006 abolishes the requirement for a company to have an authorised share capital. References to unissued shares have therefore been removed from the New Articles. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required from a company's shareholders under the CA 2006, save in respect of certain employee share schemes.

4 Redeemable shares

At present, if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The CA 2006 enables Directors to determine such matters instead, provided they are so authorised by the articles. The New Articles therefore contain such an authorisation. The Company has no plans to issue redeemable shares but, if it did so, the Directors would need shareholders' authority to issue new shares in the usual way.

Appendix continued

Explanatory notes of differences between the Current Articles and the New Articles continued

5 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the CA 2006, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

6 Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the CA 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one Director in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

7 Validity of votes

Following the implementation of the Shareholder Regulations, proxies are expressly required to vote in accordance with the instructions given to them by members. The Shareholder Regulations are, however, silent on the validity of any vote that is cast against the appointor's instructions. The New Articles therefore contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

8 Voting by proxies on a show of hands

The Shareholder Regulations have amended the CA 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles have been amended to reflect these changes.

9 Vacation of office by Directors

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to include that a Director must vacate office where: (i) he holds office for a fixed term and that term expires; and (ii) he ceases to be an employee of a Group company (and is not employed by any other Group company) unless the Board resolves otherwise.

10 Adjournments

Under the CA 2006 as amended by the Shareholder Regulations, general meetings adjourned for lack of quorum must be held at least ten clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

11 Borrowing powers

A number of presentation and descriptive amendments have been made to the borrowing power provisions in the New Articles.

12 Electronic and web communications

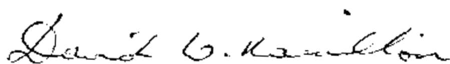
The New Articles also contain provisions concerning electronic communications as to make them more consistent with the "company communication provisions" in the CA 2006.

13 CREST

The New Articles contain a number of provisions designed to maximise the Company's ability to use electronic systems for dealing in shares through CREST.

14 General

Generally, the opportunity has been taken to include clearer language in the New Articles and, in some areas, to conform with the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform.



D. W. Hamilton
Director and Company Secretary
22 June 2010

Corporate governance

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

For the year ended 31 March 2010, the Company has complied with the Combined Code in all respects.

Board balance and independence

The Board currently comprises a Non-executive Chairman, three Non-executive Directors and three Executive Directors, who are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this report and their biographical details are given on page 20.

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 Chairman and the Non-executive Directors are available for inspection at the registered office of the Company. The letters of appointment set out the expected time commitment. Other significant commitments of the Chairman and Non-executive Directors are disclosed to the Board.

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

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

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

Chairman and Group Chief Executive

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

Appraisals and evaluation

The performance of the Board is appraised by the Chairman. The Non-executive Directors are appraised individually by the Chairman. The Board, led by the Senior Independent Non-executive Director, appraises the Chairman. The Non-executive Directors appraise the performance of each of the Executive Directors. Appraisals are conducted 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 2 meetings	Nominations Committee 1 meeting
J. E. Brown, Chairman	10	3	2	1
L. Tench	10	3	2	1
J. R. Stevenson	10	3	2	1
V. Aggarwal	5	1	2	1
J. Matthews	10	—	—	—
N. P. Kelsall	10	—	—	—
D. W. Hamilton	10	—	—	—

Advice for Directors

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

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

Board procedures

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

The Board operates in such a way as to ensure that all decisions are made by the most appropriate people in a timely manner that will not unnecessarily delay progress. The Board has formally delegated specific responsibilities to Board Committees, including the Audit Committee, Remuneration Committee and Nominations Committee (see below).

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

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

Directors' roles

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

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

The Board ensures that all new Directors (including Non-executive Directors) will receive a full, formal and tailored induction on joining the Company. As part of that induction procedure, the Chairman will offer to major shareholders the opportunity to meet a new Non-executive Director.

Retirement by rotation

Each of the Directors is subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter all of the Directors are subject to retirement by rotation such that one third of the Directors retire from the Board each year and each Director must seek re-election at intervals of no more than three years. Les Tench and Jamie Stevenson will retire by rotation at the next Annual General Meeting. Biographical details of these Directors are set out on page 20.

Nominations Committee

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

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

The Nominations Committee evaluates the balance of skills, knowledge and experience of the Board. In light of this evaluation and if deemed necessary, it determines the scope of the role of a new Director, the skills and time commitment required and makes recommendations to the Board about filling Board vacancies and appointing additional Directors.

Audit Committee

The Audit Committee consists of all the Non-executive Directors including the Chairman. The Board is satisfied that 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.

Corporate governance continued

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 32 to 35.

Relations with shareholders

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

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

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

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

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

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

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

Accountability and audit

The respective responsibilities of the Directors and auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities and the auditors' report. The Directors ensure the independence of the auditors by requesting annual confirmation of independence which includes the disclosure of all non-audit fees.

Risk management and internal control

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

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

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

Operational structure, review and compliance

In addition to the Group Finance Director, the Group has Senior Financial Managers at head office. The Board has considered whether the Company should have an internal audit department and has deemed that given both its risk management and internal control programme noted on page 30, together with the size and complexity of the Group, it is not necessary to employ such a department at the present time. The Board will however continue to keep this matter under review.

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

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

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

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

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

Takeover directive

Share capital structures are included in the Directors' Report on page 24.

Going concern

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

Remuneration report

Remuneration policy

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

Consistent with this policy, Norcros plc benefit packages awarded to Directors are intended to be competitive and comprise a mix of 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 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 EPS 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 an appropriate 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 EPS growth is on target thereby allowing 100% of his LTIP to vest, the percentage composition of each Director's remuneration (based on his 2009/10 remuneration) will be as follows:

	Non-performance related	Performance related
J. Matthews	66%	34%
N. P. Kelsall	64%	36%
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
V. Aggarwal	08.10.09	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, Jamie Stevenson and Vijay Aggarwal 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.

Vijay Aggarwal will stand for election and Les Tench and Jamie Stevenson will retire by rotation and seek re-election at the Annual General Meeting. Biographical details of the Directors standing for election and re-election are on page 20.

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

	31 March 2010 Deferred shares	31 March 2010 Ordinary shares	1 April 2009 Ordinary shares
J. Matthews	4,170,000	14,351,000	4,170,000
N. P. Kelsall	2,000,000	7,762,123	2,000,000
D. W. Hamilton	2,525,000	11,667,857	2,525,000
J. E. Brown	64,102	778,387	64,102
L. Tench	64,102	248,783	64,102
J. R. Stevenson	64,102	635,530	64,102

All Directors' interests are beneficially held. There has been no change in the interest set out above between 31 March 2010 and 22 June 2010.

Members of the Remuneration Committee
The members of the Remuneration Committee during the year were:

Les Tench (Chairman)
John Brown
Jamie Stevenson
Vijay Aggarwal

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

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

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

Remuneration report continued

Audited information

The remainder of the Remuneration Report is audited information.

Directors' emoluments

Executive	Salary and fees £000	Bonuses £000	Benefits in kind £000	Expense allowances (including car allowance) £000	FURBS £000	2010 Total £000	2009 Total £000
J. Matthews	286	109	1	29	63	488	379
N. P. Kelsall	192	67	1	24	—	284	217
D. W. Hamilton	100	—	4	20	—	124	123
J. E. Brown	80	—	—	—	—	80	80
L. Tench	40	—	—	—	—	40	40
J. R. Stevenson	40	—	—	—	—	40	40
V. Aggarwal*	7	—	—	—	—	7*	—
	745	176	6	73	63	1,063	879

* From appointment.

In view of the current economic climate there is to be no annual pay increase for the Directors for the year ending 31 March 2011. However, as noted in the Chairman's Statement, Nick Kelsall has been appointed Group Chief Executive-designate with effect from 1 July 2010. His salary will increase to £220,000 per annum from this date and will increase further to £260,000 per annum with effect from 1 April 2011 when he succeeds Joe Matthews as Group Chief Executive.

Benefits in kind consist of medical insurance for every Executive Director. £63,000 was paid to Joe Matthews under a Funded Unapproved Retirement Benefit Scheme (FURBS).

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. Each Executive Director cancelled their participation in the December 2007 scheme in favour of participation in the December 2008 scheme. The scheme is open to all UK employees. Participants save a fixed amount of up to £250 per month for three years and are then able to use these savings to buy shares in the Company at a fixed price. These options are not subject to any performance conditions.

	Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 April 2009	Granted in year	Cancelled in year	Capital raising adjustment	Number at 31 March 2010
J. Matthews	23.12.08	01.03.12	31.08.12	9.3p	96,000	—	—	7,020	103,020
N. P. Kelsall	23.12.08	01.03.12	31.08.12	9.3p	96,000	—	—	7,020	103,020
D. W. Hamilton	23.12.08	01.03.12	31.08.12	9.3p	96,000	—	—	7,020	103,020

The awards under the SAYE scheme have been adjusted for the capital raising.

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%.

Audited information continued

Share schemes continued

Long Term Incentive Plan (LTIP) continued

Directors' interests in the LTIP

	Award date	Number at 1 April 2009	Capital raising adjustment	Number at 31 March 2010	Vesting date
J. Matthews	22.08.07	352,564	25,781	378,345	22.08.10
N. P. Kelsall	22.08.07	237,180	17,344	254,524	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 save for an adjustment during the year in relation to the capital raising. 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 6.63p and the range of market prices during the year was between 11.65p and 5.48p.

Given the continuing economic conditions no share options were granted under the LTIP during the year ended 31 March 2010.

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 2010 £	Transfer value at 31 March 2009 £	Decrease in transfer value less Directors' contributions £
N. P. Kelsall	9,195	12,174	148,543	160,019	(11,476)

	Increase in accrued pension for the year less inflation £	Increase in accrued pension for the year £
N. P. Kelsall	246	754

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 (2009: £58,000) to this scheme.

On behalf of the Board

L. Tench
Chairman of the Remuneration Committee
22 June 2010

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 financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

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 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 36, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 28 to 31 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 31, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the Parent Company financial statements of Norcros plc for the year ended 31 March 2010 and on the information in the Remuneration Report that is described as having been audited.

Nigel Richens (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 June 2010

Consolidated income statement
Year ended 31 March 2010

	Notes	2010 £m	2009 £m
Continuing operations			
Revenue	2	169.6	154.2
Operating loss	3	(0.8)	(0.7)
Trading profit*		7.3	7.0
Exceptional operating items	5	(8.2)	(7.7)
Other operating income		0.1	—
Operating loss		(0.8)	(0.7)
Finance costs	6	(5.9)	(4.5)
Finance income	6	0.6	0.6
IAS 19 finance (costs)/income	23	(1.1)	2.3
Share of loss of associate		(2.8)	(2.5)
Loss before taxation		(10.0)	(4.8)
Taxation	7	—	(1.5)
Loss for the year		(10.0)	(6.3)
Loss per share attributable to equity holders of the Company			
From continuing operations:			
Basic loss per share (2009 restated)	8	(3.4)p	(4.2)p
Diluted loss per share (2009 restated)	8	(3.4)p	(4.2)p

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

Consolidated statement of comprehensive income and expense
Year ended 31 March 2010

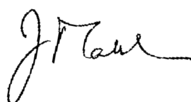
	2010 £m	2009 £m
Loss for the year	(10.0)	(6.3)
Other comprehensive income:		
Actuarial losses on retirement benefit obligations	(5.6)	(4.8)
Foreign currency translation adjustments	8.8	6.4
Other comprehensive income for the year	3.2	1.6
Total comprehensive expense for the year	(6.8)	(4.7)

Items in the statement are disclosed net of tax.

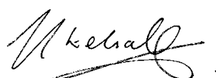
Consolidated balance sheet
At 31 March 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Goodwill	10	23.8	22.9
Investment in associates	11	—	2.1
Financial assets	11	—	4.3
Trade investments	12	1.7	1.7
Property, plant and equipment	13	47.0	45.4
Investment properties	14	5.5	5.6
Deferred tax assets	21	2.6	—
		80.6	82.0
Current assets			
Inventories	15	37.4	36.5
Trade and other receivables	16	38.7	31.3
Derivative financial instruments	20	0.6	1.5
Pension scheme asset	23	1.2	0.5
Cash and cash equivalents	17	3.9	7.3
		81.8	77.1
Current liabilities			
Trade and other payables	18	(41.7)	(35.1)
Derivative financial instruments	20	(2.2)	(1.7)
Current tax liabilities		(0.6)	(0.6)
Financial liabilities – borrowings	19	(2.8)	(2.4)
		(47.3)	(39.8)
Net current assets		34.5	37.3
Total assets less current liabilities		115.1	119.3
Non-current liabilities			
Financial liabilities – borrowings	19	(17.0)	(50.7)
Pension scheme liability	23	(9.3)	—
Other non-current liabilities		(1.6)	(1.1)
Provisions	22	(16.0)	(17.2)
		(43.9)	(69.0)
Net assets		71.2	50.3
Financed by:			
Share capital	24	19.2	14.9
Share premium		86.8	63.4
Retained earnings and other reserves		(34.8)	(28.0)
Total equity		71.2	50.3

The financial statements on pages 38 to 68 were approved on 22 June 2010 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 2010

	Notes	2010 £m	2009 £m
Cash generated from operations	25	10.6	6.8
Income taxes received/(paid)		0.1	(0.4)
Interest received		0.5	0.8
Interest paid		(3.6)	(3.4)
Net cash generated from operating activities		7.6	3.8
Cash flows from investing activities			
Proceeds from disposal of investments		—	4.0
Dividends received from associates and trade investments		0.1	—
Purchase of property, plant and equipment		(3.9)	(4.7)
Proceeds from sale of property, plant and equipment		—	2.0
Net cash generated (used in)/from investing activities		(3.8)	1.3
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		27.7	—
Repayment of borrowings		(31.5)	—
Capitalised finance costs		(3.5)	—
Drawdown of new borrowings		—	2.8
Dividends paid to Company's shareholders		—	(4.0)
Net cash used in financing activities		(7.3)	(1.2)
Net (decrease)/increase in cash at bank and in hand and bank overdrafts		(3.5)	3.9
Cash at bank and in hand and bank overdrafts at beginning of the year		4.9	1.1
Exchange movements on cash and bank overdrafts		(0.3)	(0.1)
Cash at bank and in hand and bank overdrafts at end of the year	17	1.1	4.9

Consolidated statement of changes in equity

Year ended 31 March 2010

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 1 April 2008	14.9	63.4	(5.5)	(13.7)	59.1
Comprehensive income:					
Loss for the year	—	—	—	(6.3)	(6.3)
Other comprehensive income:					
Actuarial loss on retirement benefit obligations	—	—	—	(4.8)	(4.8)
Foreign currency translation adjustments	—	—	6.4	—	6.4
Total other comprehensive income	—	—	6.4	(4.8)	1.6
Transactions with owners:					
Dividends	—	—	—	(4.0)	(4.0)
Employee share option schemes	—	—	—	(0.1)	(0.1)
Total transactions with owners	—	—	—	(4.1)	(4.1)
At 31 March 2009	14.9	63.4	0.9	(28.9)	50.3
Comprehensive income:					
Loss for the year	—	—	—	(10.0)	(10.0)
Other comprehensive income:					
Actuarial loss on retirement benefit obligations	—	—	—	(5.6)	(5.6)
Foreign currency translation adjustments	—	—	8.8	—	8.8
Total other comprehensive income	—	—	8.8	(5.6)	3.2
Transactions with owners:					
Issue of new shares (net of transaction costs)	4.3	23.4	—	—	27.7
At 31 March 2010	19.2	86.8	9.7	(44.5)	71.2

Notes to the group accounts
Year ended 31 March 2010

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 22 June 2010.

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 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are explained below.

Standards, amendments and interpretations effective in 2010
The following standards and amendments to existing standards became mandatory during the year:

- IAS 1 (revised), 'Presentation of financial statements'. The Group has elected to present two statements: an income statement and a statement of comprehensive income. Furthermore, adoption of the above standard has resulted in management including a statement of changes in equity within the primary statements. As the change in accounting policy only impacts presentation aspects, there is no impact on EPS;
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. The standard defines operating segments as components of an entity about which separate financial information is available and is evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. It also sets out the required disclosures for operating segments. On adoption, there was no change to the Group's reportable segments. The Group operates in three main geographical areas: UK, South Africa and the Rest of the World;
- IFRIC 14, 'The limit on a defined benefit asset, minimum funding requirements and their interaction'. This did not alter the Group's existing accounting treatment of defined benefit pension schemes; and
- IFRS 2 (amendment) 'Share-based payments' has been adopted in the current year. The amendment does not have a material impact on the Group financial statements.

Standards, amendments and interpretations effective in 2010 but not relevant
The following interpretations and amendments to existing standards became mandatory during the year. The Group has considered these and believe them to be irrelevant to the Group's operations:

- IAS 23, 'Borrowing costs';
- IFRS 7, 'Financial instruments';
- IFRIC 13, 'Customer loyalty programmes';
- IFRIC 15, 'Agreements for the construction of real estate';
- IFRIC 16, 'Hedges of a net investment in a foreign operation'; and
- IFRS 7 (amendment), 'Financial instruments; disclosures'.

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 ending 31 March 2010:

- IFRIC 17, 'Distribution of non-cash assets to owners';
- IAS 27 (revised), 'Consolidated and separate financial statements';
- IFRS 3 (revised), 'Business combinations';
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations';
- IAS 38 (amendment), 'Intangible assets'; and
- IAS 1 (amendment), 'Presentation of 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 2010 and 31 March 2009, the associates have been included based on audited financial statements drawn up to 31 December 2009 and 31 December 2008 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, long life assets and property, plant and equipment – 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.

Notes to the group accounts continued
Year ended 31 March 2010

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

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

Impairment of long life assets
Property, plant and equipment and other non-current assets, 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".

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.

1. Group accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for slow moving and obsolete items.

Taxation

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

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

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

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

Operating leases

Annual rentals are charged/credited directly against profits on a straight line basis over the lease term.

Provisions

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

Re-organisation costs – provision is made for costs of re-organising the Group when the Group is demonstrably committed to incurring the cost in a future period and the cost can be reliably measured.

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

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

Retirement benefit obligations

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

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

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

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

Curtailment gains are recognised in the income statement.

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

Notes to the group accounts continued
Year ended 31 March 2010

1. Group accounting policies continued

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

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

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

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

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

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

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

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

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

The carrying 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 for the year in which it is incurred. The Directors do not believe development costs can be measured accurately enough to warrant capitalisation.

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

1. Group accounting policies continued

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

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

Continuing operations – year ended 31 March 2010

	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue	102.7	59.0	7.9	169.6
Trading profit/(loss)	11.6	(3.7)	(0.6)	7.3
Exceptional operating items	(0.1)	(2.4)	(5.7)	(8.2)
Other operating income	—	—	0.1	0.1
Operating profit/(loss)	11.5	(6.1)	(6.2)	(0.8)
Finance costs				(5.9)
Finance income				0.6
IAS 19 finance cost				(1.1)
Share of loss of associate				(2.8)
Loss before taxation				(10.0)
Taxation				—
Loss from continuing operations				(10.0)
Net debt				(15.9)
Segmental assets	96.3	57.3	8.8	162.4
Segmental liabilities	(70.5)	(14.4)	(6.3)	(91.2)
Capital expenditure	2.0	1.9	0.1	4.0
Depreciation	4.0	2.6	0.1	6.7

Notes to the group accounts continued
Year ended 31 March 2010

2. Segmental reporting continued
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				0.6
IAS 19 finance income				2.3
Share of loss of associate				(2.5)
Loss before taxation				(4.8)
Taxation				(1.5)
Loss from continuing operations				(6.3)
Net debt				(45.8)
Segmental assets	96.8	47.8	14.5	159.1
Segmental liabilities	(94.7)	(10.1)	(4.0)	(108.8)
Capital expenditure	2.3	1.9	0.1	4.3
Depreciation	4.0	2.3	0.1	6.4

3. Operating loss
The following items have been included in arriving at operating loss:

	2010 £m	2009 £m
Staff costs (see note 4)	35.1	35.4
Depreciation of property, plant and equipment (all owned assets)	6.6	6.3
Depreciation of investment properties	0.1	0.1
Other operating lease rentals payable:		
– plant and machinery	1.4	1.3
– other	5.0	4.1
Research and development expenditure	1.9	1.9
Profit on disposal of property, plant and equipment	—	(0.6)

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

	2010 £m	2009 £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	0.2
Corporate finance	0.2	—
	0.5	0.3

Corporate finance fees relate to the capital raising in December 2009. These costs were charged to the share premium account.

4. Employees

	2010 £m	2009 £m
Staff costs:		
– wages and salaries	31.6	32.9
– social security costs	2.1	2.0
– pension costs:		
– defined benefit	0.6	1.1
– defined contributions	0.8	0.9
– exceptional pension credits	—	(1.5)
	35.1	35.4

Included in wages and salaries are £0.2m (2009: £2.0m) of redundancy costs classed as exceptional items in the income statement.

	2010 Number	2009 Number
Average numbers employed:		
– UK	782	764
– overseas	811	992
	1,593	1,756

Directors' emoluments

	2010 £m	2009 £m
Salaries and short-term employee benefits	1.1	0.9
Post employment benefits	0.1	0.1
	1.2	1.0

Further information about the Directors' remuneration may be found in the Remuneration Report on pages 32 to 35.

Highest paid Director

	2010 £m	2009 £m
Salaries and short-term employee benefits	0.5	0.4

Key management compensation

	2010 £m	2009 £m
Salaries and short-term employee benefits	1.3	1.2
Post employment benefits	0.1	0.1
	1.4	1.3

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

Notes to the group accounts continued

Year ended 31 March 2010

5. Exceptional items

	2010 £m	2009 £m
Impairment of associate's carrying value and related costs[1]	(5.7)	—
Past service pension credit[2]	—	1.5
Restructuring costs[3]	(2.5)	(3.5)
Property provisions[4]	—	(7.0)
Profit on disposal of investments[5]	—	1.3
	(8.2)	(7.7)

[1] The remaining carrying value of Philkeram Johnson (the Group's Greek associate) has been fully impaired together with associated costs including the mark to market value of the related cross currency swap.

[2] The pension credit related 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 prior year.

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

6. Finance income and costs

	2010 £m	2009 £m
Finance costs		
Interest payable on bank borrowings	4.3	3.4
Amortisation of costs of raising debt finance	0.8	0.1
Movement on fair value of derivative financial instruments	—	0.5
Discount on property lease provisions	0.8	0.5
Total finance costs	5.9	4.5
Finance income		
Bank interest receivable	(0.3)	(0.6)
Movement on fair value of derivative financial instruments	(0.3)	—
Total finance income	(0.6)	(0.6)
Net finance costs	5.3	3.9

7. Taxation

Taxation comprises:

	2010 £m	2009 £m
Current		
Overseas tax	—	(0.3)
Deferred		
Origination and reversal of temporary differences	—	(1.2)
Taxation	—	(1.5)

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:

	2010 £m	2009 £m
Loss before tax	(10.0)	(4.8)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 28%	2.8	1.3
Effects of:		
– expenses not deductible for tax purposes	(0.5)	(0.4)
– losses not recognised	(3.0)	(1.5)
– write-off of prior year deferred tax asset	—	(0.9)
– origination and timing differences	0.7	—
Total tax charge	—	(1.5)

8. Earnings per share

Basic EPS is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Norcros Employee Benefit Trust. The weighted average number of ordinary shares for 2009 has been restated to take account of the shares issued as part of the capital raising in December 2009.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. At 31 March 2010 the potential dilutive ordinary shares amounted to nil (2009: nil) as calculated in accordance with IAS 33.

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

	2010 £m	2009 £m
Basic and diluted:		
– loss for the financial year	(10.0)	(6.3)
Basic and diluted before exceptionals:		
– loss for the financial year	(10.0)	(6.3)
– exceptional items (net of taxation)	8.2	7.8
	(1.8)	1.5

Notes to the group accounts continued

Year ended 31 March 2010

8. Earnings per share continued

	2010 Number	2009 Number Restated
Weighted average number of shares for basic earnings per share	291,893,248	150,458,892
Share options	—	—
Weighted average number of shares for diluted earnings per share	291,893,248	150,458,892

	2010	2009 Restated
Basic loss per share	(3.4)p	(4.2)p
Diluted loss per share	(3.4)p	(4.2)p
Basic (loss)/earnings per share before exceptionals	(0.6)p	1.0p
Diluted (loss)/earnings per share before exceptionals	(0.6)p	1.0p

EPS before exceptionals is disclosed in order to show the underlying performance of the Group.

9. Share-based payments

	Price per share	1 April 2009	Granted	Lapsed	Capital raising adjustment	31 March 2010	Date from which exercisable	Expiry date
Long Term Incentive Plan (LTIP)	0.0p	765,385	—	—	55,969	821,354	22.08.10	22.08.17
Company Share Option Plan (CSOP)	72.7p	592,951	—	—	43,359	636,310	22.08.10	22.08.17
Save As You Earn scheme (1) (SAYE)	56.5p	198,946	—	(83,296)	14,527	130,177	01.03.11	31.08.11
Save As You Earn scheme (2) (SAYE)	9.3p	4,122,240	—	(148,347)	301,423	4,275,316	01.03.12	31.08.12

The value of awards under each scheme changed due to the issue of new shares under the capital raising. The Trustees adjusted the option awards under these schemes by increasing the number of shares under the schemes and, where applicable, reducing the exercise price per share by a factor of 1.07312.

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 EPS exceeds the increase in the RPI plus 5%. No shares will vest if growth in EPS 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 charge of £nil was recognised in respect of share options in the period (2009: credit of £0.1m) as management no longer anticipates 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
Initial exercise price	0.0p	78.0p	60.6p	10.0p
Revised exercise price after capital raising adjustment	0.0p	72.7p	56.5p	9.3p
Number of shares granted initially	878,763	714,747	981,199	4,325,760
Revised number of shares after capital raising adjustment	942,932	766,939	1,052,848	4,642,065
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 2010 was 6.63p. The average price during the year was 7.90p. Expected volatility is based on historical volatility over the last three years of the construction and materials sector.

10. Goodwill

	2010 £m	2009 £m
At beginning of the year	22.9	22.3
Exchange differences	0.9	0.6
	23.8	22.9

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

	2010 £m	2009 £m
Triton Showers	19.1	19.1
Tile Africa Group	4.7	3.8
	23.8	22.9

The recoverable amount of a CGU is determined by a value-in-use calculation. These calculations use cash flow projections based on financial forecasts approved by management covering a two year period with a growth rate of 3% applied in future periods. The key assumption for the value-in-use calculations are those regarding discount rates, growth rates, future gross margin improvements and cash flows. Discount rates of between 11.0% 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

	2010 £m	2009 £m
At beginning of year	2.1	4.2
Share of loss after tax	(2.1)	(2.5)
Exchange differences	—	0.4
	—	2.1
Financial assets		
At beginning of year	4.3	4.3
Share of loss after tax	(0.7)	—
Impairment of assets	(3.6)	—
	—	4.3

No goodwill has been attributed to the associate.

Financial assets represent long-term loans to the associate.

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

	2010 £m	2009 £m
Revenue	15.6	17.6
Loss after taxation	(2.8)	(2.5)
Total assets	26.3	30.7
Total liabilities	(19.3)	(21.2)

Notes to the group accounts continued

Year ended 31 March 2010

12. Trade investments

	£m
Cost	
At 1 April 2009 and 31 March 2010	1.7

The Group's trade investments as at 31 March 2010 are as follows:

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

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 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
Exchange differences	2.8	5.0	7.8
Additions	1.3	2.7	4.0
Disposals	—	(1.4)	(1.4)
At 31 March 2010	35.3	73.9	109.2
Accumulated depreciation			
At 1 April 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
Exchange differences	0.3	2.6	2.9
Charge for the year	1.0	5.6	6.6
Disposals	—	(0.7)	(0.7)
At 31 March 2010	9.3	52.9	62.2
Net book amount at 31 March 2009	23.2	22.2	45.4
Net book amount at 31 March 2010	26.0	21.0	47.0

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

14. Investment properties

	Investment property £m
Cost	
At 1 April 2008	6.4
Disposals	(0.1)
At 31 March 2009 and 31 March 2010	6.3
Accumulated depreciation	
At 1 April 2008	0.6
Charge for the year	0.1
At 31 March 2009	0.7
Charge for the year	0.1
At 31 March 2010	0.8
Net book amount at 31 March 2009	5.6
Net book amount at 31 March 2010	5.5

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

	2010 £m	2009 £m
Raw materials	8.7	8.7
Work in progress	0.9	0.8
Finished goods	27.8	27.0
	37.4	36.5

Provisions held against inventories totaled £3.1m (2009: £2.4m).

The cost of inventories recognised as an expense within cost of sales in the income statement amounted to £97.3m (2009: £85.2m).

During the year the Group charged £0.7m (2009: £1.3m) of inventory write-downs to the income statement, £0.7m (2009: £0.5m) is reflected within cost of sales and £nil (2009: £0.8m) is reflected in exceptional costs.

Notes to the group accounts continued
Year ended 31 March 2010

16. Trade and other receivables

	2010 £m	2009 £m
Trade receivables	33.6	25.6
Less: provision for impairment of trade receivables	(0.7)	(0.5)
Trade receivables – net	32.9	25.1
Other receivables	2.8	3.2
Amounts owed by associates	—	0.3
Prepayments and accrued income	3.0	2.7
	38.7	31.3

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 that no further material provision is required in excess of the normal provision for impairment of receivables. Trade receivable credit exposure is controlled by credit limits that are set and reviewed by operational management on a regular basis.

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

	2010 £m	2009 £m
Sterling	30.0	24.1
South African Rand	7.3	6.0
Australian Dollar	1.4	1.2
	38.7	31.3

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

	2010 £m	2009 £m
At beginning of year	0.5	0.5
Provision for receivables impairment	0.3	0.1
Receivables written off during the year as uncollectable	(0.1)	(0.1)
At end of year	0.7	0.5

As at 31 March 2010, trade receivables of £28.0m (2009: £20.8m) 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 2010 trade receivables of £4.9m (2009: £4.3m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2010 £m	2009 £m
Up to one month	3.6	3.3
One to two months	0.4	0.4
Two to three months	0.3	0.2
Greater than three months	0.6	0.4
	4.9	4.3

As of 31 March 2010, trade receivables of £0.7m (2009: £0.5m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2009: 100%). The ageing of these receivables is as follows:

	2010 £m	2009 £m
Less than three months	0.2	0.1
Greater than three months	0.5	0.4
	0.7	0.5

The maximum exposure to credit risk at 31 March 2010 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

	2010 £m	2009 £m
Cash at bank and in hand	3.9	7.3

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

	2010 £m	2009 £m
Cash and cash equivalents as above	3.9	7.3
Less: bank overdrafts (note 19)	(2.8)	(2.4)
	1.1	4.9

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

Notes to the group accounts continued
Year ended 31 March 2010

18. Trade and other payables

	2010 £m	2009 £m
Trade payables	22.0	18.6
Other tax and social security payables	2.2	2.1
Amounts owed to associates	0.5	0.6
Other payables	1.8	2.7
Accruals and deferred income	15.2	11.1
	41.7	35.1

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

19. Borrowings

	2010 £m	2009 £m
Non-current		
Bank borrowings (secured):		
– bank loans	20.0	51.0
– less: costs of raising finance	(3.0)	(0.3)
Total non-current	17.0	50.7
Current		
Bank borrowings (secured):		
– bank overdrafts (note 17)	2.8	2.4
Total borrowings	19.8	53.1

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:

	2010 £m	2009 £m
Not later than one year	2.8	2.4
After more than one year:		
– later than two years and not later than five years	20.0	51.0
– costs of raising finance	(3.0)	(0.3)
	17.0	50.7
Total borrowings	19.8	53.1

Capital risk management

The Group has available a £52.8m committed banking facility which expires in October 2012. This provides the Group with a sound financial structure for the medium term with £32.8m being available for cash draw down. 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:

	2010 %	2009 %
Bank loans	3.5	5.3
Overdraft	3.5	4.5

The bank loans carry interest based on LIBOR plus a margin of 3.0%. Overdrafts carry interest at base rate plus margin of 3.0%.

Currency profile of net debt

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

	2010 £m	2009 £m
Sterling	13.4	46.6
Euro	0.1	(0.1)
South African Rand	(0.8)	(2.0)
Australian Dollar	2.9	2.4
US Dollar	0.3	(1.1)
	15.9	45.8

20. Derivative financial instruments

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

- financial instruments relating to the operations, financing and risks of the Group's operations; and
- financial instruments relating to the financing and risks of the Group's bank debt.

The Group's financial instruments comprise borrowings, cash, trade receivables and payables, 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

	2010 £m Assets	2010 £m Liabilities	2009 £m Assets	2009 £m Liabilities
Interest rate swaps	—	—	—	(1.3)
Cross currency swap	—	(1.7)	—	(0.1)
Forward foreign exchange contracts	0.6	(0.5)	1.5	(0.3)
	0.6	(2.2)	1.5	(1.7)

Interest rate swaps

The notional principal amounts of outstanding interest rate swap contracts at 31 March 2010 were £nil (2009: £48.0m).

At 31 March 2010, the fixed interest rates were nil% for Sterling borrowings (2009: 3.75% for Sterling) 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.

Notes to the group accounts continued
Year ended 31 March 2010

20. Derivative financial instruments continued

Cross currency swaps

The notional principal amount of outstanding cross currency swaps at 31 March 2010 was €6.6m (2009: €6.6m). The Group uses the cross currency swap to hedge its foreign exchange exposure in relation to the Euro denominated loan made to its associate, Philkeram – Johnson SA (note 11). However the value of this loan has been fully impaired during the year and as a result the mark to market value of this swap, being a £1.7m liability, has been charged to exceptional operating items in the income statement.

At 31 March 2010, the fixed interest rate receivable on the Sterling notional amount was 2.90% (2009: 2.90%) and the fixed interest rate payable was 3.16% (2009: 3.16%) 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 2010 were €12.5m and US$12.1m (2009: €13.2m and US$14.2m).

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

Sensitivity analysis

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

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

As the Group has net debt of £18.9m (excluding amortised finance costs) the effect of a 1% change in market interest rates would be approximately £0.2m per annum.

(B) 5% strengthening or weakening in major currencies

A number of the Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening of Sterling across all currencies would lead to a £1.7m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £1.9m increase in net assets.

The Group's profits and losses are exposed to both translational and transactional risk of fluctuations in foreign currency risk. The Group seeks to hedge the majority of its transactional risk using forward foreign exchange contracts. After taking these hedges into account the effect of a 5% strengthening in both Sterling and South African Rand against all other currencies would be an increase in profits of £0.2m. Likewise a 5% weakening in both these currencies would lead to a £0.2m 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% (2009: 28%). The movement on the deferred tax account is as shown below:

	2010 £m	2009 £m
Deferred tax asset at the beginning of the year	—	0.9
Charged to income statement	—	(0.9)
Credited to statement of comprehensive income	2.6	—
Exchange differences	—	—
Deferred tax asset at the end of the year	2.6	—

	2010 £m	2009 £m
Accelerated capital allowances	—	—
Other timing differences	—	—
Deferred tax asset/(liability) relating to pension surplus	2.6	(0.2)
Tax losses	—	0.2
	2.6	—

21. Deferred tax continued

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

	2010 £m	2009 £m
Accelerated capital allowances	(0.2)	1.0
Other timing differences	4.8	5.2
Deferred tax asset/(liability) relating to pension surplus	2.3	(0.2)
Tax losses	19.8	19.8
Advanced corporation tax asset	5.0	5.0
	31.7	30.8

22. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	South Africa property provision £m	Total £m
At 1 April 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
Charged to the income statement	1.1	0.2	—	2.3	3.6
Amortisation of discount	—	—	0.8	—	0.8
Utilisation	(1.2)	(0.7)	(3.3)	(0.4)	(5.6)
At 31 March 2010	1.1	0.4	12.6	1.9	16.0

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

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

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

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 during the financial year 2007/08 and replaced by defined contribution schemes.

Defined contribution pension schemes

Contributions made to these schemes amounted to £0.8m (2009: £0.9m).

Notes to the group accounts continued
Year ended 31 March 2010

23. Retirement benefit obligations continued

(b) IAS 19, 'Retirement benefit obligations'

Norcros Security Plan

The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation at 31 March 2009 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 2010. Scheme assets are stated at their market value at 31 March 2010.

South Africa defined benefit schemes

The actuarial valuations of the Group's South African defined benefit pension schemes, carried out in March 2005, have been updated by Alexander Forbes Financial Services to take account of the requirements of IAS 19. The schemes were closed during the financial year 2007/08 and replaced with defined contribution schemes. Following the agreement of the allocation of surplus assets, a surplus of £1.2m 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:

	2010 Projected unit	2009 Projected unit
Discount rate	5.70%	6.90%
Inflation rate	3.30%	3.00%
Increase to deferred benefits during deferment (non-GMP liabilities)	3.30%	3.00%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	3.30%	3.00%
Salary increases	3.55%	4.00%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2010 at age 65 will on average live for a further 20.1 years (2009: 19.4 years) after retirement if they are male and 22.9 years (2009: 22.3 years) if they are female.

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

	2010 £m	2009 £m
Included in operating loss:		
Current service cost	0.6	1.1
Past service curtailment/credits	—	(1.5)
	0.6	(0.4)
Included in IAS 19 finance costs/(income):		
Interest cost	19.8	19.8
Expected return on plan assets	(18.7)	(22.1)
	1.1	(2.3)
Total amounts recognised in the income statement	1.7	(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 2010 %	Value at 31 March 2010 £m	Long-term rate of return expected at 31 March 2009 %	Value at 31 March 2009 £m
Equities	– Norcros Security Plan	8.00%	149.1	9.10%	91.5
Bonds	– Norcros Security Plan	5.60%	117.3	6.90%	86.4
Cash and gilts	– Norcros Security Plan	4.50%	87.2	4.20%	121.8
	– other	—	1.2	—	0.5
Total market value of scheme assets			354.8		300.2
Present value of scheme liabilities			(362.9)		(298.4)
Pension (deficit)/surplus			(8.1)		1.8
Comprising:					
– Norcros Security Plan			(9.3)		1.3
– other			1.2		0.5
(Deficit)/surplus in schemes			(8.1)		1.8
Amounts not recognised			—		(1.3)
(Deficit)/surplus recognised			(8.1)		0.5

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

	2010 £m	2009 £m
Surplus at the beginning of the year	1.8	10.4
Contributions	1.1	2.1
Past service credits	—	1.5
Currency translation adjustments	0.2	—
Current service cost	(0.6)	(1.1)
Interest cost	(19.8)	(19.8)
Expected return on scheme assets	18.7	22.1
Cash repaid to the Group	—	(0.2)
Actuarial loss	(9.5)	(13.2)
(Deficit)/surplus at the end of the year	(8.1)	1.8

Notes to the group accounts continued

Year ended 31 March 2010

23. Retirement benefit obligations continued

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

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

	2010 £m	2009 £m
Opening fair value of scheme assets	300.2	375.8
Employer contributions	1.1	2.1
Employee contributions	0.7	0.8
Expected return on scheme assets	18.7	22.1
Benefits paid	(23.2)	(20.8)
Actuarial gain/(loss) on scheme assets	57.1	(79.6)
Cash repaid to Group	—	(0.2)
Currency translation	0.2	—
Closing fair value of scheme assets	354.8	300.2

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

	2010 £m	2009 £m
Opening scheme liabilities	(298.4)	(365.4)
Current service cost	(0.6)	(1.1)
Employee contributions	(0.7)	(0.8)
Interest cost	(19.8)	(19.8)
Actuarial (loss)/gain	(66.6)	66.4
Benefits paid	23.2	20.8
Past service curtailment/credits	—	1.5
Closing fair value of scheme liabilities	(362.9)	(298.4)

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	354.8	300.2	375.8	388.1	386.6
Present value of defined benefit obligations	(362.9)	(298.4)	(365.4)	(369.8)	(379.6)
(Deficit)/surplus in the scheme	(8.1)	1.8	10.4	18.3	7.0
Experience adjustment on scheme assets	57.1	(79.6)	(19.1)	(1.3)	33.2
Experience (loss)/gain on scheme liabilities	(5.9)	—	—	5.2	0.1

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

	2010 £m	2009 £m
Actuarial loss	(9.5)	(13.2)
Deferred tax asset recognised	2.6	—
Restriction on recognition of surplus	1.3	8.4
	(5.6)	(4.8)

24. Called up share capital

	2010 £000	2009 £000
Issued and fully paid		
577,326,112 ordinary shares of 1p each (2009: 148,717,884 ordinary shares of 10p each)	5,773	14,872
148,754,684 deferred shares of 9p each	13,388	—
	19,161	14,872

Warrant instruments

During the year the Company executed a warrant instrument in favour of its principal banks over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. Therefore, following the subsequent capital raising, these warrants represent 1.41% of the issued ordinary share capital at 31 March 2010. The warrants are exercisable at 8.97p per share at any time up to July 2017.

Capital raising

Under the terms of the capital raising the Group issued 285,766,932 ordinary shares through a firm placing and 142,804,496 ordinary shares through a placing and open offer, both at 7p per ordinary share.

Prior to the capital raising the Group divided each 10p ordinary shares into one 1p ordinary share and one 9p deferred share. These deferred shares carry no voting rights.

25. Consolidated cash flow statements

(a) Cash generated from operations

	2010 £m	2009 £m
Loss before taxation	(10.0)	(4.8)
Adjustments for:		
– exceptional items included in the income statement	8.2	7.7
– cash flows from exceptional costs	(4.4)	(4.3)
– other operating income	(0.1)	—
– depreciation	6.7	6.4
– difference between pension charge and contributions	(0.5)	(1.0)
– profit on disposal of property, plant and equipment	—	(0.6)
– finance costs	5.9	4.5
– finance income	(0.6)	(0.6)
– other finance cost/(income)	1.1	(2.3)
– share of loss of associates	2.8	2.5
– share-based payments	—	(0.1)
– exchange differences	(0.4)	(0.1)
Operating cash flows before movement in working capital	8.7	7.3
Changes in working capital:		
– decrease/(increase) in inventories	3.9	(1.9)
– (increase)/decrease in trade and other receivables	(5.0)	4.0
– increase/(decrease) in payables	3.0	(2.6)
Cash generated from operations	10.6	6.8

(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.

Notes to the group accounts continued
Year ended 31 March 2010

25. Consolidated cash flow statements continued
(c) Analysis of net debt

	Net cash £m	Net debt £m	Total £m
At 1 April 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)
Cash flow	(3.5)	31.5	28.0
Rolled up interest	—	(0.5)	(0.5)
Other non-cash movements	—	2.7	2.7
Exchange movement	(0.3)	—	(0.3)
At 31 March 2010	1.1	(17.0)	(15.9)

Other non-cash movements relate to an increase in transaction costs of £3.5m (2009: £nil) following the refinancing of bank debt in July 2009 less amortisation charged for the year of £0.8m (2009: £0.1m).

26. Capital and other financial commitments
(a) Capital commitments

	2010 £m	2009 £m
Contracts placed for future capital expenditure not provided in the financial statements	0.3	1.0

(b) Operating lease commitments

	2010 £m	2009 £m
Total commitments under operating leases:		
– not later than one year	9.1	9.1
– later than one year and not later than five years	27.3	28.7
– later than five years	30.9	35.3
	67.3	73.1

Total future sub-lease payments receivable relating to the above operating leases amounted to £4.7m (2009: £5.2m).

The above operating lease commitments are analysed as:

	2010 £m	2009 £m
Equipment:		
– not later than one year	1.1	1.0
– later than one year and not later than five years	1.5	1.5
– later than five years	0.1	—
Land and buildings:		
– not later than one year	8.0	8.1
– later than one year and not later than five years	25.8	27.2
– later than five years	30.8	35.3
	67.3	73.1

26. Capital and other financial commitments continued

(c) Operating leases receivable

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

	2010 £m	2009 £m
Total commitments under operating leases:		
– not later than one year	0.6	0.5
– later than one year and not later than five years	2.3	2.2
– later than five years	1.6	2.2
	4.5	4.9

27. Related party transactions

The following transactions were carried out with related parties:

(a) Loans to associates

	2010 £m	2009 £m
At beginning of year	4.3	4.3
Losses made by associate and impairment of loans	(4.3)	—
At end of year (note 11)	—	4.3

Interest of £0.5m (2009: £0.5m) was charged in the year.

(b) Sales of goods and services

	2010 £m	2009 £m
Sales of goods:		
– associates	0.1	0.2

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

(c) Purchases of goods and services

	2010 £m	2009 £m
Purchases of goods:		
– associates	2.7	2.7
– Prism Cement Limited (formerly H & R Johnson (India) Limited)	0.9	0.3
Purchase of services:		
– commissions paid to major shareholder	0.1	—
	3.7	3.0

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

Commissions of £0.1m were paid to lifestyle Investments PVT Limited which owns 29.92% of the Company's issued share capital. This Company is owned by Prism Cement Limited, a company in which Vijay Aggarwal is a Director.

Notes to the group accounts continued

Year ended 31 March 2010

27. Related party transactions continued

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

	2010 £m	2009 £m
Receivables from related parties (note 16):		
– associates	—	0.3
Payables to related parties (note 18):		
– associates	(0.5)	(0.6)
– Prism Cement Limited (formerly H & R Johnson (India) Limited)	(0.2)	(0.1)

28. Contingent liabilities

The Company's material UK subsidiaries have entered into a guarantee and debenture which effectively means that all of their assets, property or otherwise, and undertakings are charged in favour of the security agent acting on behalf of the lending banks to the Company.

29. Post balance sheet events

On 1 June 2010 the Group disposed of its 25% interest in R. J. Beaumont & Co. (Pty) Limited for a net consideration of £4.3m. The carrying value of this investment at 31 March 2010 was £1.7m, therefore a profit on disposal of £2.6m will, accordingly, be reported in the Group's financial statements for the year ending 31 March 2011.

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) Limited* (incorporated in Australia)
- Philkeram – Johnson SA* (Associated company – 50%**, incorporated in Greece)
- Norcros SA (Pty) Limited* trading as Johnson Tiles (Pty) Limited, TAL and TAF (incorporated in South Africa)

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

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 2010 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 36, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of Norcros plc for the year ended 31 March 2010.

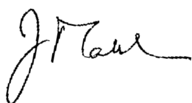
Nigel Richens (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 June 2010

Parent company balance sheet

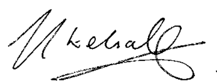
At 31 March 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investments	3	177.3	177.3
Current assets			
Debtors	4	—	0.1
Creditors: amounts falling due within one year			
Other	6	(2.4)	(17.0)
Net current liabilities		(2.4)	(16.9)
Total assets less current liabilities		174.9	160.4
Creditors: amounts falling due after more than one year			
Borrowings – bank and other loans	5	(17.0)	(50.7)
Net assets		157.9	109.7
Financed by:			
Share capital	8	19.2	14.9
Share premium account	9	86.8	63.4
Profit and loss account	9	51.9	31.4
Total shareholders' funds	9	157.9	109.7

The financial statements on pages 70 to 73 were approved on 22 June 2010 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 2010

1. Statement of accounting polices

Norcros plc prepares its financial statements on the going concern basis under the historical cost basis of accounting with the exception of share-based payments which are measured at fair value at the date of grant and in accordance with both applicable Accounting Standards in the UK and the Companies Act 2006. A summary of the more important accounting polices which have been applied consistently is set out below:

Accounting reference date

The Company's year end is stated as 31 March.

Investments

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.

Foreign currency transactions

Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at rates applicable at the year end. Exchange gains and losses are dealt with in arriving at the operating profit.

Taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is recognised only when the transfer of economic benefits is more likely than not to occur.

Profit and loss account

A separate profit and loss account dealing with the results of the Company has not been presented as permitted by Section 408 of the Companies Act 2006.

Cash flow statement

As the Group prepares consolidated financial statements, the Company is exempt from publishing a cash flow statement, under FRS 1 (revised 1996).

Dividend distribution

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

Financial assets and liabilities

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

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

Share-based payments

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

Related parties

Related party disclosures are made in the Group accounts under note 27.

2. Other information

Other than the Directors, who receive no emoluments from the Parent Company, the Company has no employees. Details of the Directors' emoluments can be found in note 4 of the Group accounts.

Auditors' remuneration of £5,000 (2009: £5,000) is borne by the Company's subsidiary.

Notes to the parent company accounts continued
Year ended 31 March 2010

3. Investments

	Shares in subsidiaries £m
At 1 April 2009 and 31 March 2010	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

	2010 £m	2009 £m
Amounts due within one year		
Prepayments	—	0.1

5. Borrowings

	2010 £m	2009 £m
Loans and bank overdrafts – secured	20.0	51.0
Costs of raising finance	(3.0)	(0.3)
	17.0	50.7
Repayable after more than one year:		
– between two and five years	20.0	51.0
– costs of raising finance	(3.0)	(0.3)
	17.0	50.7

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

	2010 £m	2009 £m
Amounts owed to Group undertakings	1.5	16.8
Other creditors	0.9	0.2
	2.4	17.0

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 as the Company does not believe that utilisation of these losses is probable in the near future.

The full potential asset for deferred taxation is as follows:

	2010 £m	2009 £m
Tax losses	7.3	7.2

8. Share capital

	2010 £000	2009 £000
Issued and fully paid		
577,326,112 ordinary shares of 1p each (2009: 148,717,884 ordinary shares of 10p each)	5,773	14,872
148,754,684 deferred shares of 9p each	13,388	—
	19,161	14,872

Warrant instruments

During the year the Company executed a warrant instrument in favour of its principal banks over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. Therefore, following the subsequent capital raising, these warrants represent 1.41% of the issued ordinary share capital at 31 March 2010. The warrants are exercisable at 8.97p per share at any time to July 2017.

Capital raising

Under the terms of the capital raising the Group issued 285,766,932 ordinary shares through a firm placing and 142,804,496 ordinary shares through a placing and open offer, both at 7p per ordinary share.

Prior to the capital raising the Group divided each 10p ordinary share into one 1p ordinary share and one 9p deferred share.

9. Reconciliation of movement in shareholders' funds

	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
At beginning of year	14.9	63.4	31.4	109.7
Issue of new shares (net of transaction costs)	4.3	23.4	—	27.7
Profit for the year	—	—	20.5	20.5
At end of year	19.2	86.8	51.9	157.9

10. Contingent liabilities

The Company has entered into a guarantee and debenture which effectively means that all of its assets, property or otherwise, and undertakings are charged in favour of the security agent acting on behalf of the lending banks to the Company.

11. Financial risk management objectives and policies

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

12. Share-based payments

The grants and related accounting treatment adopted by Norcros plc under FRS 20, 'Share-based payments', are identical to those adopted by the Group under IFRS 2, 'Share-based payments'. For details refer to note 9 in the Group accounts.

Notice of annual general meeting

Notice is given that the 2010 Annual General Meeting of the Company will be held at the Stanneylands Hotel, Stanneylands Road, Wilmslow, Cheshire SK9 4EY on Wednesday 28 July 2010 at 11.00 am to transact the business set out below. Resolutions 1 to 8 below will be proposed as ordinary resolutions and resolutions 9 to 12 will be proposed as special resolutions.

Ordinary business

1 To receive the audited accounts and the Auditors' and Directors' Reports for the year ended 31 March 2010.

2 To approve the Board's Remuneration Report for the financial year ended 31 March 2010.

3 To elect Vijay Aggarwal as a Director.

4 To re-elect Les Tench as a Director.

5 To re-elect Jamie Stevenson as a Director.

6 To re-appoint PricewaterhouseCoopers LLP as auditors.

7 To authorise the Directors to determine the auditors' remuneration.

Special business

Ordinary resolution – authority to allot shares

8 That the Directors are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that:

(a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £3,848,445 (representing approximately two thirds of the Company's issued ordinary share capital), of which:

(i) one half may be allotted or made the subject of Allotment Rights in any circumstances; and

(ii) the other half may be allotted or made the subject of Allotment Rights pursuant to any rights issue (as referred to in the Financial Services Authority's listing rules) or pursuant to any arrangements made for the placing or underwriting or other allocation of any shares or other securities included in, but not taken up under, such rights issue;

(b) this authority shall expire on 27 October 2011 or, if earlier, on the conclusion of the Company's next Annual General Meeting;

(c) the Company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and

(d) all authorities vested in the Directors on the date of the Notice of this meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked.

Special resolution – disapplication of pre-emption rights

9 That the Directors are empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities, as defined in Section 560 of that Act, pursuant to the authority conferred on them by resolution 8 in the Notice of this meeting or by way of a sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power is limited to:

(a) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Services Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the Directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange; and

(b) the allotment of equity securities (other than pursuant to paragraph (a) above) with an aggregate nominal value of £288,663 (representing 5% of the Company's issued ordinary share capital),

and shall expire when the authority conferred on the Directors by resolution 8 in the Notice of this meeting expires save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry.

Special business continued

Special resolution – authority to purchase own shares on market

10 That the Company is generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of that Act) of ordinary shares of 1p each in its capital, provided that:

(a) the maximum aggregate number of such shares that may be acquired under this authority is £57,732,611 (representing 10% of the Company's issued ordinary shares);

(b) the minimum price (exclusive of expenses) which may be paid for such a share is its nominal value;

(c) the maximum price (exclusive of expenses) which may be paid for such a share is the maximum price permitted under the Financial Services Authority's listing rules or, in the case of a tender offer (as referred to in those rules), 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange's Daily Official List) for the five business days immediately preceding the date on which the terms of the tender offer are announced;

(d) this authority shall expire on 27 October 2011 or, if earlier, on the conclusion of the Company's next Annual General Meeting; and

(e) before such expiry the Company may enter into a contract to purchase shares that would or might require a purchase to be completed after such expiry.

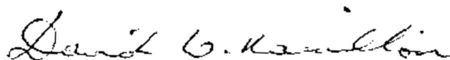
Special resolution – calling of general meetings on 14 clear days' notice

11 That any general meeting of the Company that is not an Annual General Meeting may be called by not less than 14 clear days' notice.

Special resolution – new Articles of Association

12 That the regulations contained in the document produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification are adopted as the Company's new Articles of Association in substitution for and to the exclusion of the Company's existing Articles of Association.

By order of the Board



D. W. Hamilton
Director and Company Secretary
22 June 2010

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

Notes

1 A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him/her, as his/her proxy to exercise all or any of his/her rights to attend and to speak and vote at the meeting.

2 The right of a member of the Company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares of 1p each ("ordinary shares") by 6.00 pm on 26 July 2010 in order to be entitled to attend and vote at the meeting as a member in respect of those shares (or in the event of adjournment, on the date which is two days before the time of the adjourned meeting).

3 A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with Section 323 of the Companies Act 2006. Any such representative should bring to the meeting written evidence of his/her appointment, such as a certified copy of a Board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this Notice of meeting. To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Capita Registrars, Proxy Department at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by 11.00 am on 26 July 2010. Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.capitashareportal.com. In order to be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by the same time. Members who hold their shares in uncertificated form may also use "the CREST voting service" to appoint a proxy electronically, as explained overleaf. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.

Notice of annual general meeting continued

Notes continued

4 Any person to whom this Notice is sent who is currently nominated by a member of the Company to enjoy information rights under Section 146 of the Companies Act 2006 (a "nominated person") may have a right under an agreement between him/her and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 on page 75 of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.

5 Voting on all resolutions will be conducted by way of a poll, rather than a show of hands. This is a more transparent method of voting as members' votes are counted according to the number of ordinary shares held. As soon as practicable following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against, together with the number of votes actively withheld in respect of, each of the resolutions will be announced via a Regulatory Information Service and will also placed on the Company's website at www.norcros.com.

6 As at 18 June 2010 (being the latest practicable date prior to the printing of this document): (i) the Company's issued share capital consisted of 577,326,112 ordinary shares of 1p carrying one vote each and 148,754,684 deferred shares of 9p carrying no voting rights; and (ii) the total voting rights in the Company were 577,326,112.

7 Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with Section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.norcros.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

8 It is possible that, pursuant to members' requests made in accordance with Section 527 of the Companies Act 2006, the Company will be required to publish on a website a statement in accordance with Section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the Company's latest audited accounts. The Company cannot require the members concerned to pay its expenses in complying with those sections. The Company must forward any such statement to its auditors by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

9 CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in "the CREST voting service" section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a "CREST proxy appointment instruction") must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited ("Euroclear"), and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Capita Registrars (ID RA10), as the Company's "issuer's agent", by 11.00 am on 26 July 2010. After this time any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer's agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid.

10 Please note that the Company takes all reasonable precautions to ensure that no viruses are present in any electronic communication which it sends, but the Company does not accept responsibility for any loss or damage arising from the opening or use of any email or attachment sent by the Company, and the Company recommends that members subject all emails and attachments to virus checking procedures prior to opening or use. Any electronic communication received by the Company or Capita Registrars (including the lodgement of an electronic proxy form) which is found to contain any virus will not be accepted.

designed and produced by
the design portfolio marketing services.
www.design-portfolio.co.uk

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