

Dedicated to making
where you live and
places you visit better

norcros

Annual report and accounts 2011



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.

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.

Review of the year

- 1 Highlights
- 2 Norcros: at a glance
- 4 Chairman's statement
- 6 Business review

Corporate governance

- 18 Directors and officers
- 19 Advisers and company information
- 19 Financial calendar
- 20 Directors' report
- 30 Corporate governance
- 34 Remuneration report
- 37 Statement of directors' responsibilities

Accounts

- Group accounts**
- 38 Independent auditors' report
- 39 Consolidated income statement
- 39 Consolidated statement of comprehensive income and expense
- 40 Consolidated balance sheet
- 41 Consolidated cash flow statement
- 42 Consolidated statement of changes in equity
- 43 Notes to the group accounts
- Parent company accounts**
- 64 Independent auditors' report
- 65 Parent company balance sheet
- 66 Notes to the parent company accounts
- 69 Notice of annual general meeting
- 73 Shareholder consultation paper

Highlights

- > Group revenue increased by 15.6% to £196.1m (2010: £169.6m)
- > Group trading profits of £11.7m (2010: £7.3m) were 60.3% ahead of the prior year
- > Investment in products and processes has driven increased revenue and market share gains
- > Decisive management actions resulted in a return to profitability in South Africa
- > The Board is recommending a final dividend of 0.24p per share in addition to the interim dividend of 0.12p per share

Revenue	Trading profit*	Cash generated from operations	Net debt (before prepaid finance costs)
£196.1m	£11.7m	£10.8m	£12.4m
2011 £196.1m	2011 £11.7m	2011 £10.8m	2011 £12.4m
2010 £169.6m	2010 £7.3m	2010 £10.6m	2010 £18.9m
2009 £154.2m	2009 £7.0m	2009 £6.8m	2009 £46.1m
2008 £167.9m	2008 £16.0m	2008 £13.7m	2008 £46.9m
2007 £162.4m	2007 £15.3m	2007 £14.1m	2007 £117.1m

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

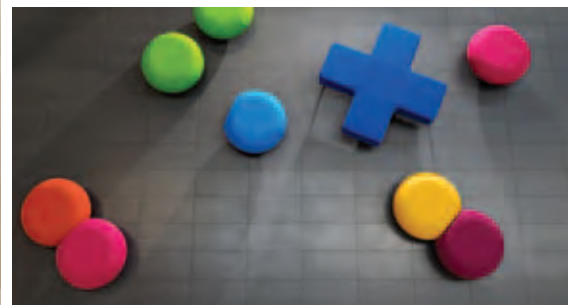
Visit us online



We are committed to communication with all shareholders.

Visit www.norcros.com

Norcros: At a glance



Our focus is on making and selling great **showers, tiles and adhesives**. We have a leading position in the UK and a strong presence overseas.

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.

Our strategy

Dedication >
Innovation >
Excellence >

Read more on page 7

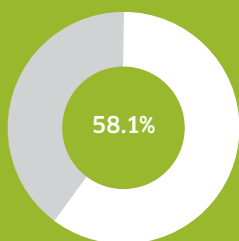


JOHNSON • TILES



Where we operate

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 - UK

£114.0m

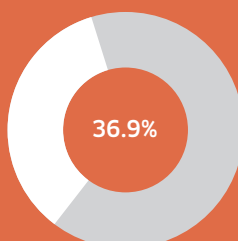
+11.0%

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.

More information on pages 8 and 9 >



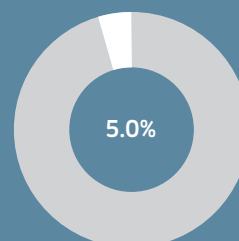
Revenue - South Africa

£72.4m

+22.7%

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.

More information on pages 10 and 11 >



Revenue - Rest of the World

£9.7m

+22.8%

The Group has a wholly-owned subsidiary in Australia selling tiles under the "Johnson" brand.

More information on page 12 >

Chairman's statement

Strategic investment in our businesses has enabled us to make significant market share gains in both the UK and South Africa.



John Brown Chairman

Summary

- Revenue for the year increased by 15.6% to £196.1m
- Trading profit of £11.7m is 60.3% ahead of last year
- Restored progressive dividend policy
- Well positioned to make further progress
- Strategic investments have driven market share gains

* Group benchmark profit before taxation is defined as profit before taxation, exceptional items, amortisation of costs of raising finance, movement on fair value of derivative financial instruments, discounting of property lease provisions, finance costs relating to pension schemes and the Group's share of post-tax results from its associate undertakings.

I am pleased to report a strong set of results for the year ended 31 March 2011, ahead of market expectations, with encouraging progress made across all our businesses.

Strategic investment in our businesses has enabled us to make significant market share gains in both the UK and South Africa against an economic environment which continues to be challenging.

Performance in our UK businesses was strong with new product introductions and targeted sales and marketing initiatives driving market share gains. In South Africa, decisive management actions to improve operational efficiencies and to invest in sales and marketing initiatives have resulted in a return to profitability.

Results

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

Group revenue increased by 15.6% to £196.1m (2010: £169.6m). Group revenue on a constant currency like for like number of weeks basis was 8.3% higher, reflecting the relative strength of the South African Rand and the Australian Dollar to Sterling.

Group trading profits of £11.7m (2010: £7.3m) were 60.3% ahead of the prior year.

The Group reports exceptional charges for the year of £1.1m (2010: £8.2m), with property provisions relating to onerous leases being largely offset by gains on the disposal of a 25% stake in Beaumont Tiles in Australia and a past service pension credit.

Group benchmark profit before taxation* was £10.2m (2010: £3.4m) as a result of the Group's significantly improved trading performance and reduced finance costs. Profit before tax was £7.5m (2010: loss of £10.0m).

Basic earnings per share as reported was 1.2p (2010: losses of 3.4p) and basic benchmark earnings per share was 1.6p (2010: 1.2p).

Net cash generated from operations in the period was £10.8m (2010: £10.6m) with the impact of increased revenues on working capital largely counterbalancing the trading improvement. Capital expenditure at £6.3m (2010: £3.9m) included new product development at Triton, additional capacity in UK Tiles, further expansion of the UK Adhesive manufacturing facility and further manufacturing plant and store investment in South Africa.

Net debt (before prepaid finance costs) at 31 March 2011 reduced to £12.4m (2010: £18.9m) and leverage measured as net debt/EBITDA was 0.7 times with all banking covenants met.

The UK defined benefit pension scheme valuation calculated under IAS 19 resulted in a reduced deficit of £7.0m (2010: £9.3m). This reflected higher market asset values and the benefit of the move to using CPI rather than RPI for increases in deferred pensions, partially offset by an increase in liabilities due to a decline in the applicable discount rate.

Dividend

As a result of the strong financial position and encouraging trading performance of the Group, and in line with our stated intention to restore a progressive dividend policy, the Board is recommending a final dividend of 0.24p per share in addition to the interim dividend of 0.12p per share which was paid on 7 January 2011. The dividend, if approved at the Annual General Meeting, will be payable on 2 August 2011 to shareholders on the register on 1 July 2011. The shares will be quoted ex-dividend on 29 June 2011.

Post balance sheet event

On 31 May 2011 an agreement was reached with CIP Property (AIPT) Limited, Digica Group Finance Limited and Computacenter (UK) Limited for Norcros to exit its lease obligations at Springwood Drive, Braintree, Essex six years early. The Group has made a total cash payment including costs of £7.8m and anticipates making an annualised cash saving of £3.3m.

Board changes

Nick Kelsall took over as Group Chief Executive on 1 April 2011, succeeding Joe Matthews. Joe remains an Executive Director of the Group until his retirement in July 2011. The Board would like to thank Joe for his long and very substantial contribution to the Group.

The Board undertook an extensive search for a new Group Finance Director and on 18 March 2011 appointed Martin Payne. Martin has most recently held senior financial positions at JCB, the construction equipment manufacturer, and IMI plc, the FTSE 100

engineer. Earlier in his career he spent six years as finance director of H&R Johnson Tiles Limited, a subsidiary of Norcros.

Employees

This strong set of results could not have been achieved without the talent, hard work, and commitment of all our employees. On behalf of the Board I would like to thank everyone in the Group for their continuing support.

Summary and outlook

As has been widely reported, consumer and business confidence in the UK and South Africa is weak and expected to remain so for some time, although some general economic recovery is forecast. Despite this economic environment, our businesses are performing well with management committed to a "self-help strategy", focusing on market share gain and improving operational efficiencies, particularly in South Africa. We believe that the investment undertaken both in capital projects and new product development will continue to give the Group forward impetus.

The strength of our product and service proposition has more than offset the weak market environment resulting in Group revenues, on a constant currency basis, for the first nine weeks of the current financial year being in line with market expectations. The strength of our market positions, the good progress already made and the shape of our balance sheet put us in a good position to make further progress in 2011/12.



J. E. Brown
Chairman
23 June 2011



Business review:

Our business and strategy

The strength of our market positions, the good progress already made and the shape of our balance sheet put us in a good position to make further progress in 2011/12.



Nick Kelsall Group Chief Executive



Martin Payne Group Finance Director

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.

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 a 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 and operational improvement programmes; and
- > a continued emphasis on superior customer service, supply chain improvements and increased efficiencies.

Key performance indicators

The Board of Directors monitors the Company's progress against its strategic objectives and financial performances of its operations. For more on KPIs, see page 17.

Revenue

£196.1m +8%*

Trading profit

£11.7m +70%**

Benchmark profit before tax

£10.2m +200%

Net debt (before prepaid finance costs)

£12.4m -34%

Benchmark earnings per share

1.6p +33%

Cash generated from operations

£10.8m +2%

* Adjusted for 2010/11 being a 53 week period and constant currencies.

** Adjusted for constant currencies.

Business review:

Overview: United Kingdom

Higher revenues and increased gross margins in all of our UK businesses allowed us to invest significantly in new product development, sales and marketing resource and new capacity.



Revenue

£114.0m

+11%

2010: £102.7m

Operations

- > Triton Showers
- > Johnson Tiles
- > Norcross Adhesives



United Kingdom

Our market leading products, stringent cost controls and strong brand reputation have enabled us to remain highly competitive and to make market share gains in continuing tough market conditions. Turnover was up 11.0% to £114.0m (2010: £102.7m) or 9.0% on a like for like number of weeks basis. Higher revenues and increased gross margins in all of our UK businesses allowed us to invest significantly in new product development, sales and marketing resource and new capacity. These investments account for the flat trading profit achieved this year of £11.6m (2010: £11.6m). We are now very well placed to take advantage of opportunities, in terms of growing sales, winning new customers and continuing to take market share from our competitors.

Triton Showers

Triton, the UK market's leading domestic shower business, has delivered another year of strong profits and cash generation. In a weak market, it succeeded in generating net sales growth of 4.7% on a like for like number of weeks basis, with UK revenues accounting for all of this growth. Ireland is a significant export market for Triton and flat revenues in this market is significant, coming as it does after three consecutive years of decline arising from the particularly difficult economic conditions.

In the UK revenue growth came from all parts of the business. We strengthened our position during the year, driven by our strong brand, high quality products at affordable prices and emphasis on customer service.



We are now a significant supplier to all the major DIY and home shopping retailers and continue to be a leading player in the trade sector. Our decision to focus on ease and speed of fit for installers, and on ongoing technical support, including the increasing use of social media applications, is beginning to show rewards. This year we once again launched a number of new shower products, each one carefully tailored towards a specific marketplace or customer profile.

Gross margins have improved despite cost pressures particularly in copper and plastics. These pricing pressures have been offset by a relentless focus on cost control within the business, both in terms of delivering enhanced product features at lower cost and in driving operational efficiencies. Whilst increased investment in new product and marketing programmes has held back trading profit growth, it has made the business stronger and better placed to further increase profitability and market share.

Johnson Tiles

Johnson Tiles is a leading ceramic tile manufacturer in the UK and a market leader in the supply of both own manufactured and imported tiles to a diverse range of UK channels such as consumer, housebuilder, and both public and private sector specifications. Johnson Tiles is also the leading UK exporter of tiles.

Revenue in Johnson Tiles grew this year by 12.4% on a like for like number of weeks basis. UK revenues increased 16.7% on a like for like number of weeks basis, a performance made all the more impressive by having been achieved in a declining market. This exceptional performance has been driven by focusing on the core values of designing and developing high quality products, delivering excellent customer service and backing this up with strong customer relationships.

Export revenues, however, declined 10.1% on a like for like number of weeks basis primarily reflecting supply issues into the Middle East which arose as a result of disruption in service from a number of our European suppliers. This performance was partly offset by a strong performance in North America.

During the year we invested further in “inkjet printing technology” which enables us to produce high quality designs which replicate the texture, shades, colour and characteristics of natural materials such as granite, limestone, slate, stone and marble. These designs have been extremely well received in our target markets. We now have the capacity to inkjet print two thirds of our output and have appointed a Creative Director to further drive the development

and improve the design of our product offering. Our private sector specification clients have benefited from a recent refurbishment of our Material Lab design studio. Material Lab continues to be the venue of choice for architects and interior designers based in Central London. To support these investments we have further upgraded product and marketing support materials, especially for the Absolute product portfolio which is targeted at the contract market.

As a result of our strong new products and market leading positions, as well as the demise of a number of UK and European competitors, we are seeing a significant growth in demand for our UK manufactured products. In order to take advantage of this we have invested £2.4m in a new kiln in our factory in Stoke-on-Trent. This kiln will increase our UK capacity by some 35%, supporting both existing and future volume growth. The kiln was fully commissioned in March 2011 and is expected to achieve required output rates by June 2011.

Whilst we expect that market conditions will continue to be difficult, we believe that we have built an excellent platform for profitable growth in Johnson Tiles.

Norcros Adhesives

Norcros Adhesives makes adhesive products for ceramic tile fixing, as well as associated products for floor tile fixing.

We achieved a significant increase in sales, up 31% versus last year on a like for like number of weeks basis, despite challenging market conditions. This was achieved by allocating additional resources to drive

marketing and sales, which resulted in the addition of several important accounts to our retained client portfolio.

The installation of a £1m, fully automated plant for the manufacture of ready-mix adhesive products in our production facility in Stoke-on-Trent was completed in February 2011. This investment means that in-house manufactured products now account for over 90% of sales, improving market competitiveness.

Trading profit was maintained in line with last year despite increased investment in capacity, new products and additional sales resource. These investments mean that the business is now well placed to take advantage of further growth opportunities and to benefit from economies of scale.



Business review:

Overview: South Africa

Despite weak markets and global cost pressures, our South African business returned to profitability in the year.



South Africa

Our South African business raised productivity and its business performance as a result of operational improvements implemented in the second half of last year by the new management team. Despite weak markets and global cost pressures, our South African business returned to profitability in the year.

Revenues grew 22.7% to £72.4m (2010: £59.0m), or 7.6% on a constant currency like for like number of weeks basis, with all three divisions contributing positively to this growth. Margins also rose in all three divisions as a result of a greater focus on operational efficiency, improved procurement procedures, better product formulations and a more profitable sales mix. Particularly pleasing was the strong revenue growth from independent customers both locally and in sub-Saharan Africa.

Trading profits of £0.2m were reported against a £3.7m loss last year. This is a significant turnaround and an important step in restoring acceptable profit margins.

Tile Africa

Tile Africa grew revenue 5.8% on a constant currency like for like number of weeks basis. This was driven by improved product offering, marketing and brand penetration.

Higher margins and cost savings relating in part to the store closures in the previous year contributed to a significant improvement in trading performance. We believe that this



progress can be sustained as we continue to focus on the key areas of product development, marketing and strong customer service.

Tile Africa continued to upgrade its existing store portfolio to the "Lifestyle" interior design concept as part of our drive to bring consistency to our offering, and improve the customer experience. Four more stores were successfully upgraded to the Lifestyle specification in the year and we intend to upgrade a further four stores in the current year, bringing the number of Lifestyle formats to 27 out of a total of 31 stores by 2012. We closed one underperforming store in the year and intend to open one new store in the current year.

We currently have four franchise stores and will use this format to drive our growth into Africa and smaller outlying regions of South Africa. We aim to open two new franchise stores in South Africa and new franchise stores in Botswana and Swaziland in the current year.

Revenue

£72.4m

+22.7%

2010: £59.0m

Operations

- > **Tile Africa**
- > **TAL Adhesives**
- > **Johnson Tiles**





Good progress has been made in our product offering, with improved products being introduced to our stores in the first half of this year. Early results suggest that these products are being well received and will continue to drive our organic sales growth in the year ahead. Tile Africa continues to grow its marketing representation and made further progress in the past year as we grew our exposure, particularly on national television.

Despite the non-residential segment remaining under significant pressure, our contracts division delivered another strong performance by improving our offering and broadening our customer base.

TAL Adhesives

TAL, our adhesives division, delivered another strong performance in a very competitive market on the back of good procurement savings, improved product formulations, new product launches and an expanded customer base. Revenue grew 9.2% on a constant currency like for like number of weeks basis. This growth in sales, together with improved margins saw trading profit increase significantly.

The key drivers of this strong performance were the strengthening of our rapid set offering and new business won in both South Africa and exports. Excellent progress was made in securing new independent business in the year and the introduction of a dedicated export team earlier in the year helped export sales grow 59% in the second half.

Our building products division delivered moderate growth from a low base and we are on track to launch a new and expanded product offering in the second half of this year which should improve TAL's position in this market.

Our industrial adhesives division delivered steady growth despite strong competitive pressure from importers of finished goods as the Rand strengthened. Margins came under pressure as a result of both this and worldwide shortages of key raw materials. We are currently engaged in re-branding this division as we continue in our drive to create a sustainable business unit able to compete in the industrial adhesive market.

Our intention is to continue to increase TAL's market share as a result of accelerated introduction of new products and targeted entry into local retail segments as well further expansion into neighbouring countries.

Johnson Tiles South Africa

Management actions taken during the year to improve operational efficiencies in Johnson Tiles South Africa saw trading losses halve. Revenues grew by 18.2% in the independent sector (customers outside Tile Africa) on a constant currency like for like number of weeks basis. This growth has been driven by product launches into key accounts, widening our base of smaller independent retailers and growing our export revenues, the latter growing 29.2% in the second half of the year.

We have recently engaged specialist consultants to assist in accelerating our manufacturing improvement programme. In addition we are currently installing new buffer equipment to further improve plant efficiency and flexibility. Investment in inkjet printing technology is also planned later this financial year with the dual objective of enhancing the quality of our product design and driving further operational efficiencies. At the same time we have been gradually strengthening our senior manufacturing management team.

The expected improvements in manufacturing are pivotal to supporting the progress already being made by our new sales team in growing our customer base and sales as we drive Johnson Tiles South Africa back to profitability.

Business review:

Overview: Rest of the World

In a year when our markets have declined our businesses have delivered encouraging results with growth in revenue and earnings.



Revenue

£9.7m

+22.8%

2010: £7.9m

Operations

> Johnson Tiles Australia

Rest of World

Australia

Johnson Tiles Australia achieved revenue growth of 5.6% on a constant currency like for like number of weeks basis and a significantly reduced trading loss of £0.1m compared to a loss of £0.6m last year.

Consumer confidence in the second half was somewhat weaker due to uncertainty about federal Government policies. However, we benefited during the year from the Government stimulus package which helped drive market demand for tiles.

In October 2010, the existing senior management team was replaced and a systematic review of the business undertaken. From this review decisions were taken to make significant improvements to our product offer with the objective of growing market share. We are also evaluating the option of relocating the business to an alternative site in order to realise the underutilised value of the current facility.

This, together with the planned enhancements to the product range and a more focused sales strategy, should ensure a further improvement in trading performance and asset utilisation.

Greece

Our investment in and our loan to Philkeram Johnson, our 50% owned Greek tile and adhesive associate, was fully impaired in previous years' accounts.

The performance of both businesses has been significantly impacted by the downturn in activity levels and the economy generally,



culminating in the cessation of tile manufacture in December 2010. Our local partner has been in protracted discussions with the local banking group to restructure the business and ultimately realise the development value of the current freehold site. Regrettably, it has proved impossible to reach agreement with all the members of the banking group and at the time of going to print the business is set to file for bankruptcy. There would be no financial consequences to Norcross.

Summary

In a year when our markets have declined our businesses have delivered encouraging results with growth in revenue and earnings. Market share gains have been achieved in all major businesses due to our market leading products, strong brands, tight cost control measures and, particularly in South Africa, improved operational efficiency. This has been made possible by our commitment to investing through the recession in new product design and development, sales and marketing resource, operational improvements and capacity. Together with a robust balance sheet and the quality of our people, we are confident that the business is in a strong shape to capitalise on the opportunities and drive further market share gains and earnings growth.





Business review: Financial review

The Board is recommending a final dividend of 0.24p per share, which, together with the interim dividend of 0.12p, makes a total dividend of 0.36p in respect of the year ended 31 March 2011.

Revenue

Group revenues increased on a reported basis by 15.6% or by £26.5m to £196.1m (2010: £169.6m). The underlying increase on a constant currency like for like number of weeks basis was 8.3%, 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 9.0% on a like for like number of weeks basis and increases on a constant currency like for like number of weeks basis in both its South African and Australian operations of 7.6% and 5.6% respectively.

Trading profit

Trading profit, as reported, increased by 60.3% to £11.7m (2010: £7.3m) and on a constant currency basis by 69.6% (2010 restated to constant currency: £6.9m). Our UK businesses continued their strong performance with trading profits of £11.6m for the second year running despite the continuing tough market conditions. Our South African business made a trading profit of £0.2m compared to a loss of £3.7m last year. This substantial turnaround reflects the significant reduction in losses at both our retail and tile manufacturing operations combined with increased profits at TAL, our adhesive operation. In Australia losses have fallen from £0.6m in the prior year to £0.1m this year. Overall trading profit margins increased from 4.3% to 6.0%.

Exceptional items and operating profit

Exceptional items of £1.1m have been charged in the year. The major items comprise a £2.7m gain following the sale of our 25% interest in R.J. Beaumont & Co Pty Ltd and £0.4m

of gains following minor changes to the UK defined benefit pension scheme, offset by a £4.2m increase in the provision for UK onerous leasehold properties.

Operating profit was £10.6m (2010: loss of £0.8m).

Finance costs

Finance costs decreased to £3.4m from £5.9m in 2010 reflecting a full year's effect of the lower debt and interest costs following the capital raising in December 2009.

Finance income of £0.2m was lower than the £0.6m reported in 2010 as interest receivable on the loan to our Greek associate has not been recognised this year following the impairment of the loan in 2010.

Other finance income of £0.1m (2010: costs of £1.1m) relate to our UK defined benefit pension scheme. The small credit this year reflects the year on year movements in the pension scheme assets, liabilities and discount rates.

Profit before tax

Benchmark profit before tax was £10.2m (2010: £3.4m) reflecting the increased trading profit and reduced finance costs noted above.

The Group reported a profit before tax of £7.5m (2010: loss of £10.0m).

Taxation

A taxation charge of £0.8m has arisen for 2011 (2010: £nil). The charge is principally driven by the year on year reduction in finance costs.

Cash flow from operations

£10.8m +2%

Net debt (before prepaid finance costs)

£12.4m -34%

Key cash flow components and movement in Group net debt

	2011 £m	2010 £m
Cash flow from operations	10.8	10.6
Interest	(1.0)	(3.1)
Taxation	(0.6)	0.1
Free cash flow available for investment	9.2	7.6
Net proceeds from capital raising	—	27.7
Capital expenditure	(6.3)	(3.9)
Dividends	(0.7)	—
Proceeds from sale of shares in investments	4.4	—
Other items including other disposal proceeds, foreign exchange, rolled up interest and amortised financing costs	(1.3)	(1.5)
Movement in net debt	5.3	29.9
Opening net debt	(15.9)	(45.8)
Closing net debt	(10.6)	(15.9)

Earnings per share

Benchmark earnings per share amounted to 1.6p (2010: 1.2p). Basic earnings per share was 1.2p (2010: loss of 3.4p).

Dividends

As previously announced it is 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. As such the Board is recommending a final dividend of 0.24p per share, which, together with the interim dividend of 0.12p, makes a total dividend of 0.36p in respect of the year ended 31 March 2011.

Pension schemes

The Group contributed £2.1m into its UK defined benefit pension scheme during the year (2010 £1.1m). This included a £1.0m additional contribution as part of the 2009 deficit recovery plan.

The total charge in respect of defined benefit schemes to operating expenses (excluding exceptional credits) in the Consolidated Income Statement was £1.3m (2010: £0.6m).

The gross defined benefit pension scheme valuation on the UK scheme showed a deficit of £7.0m compared to a deficit of £9.3m last year. The reduction reflects the increase in the valuation of scheme assets and the benefit of the move to using CPI rather than RPI for increases in deferred pensions, partially offset by an increase in liabilities due to a reduced discount rate of 5.5% from 5.7% last year.

The Group's contributions to its defined contribution pension schemes were £1.0m (2010: £0.8m).

Cash flow and financial position

The Group has recorded another year of good cash generation from its operations amounting to £10.8m (2010: £10.6m) and net cash generated after tax and interest of £9.2m (2010: £7.6m). The table above sets out the key cash flow components and the movement in Group net debt.

The Group's interest payments have reduced significantly due to the full year benefit of reduced debt and interest rates following the £27.7m capital raising in December 2009.

Despite the increase in turnover and activity the Group's working capital increased by only £1.0m in the year (2010: decrease of £1.9m). This reflects management's continuing actions to tightly control working capital in the current economic conditions.

Capital expenditure of £6.3m includes our investments in a new kiln and inkjet machine in Johnson Tiles, a paste plant in Norcros Adhesives, new product development at Triton Showers and store refurbishments in South Africa.

The Group received £4.4m from the sale of R.J. Beaumont & Co Pty Ltd in the year. This, together with the factors noted above, allowed the Group to reduce its net debt by £5.3m during the year.

Bank funding

The Group has available a revolving credit facility of £52.8m of which £32.8m is available

as cash drawings. This facility expires in October 2012 and is currently subject to a margin of 3.0% above LIBOR.

The Group has also granted warrants to its banks equivalent to 5% of its fully diluted share capital excluding the shares issued as part of the December 2009 capital raising. At 31 March 2011 this represents 8,135,739 ordinary shares (1.41% of the total issued share capital). These warrants are exercisable at 8.97p per share at any time up to July 2017.

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.

Business review: Financial review continued



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.

It is the Group's intention for key management to be incentivised via an Approved Performance Share Plan, the details of which are described in the Shareholder Consultation Paper on pages 73 to 76.

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 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 2011 of £7.0m assessed in accordance with IAS 19. There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations.

Executive Management regularly monitors the funding position of the scheme and is represented on both the Trustee's board and its investment sub-committee to monitor and assess investment performance and other risks to the Group.

The Group considers each actuarial valuation (annual IAS 19 valuation and each 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.

Foreign currency translation

	Average rate vs £	
	2011	2010
South African Rand	11.35	12.47
Australian Dollar	1.75	1.70
Euro	1.17	1.13
US Dollar	1.56	1.59
	Closing rate vs £	
	2011	2010
South African Rand	10.79	11.10
Australian Dollar	1.55	1.65
Euro	1.13	1.11
US Dollar	1.60	1.49

Key performance indicators

	2011 £m	2010 £m	Change %
Revenue*	192.4*	177.7**	+8.3%
Trading profit	11.7	6.9**	+69.6%
Benchmark profit before tax	10.2	3.4	+200.0%
Benchmark earnings per share – pence	1.6p	1.2p	+33.3%
Cash generated from operations	10.8	10.6	+1.9%
Net debt (before prepaid finance costs)	(12.4)	(18.9)	-34.4%

* Restated on a 52 week basis.
 ** Restated in constant currencies.

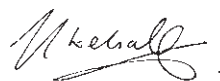
Foreign currency translation

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.

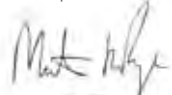
The movement in average exchange rates compared to 2010 had the effect of increasing 2010 reported Group revenue by £8.1m but reducing Group trading profit by £0.4m.

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 2011 and 2010 are shown above.



N. P. Kelsall
Group Chief Executive



M. K. Payne
Group Finance Director



Directors and officers



John Brown (Age 67)
Chairman

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



Nick Kelsall (Age 54)
Group Chief Executive

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 Norcross Group in 1993 as Finance Director of H & R Johnson Tiles Limited before taking up his current position.



Martin Payne (Age 45)
Group Finance Director

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



Joe Matthews (Age 65)
Director

Appointed to the Board in October 1991 and appointed Group Chief Executive in April 1996. He retired from this position in March 2011 but will remain a Director until the forthcoming AGM on 28 July 2011. He joined Norcross 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.



David Hamilton (Age 68)
Director and Company Secretary

Appointed to the Board in April 1996 having previously been appointed Company Secretary in 1989. He joined Norcross 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 66)
Non-executive Director

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



Jamie Stevenson (Age 62)
Non-executive Director

Appointed to the Board on admission of Norcross 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 42)
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

Registered office

Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU
Tel: 01625 549010
Fax: 01625 549011

Registered number

3691883
Registered in England

Principal bankers

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Barclays Bank plc

3 Hardman Street
Spinningfields
Manchester M3 3HF

BNP Paribas Fortis Bank

10 Harewood Street
London NW1 6AA

Solicitors

Adleshaw Goddard LLP

100 Barbirolli Square
Lower Mosley Street
Manchester M2 3AB

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ

Registrars

Capita Registrars

Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Stockbrokers

Numis Securities Limited

The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Financial PR

College Hill

The Registry
Royal Mint Court
London EC3N 4QN

Auditors

PricewaterhouseCoopers LLP

101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Financial calendar

Annual General Meeting	28 July 2011
Final dividend	Payable 2 August 2011
Interim results	Announcement November 2011
Interim Report	Available to shareholders November 2011

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2011.

Principal activities

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

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

Results and dividends

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects, is included in the Chairman's Statement and the Business Review on pages 4 to 17. Key performance indicators are shown on page 17.

The Directors recommend a final dividend for the year ended 31 March 2011 of 0.24p (2010: £nil). This follows the decision to pay an interim dividend earlier in the year of 0.12p (2010: £nil).

Directors

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

John Brown	–	Chairman
Les Tench	–	Non-executive Director
Jamie Stevenson	–	Non-executive Director
Vijay Aggarwal	–	Non-executive Director
Girija Patnaik	–	Alternate Non-executive Director to Vijay Aggarwal
Nick Kelsall	–	Group Chief Executive
Martin Payne	–	Group Finance Director (appointed 18 March 2011)
David Hamilton	–	Director and Company Secretary
Joe Matthews	–	Director

The interest of the Directors in the shares of the Company at 31 March 2011 and 31 March 2010 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 Norcross Employee Benefit Trust (the "Trust"). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust purchased no ordinary shares during the year (2010: 36,800 at par). At the Company's 2010 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 57,732,611 ordinary shares. At the forthcoming Annual General Meeting, shareholders will be asked to renew the authority to purchase its own shares for another year. Details are contained in the Notice of meeting.

Substantial shareholding

As at 31 May 2011 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	11.83
Artemis Fund Managers	9.39
Henderson Global Investors	8.21
Jupiter Asset Management	6.09
SVM Asset Management	4.80
Hargreave Hale	3.32

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 £19,000 during the year (2010: £13,000). There were no political donations (2010: £nil).

Creditor payment policy

Group policy requires all operating units to apply appropriate controls to working capital management, whilst developing relationships with suppliers. In view of the international nature of the Group's activities, no universal code or standard on payment policy is followed but subsidiary companies are expected to establish payment terms consistent with the above policy, local procedures, customs and practice. Group trade payables amounting to £27.1m (2010: £22.0m) reported in note 19 to the accounts represent 69 days (2010: 62 days) of average daily purchases. The Parent Company has no trade creditors (2010: 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 30 to 33. This Corporate Governance Report forms part of the Directors' Report and is incorporated into it by cross reference.

Financial risk management

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

Interest rate risk

The Group 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 current financial 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 December 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 34.

There are no significant agreements to which the Company is a party which take effect, alter or terminate, in the event of a change of control of the Company, except for the banking facilities dated 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 2011 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. The notice convening that meeting, together with the resolutions to be proposed, appears on pages 69 to 72 of this document. The Directors recommend that all shareholders vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

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 2011 is set out in full on pages 34 to 37 of this document. Any shareholder who would like a copy of the Annual Report and Accounts 2011 can obtain one by contacting our registrar on 0871 664 0300. Alternatively, the Annual Report and Accounts 2011 can be viewed on our website at www.norcros.com.

Your Directors are satisfied that the Company's policy and practice in relation to Directors' remuneration are reasonable and that they deserve shareholder support.

Resolution 3:

Dividend

The payment of the final dividend requires the approval of shareholders in general meeting. If the meeting approves resolution 3, the final dividend of 0.24 pence per ordinary share will be paid on 2 August 2011 to ordinary shareholders who are on the register of members on 1 July 2011 in respect of each ordinary share.

Resolution 4:

Re-election of David Hamilton

Under the Company's Articles of Association, a Director must retire from office (and may offer himself for re-election) at the third Annual General Meeting following his appointment or last appointment. David Hamilton (who was last re-appointed at the 2008 Annual General Meeting) will therefore retire at the 2011 Annual General Meeting and offers himself for re-appointment via resolution 4.

Brief biographical details of David Hamilton can be found on page 18. The other Directors unanimously recommend that David be re-elected as a Director of the Company.

Annual General Meeting continued

Explanatory notes continued

Resolution 5:

Election of Martin Payne

Martin Payne was appointed as a Director with effect from 18 March 2011. Under the Company's Articles of Association, Martin is required to stand for election as Director at the next Annual General Meeting of the Company following his appointment. Martin therefore offers himself for election by shareholders at the 2011 Annual General Meeting.

Brief biographical details of Martin Payne can be found on page 18. The other Directors unanimously recommend that Martin be elected as a Director.

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

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:

To approve the Norcros plc 2011 Approved Performance Share Plan

Resolution 8 is to authorise the adoption of the Norcros plc 2011 Approved Performance Share Plan (APSP). The APSP provides for the grant of performance shares in the form of nil cost options. The APSP also allows for part of the awards to be made under an HMRC approved addendum, which provides beneficial tax treatment for the Company and participants.

The background to the proposed adoption of the APSP is set out on pages 73 to 76 of this document and a summary of the main terms of the APSP is set out in the Appendix on pages 26 to 29 of this document.

The rules of the APSP will be available for inspection at the Company's registered office at Ladyfield House, Station Road, Wilmslow, Cheshire, SK9 1BU from the date of this document until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.

Resolution 9:

To approve the Norcros plc 2011 Deferred Bonus Plan

Resolution 9 is to authorise the adoption of the Norcros plc 2011 Deferred Bonus Plan (Plan). The Plan provides for the deferral of part of an executives' bonus deliverable in the form of an option over ordinary shares in the capital of the Company. The Plan will be operated in conjunction with the Company's existing bonus structure to further align executives' interests to shareholders.

The background to the proposed adoption of the Plan is set out on pages 73 to 76 of this document and a summary of the main terms of the Plan is set out in the Appendix on pages 26 to 29 of this document.

The rules of the Plan will be available for inspection at the Company's registered office at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU from the date of this document until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.

Resolution 10:

Power to allot shares

Most listed companies renew their directors' authority to issue shares at each Annual General Meeting. Such an authority was granted at last year's Annual General Meeting and is due to expire at the next Annual General Meeting, so, in accordance with best practice, this resolution seeks to renew the Directors' authority to allot shares.

Resolution 10, if passed, will renew the Director's authority to allot shares in the capital of the Company up to a maximum of £3,810,352, representing the Association of British Insurers' (ABI) guideline limit of approximately two thirds of the Company's issued ordinary share capital as at 20 June 2011 (being the latest practicable date prior to the publication of this document). Of this amount, ordinary shares to an aggregate nominal value of £1,905,176 (representing approximately one third of the Company's issued ordinary share capital as at 20 June 2011 (being the latest practicable date prior to the publication of this document)) can only be allotted pursuant to a rights issue.

As at 20 June 2011 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in the Company in treasury. The renewed authority will remain in force until 15 months after the passing of the resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2012.

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.

Directors' report continued

Annual General Meeting continued

Explanatory notes continued

Resolution 11:

Disapplication of pre-emption rights

The Directors are currently authorised to issue securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That authority will expire on the date of the next Annual General Meeting and, in accordance with best practice, this resolution (which will be proposed as a special resolution) seeks to renew the Directors' authority to disapply pre-emption rights.

Other than in connection with a rights or other similar issue or scrip dividend (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements), the authority contained in this resolution will be limited to an aggregate nominal value of £288,663, which represents 5% of the Company's issued ordinary share capital as at 20 June 2011 (being the latest practicable date prior to the publication of this document). 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 2012.

Resolution 12:

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 aggregate nominal value of £577,326 (representing approximately 10% of the aggregate nominal value of the issued ordinary share capital of the Company as at 20 June 2011 (being the latest practicable date prior to the publication of this document)) and sets minimum and maximum prices. The renewed authority will remain in force until 15 months after the passing of the resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2012.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares, but will keep the matter under review, taking into account other investment opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would promote the success of the Company for the benefit of its shareholders generally. To the extent that any shares so purchased are held in treasury (see below), earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury.

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

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

As at 20 June 2011 (being the latest practicable date prior to the publication of this document), there were warrants and options over 13,960,093 ordinary shares in the capital of the Company, which represent, in aggregate, 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 20 June 2011 (being the latest practicable date prior to the publication of this document) the Company did not hold any shares in treasury.

Resolution 13:

Buyback of the deferred shares

The Company completed an equity capital raising exercise in December 2009. As part of that capital raising exercise, the Company sub-divided its share capital, whereby each ordinary share of 10p (10p Ordinary Share) then in issue was divided into one ordinary share of one penny (Ordinary Share) and one deferred share of nine pence (Deferred Share). The sub-division was undertaken as the CA 2006 prohibited the Company from issuing any share at a subscription price which was less than the nominal value of that share, in other words the Company could not issue 10p Ordinary Shares for less than 10p. As the proposed subscription price for each new share to be issued pursuant to the capital raising was 7p, each 10p Ordinary Share was divided into one Ordinary Share and one Deferred Share.

The Deferred Shares are effectively worthless and the Board indicated to shareholders at the time of the capital raising that the Deferred Shares would subsequently be cancelled for an aggregate sum of 1p in order to simplify the Company's share capital structure.

The Board now proposes that the Company should purchase all Deferred Shares in issue for 1p in aggregate. However, before this can happen, a contract effecting that purchase must be approved and authorised by Shareholders in advance. Resolution 13 in the notice convening the Annual General Meeting set out at the end of this document seeks this authority. If shareholders approve resolution 13, the Board anticipates that the purchase of the Deferred Shares will be effected on or around the day of the Annual General Meeting.

Share certificates were not issued in respect of the Deferred Shares and so do not need to be returned to the Company. The proposed purchase contract will be executed on behalf of all holders of the Deferred Shares by a director or officer of the Company. A draft of the proposed purchase contract is currently available for inspection at the offices of Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London EC1Y 4AG and will continue to be available for inspection there during normal business hours on any weekday until the conclusion of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes before, and until the conclusion of, the Annual General Meeting.

Annual General Meeting *continued*

Explanatory notes *continued*

Resolution 14:

Amendment to the Company's Articles of Association

As a result of the cancellation of the Deferred Shares referred to above, it will be necessary to make consequential amendments to the Company's Articles of Association in order to remove all references to Deferred Shares. Resolution 14 in the notice convening the 2011 Annual General Meeting set out on pages 69 to 72 of this document details the proposed amendments to the articles.

Resolution 15:

Cancellation of share premium account and capital redemption reserve

Your Board is proposing the cancellation of the Company's share premium account and the capital redemption reserve which will arise upon the purchase of Deferred Shares mentioned above (Cancellations), in order to augment the distributable reserves of the Company. The distributable reserves will, subject to the Cancellations taking effect, be available to fund purchases of the Company's shares and to pay dividends as and when the Board considers it appropriate.

Save in exceptional circumstances, the CA 2006 requires that a company which issues shares for a consideration greater than their nominal value must transfer a sum equal to the aggregate amount of the premiums on those shares to a share premium account. The CA 2006 also requires that a company which purchases its own shares must transfer a sum equal to the nominal value of those shares to a capital redemption reserve.

The CA 2006 restricts the purposes for which the share premium account and the capital redemption reserve may be used by the Company.

The amount standing to the credit of the Company's share premium account, as shown in the Company's Annual Report and Accounts for the year ended 31 March 2011, was, as a rounded figure, £86,800,000 (the actual figure was £86,922,247.32). That amount remains the same as at 20 June 2011. If, at the 2011 Annual General Meeting, the Company's shareholders pass the resolution to approve the purchase by the Company of all of the Deferred Shares (being resolution 13) and the Company subsequently purchases all of the Deferred Shares for an aggregate consideration of one penny, the aggregate nominal value of the Deferred Shares (being £13,387,921.56) will be transferred to a capital redemption reserve.

Under the CA 2006, a company may reduce or cancel its share premium account and its capital redemption reserve if the same is not prohibited or restricted by its Articles of Association and provided that it obtains both the approval by special resolution of its shareholders in general meeting and the subsequent confirmation of the High Court.

It is now proposed that the Company's share premium account and the capital redemption reserve which will arise upon the purchase of Deferred Shares be cancelled. Upon the Cancellations taking effect (on registration by the Registrar of Companies of the confirmatory order of the High Court), the aggregate amount of the Cancellations (being £100,310,168.88) would be available to the Company for a number of purposes, including the payment of dividends and for further share buybacks.

The Company's Articles of Association do not prohibit or restrict the cancellation of the Company's share premium account or capital redemption reserve.

If the Cancellations are to be implemented, it is necessary that the Company's shareholders pass a special resolution approving the cancellations (Cancellation Resolution). The Cancellation Resolution will be proposed at the 2011 Annual General Meeting, and its text is stated at resolution 15 in the notice convening the 2011 Annual General Meeting contained on pages 69 to 72.

Following the passing by shareholders of the Cancellation Resolution, the Board will arrange for the Company to apply to the High Court for an order confirming the Cancellations. The Cancellations, in order to be effective, require the confirmation of the High Court, which will seek to protect the interests of the Company's creditors. It is anticipated, however, that all of the Company's creditors will consent to the Cancellations.

The Cancellations, which are expected to become effective during the week commencing 14 August 2011, will not affect the interests of the Company's creditors and will not result in any diminution of the net assets of the Company.

Resolution 16:

Notice of general meetings

This special resolution is required in order to preserve the ability of the Company to convene general meetings (other than Annual General Meetings) of the Company on not less than 14 clear days' notice, rather than the 21 days' notice which would otherwise be required under the Companies (Shareholders' Rights) Regulations 2009 (Regulations). In order to preserve this ability, the Company's shareholders must have approved the calling of such meetings on not less than 14 clear days' notice. Resolution 16 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 proxy submission under the Regulations before it can call a general meeting on such notice.

Directors' report continued

Annual General Meeting continued

Appendix

Summary of the main terms of the Norcros plc Approved Performance Share Plan with HM Revenue & Customs Approved Schedule (APSP).

Form

The APSP allows for:

- the grant of an HM Revenue & Customs (HMRC) approved option (Approved Option) over shares in the Company with a value of up to £30,000 plus a conditional award of shares equal in value to the exercise price of the Approved Option (Conditional Award); and
- for the grant of options in excess of the statutory limits imposed by HMRC, taking the form of nil cost options (LTIP Options), which enables grants up to the proposed award level (Approved Options, Conditional Awards and LTIP Options shall be referred to as Awards).

Operation

The Company's Remuneration Committee (Committee) is responsible for granting Awards and administering the APSP.

Eligibility

Any employee or Executive Director of the Group will be eligible to participate in the APSP at the discretion of the Committee.

Grant of Awards

Approved Options may not be granted until the approved schedule of the APSP has been approved by HMRC.

Awards may be granted during a period of 42 days following the date on which the APSP is adopted by the Company, or, for Approved Options, 42 days following the date on which the approved schedule to the APSP is approved by HMRC under Schedule 4 Income Taxes (Employment & Pensions) Act 2003. Thereafter, Awards may normally only be granted in the 42 days following the announcement by the Company of its results for any period or following a change in the legislation relating to share option plans or where there are circumstances considered by the Committee to be exceptional. Awards may also be granted outside these periods in connection with the commencement of an eligible employee's employment if this is appropriate. However, at all times, the grant of Awards will be subject to the terms of the Model Code for transactions in securities by directors.

No Awards may be granted later than ten years after the approval of the APSP by shareholders.

Awards may be granted over newly issued shares and/or shares purchased in the market.

Awards are not transferable (other than on death) without the consent of the Committee. Awards will not be pensionable.

Individual limits

No employee may be granted Awards under the APSP in any financial year over shares worth more than 100% of base salary, unless the Committee determines that exceptional circumstances exist which justify exceeding this limit, in which case Awards shall not exceed 150% of base salary.

Approved Options are subject to a statutory limit of £30,000 value of shares under option to any single employee at any time (calculated by reference to the market value of shares at the relevant date of grant) under the approved schedule of the APSP or any other HMRC approved company share option plan operated by the Group.

Option exercise price

LTIP Options will have an exercise price of nil. Participants will not have to pay anything for Conditional Awards.

The exercise price of the Approved Options is the closing middle market quotation for a share on the dealing day immediately preceding the date of grant or, if that day is not a dealing day, the most recent dealing day or the average market quotation for a share for the five dealing days immediately preceding the date of grant or such other price over such other period as determined by the Committee.

Limits on the issue of shares

The APSP is subject to the following overall limits on the number of new ordinary shares which may be subscribed:

- in any ten year period not more than 10% of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the APSP and any other employees' share plans adopted by the Company; and
- in any ten year period not more than 5% of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the APSP and under any executive share option plan adopted by the Company, except to the extent that options are subject to significantly more stretching performance conditions.

For the purposes of these limits, options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share plans adopted by the Company do count towards these limits. Where, instead of paying the exercise price, an option exercise is satisfied by the number of shares representing the growth in value of a share between the exercise price and the market value at the date of exercise, only the number of shares actually issued shall count towards these limits.

Exercise of options

An Approved Option and an LTIP Option will normally be exercisable between the third and tenth years following its grant provided that any specified performance condition has been satisfied.

The vesting of conditional awards will also normally be between the third and tenth years following its grant provided that any specified performance condition has been satisfied.

Annual General Meeting *continued*

Appendix *continued*

Performance conditions

The exercise of Approved Options and LTIP Options and the vesting of the Conditional Awards will be subject to performance conditions determined by the Committee and specified at the date of grant of the options.

The conditions may be varied in certain circumstances following the grant of an Award so as to achieve their original purpose, taking account of the interests of the shareholders of the Company, but not so as to make their achievement any more or less difficult to satisfy.

Leavers

In the case of an Approved Option, a participant ceasing employment due to death in service or retirement on or after the age of 55 will be regarded as a good leaver.

In the case of good leavers, if the Approved Option has not vested it will vest to the extent determined by the Committee taking into account the time which has elapsed between the grant of that option and cessation of employment and the extent to which the performance conditions have been satisfied.

In the case of good leavers, whether the Approved Option had already vested or not, the participant has six months from the date they cease employment to exercise their Approved Option or, in the case of death, their personal representatives will have twelve months.

If a participant ceases employment for any other reason an Approved Option will automatically lapse unless the Committee determines otherwise.

In the case of LTIP Options, if a participant ceases employment due to death in service, the LTIP Option will vest. The participant's personal representatives will have twelve months from the date the participant ceases employment to exercise the LTIP Option.

If a participant ceases employment in any other circumstance their LTIP Option will lapse unless the Committee exercises its discretion within one month of cessation of employment whether an LTIP Option will vest taking into account the time which has elapsed between the grant of that option and cessation of employment and the extent to which the performance conditions have been satisfied.

Change of control

In the event of a takeover, reconstruction or winding up of the Company, a proportion of an Award will vest and become exercisable depending on the time which has elapsed between the grant of that Award and the change of control and the extent to which performance conditions have been satisfied at that date.

Alternatively, Awards may (or, if the Committee so determines, shall) be exchanged for new equivalent awards where appropriate. In this case any performance conditions will continue unless the Committee determines otherwise.

Rights attaching to shares

Shares allotted or transferred under the APSP will rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the option). The Company will apply for the listing of any new shares allotted under the APSP.

Variation of capital

In the event of any variation of share capital, demerger or other corporate event the Committee may make such adjustments as they consider appropriate to the number of shares subject to Awards and the price payable on the exercise of options. In the case of Approved Options, such adjustments will only be made to the extent permitted by HMRC.

Alterations to the APSP

The APSP may at any time be altered by the Board in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on participation and the number of new shares available under the APSP, terms of exercise and adjustment of options must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the APSP, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies.

Any amendment to a key feature of the APSP which affects Approved Options will require HMRC approval before it can take effect.

Overseas employees

The Committee may grant LTIP Awards to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

Summary of the main terms of the Norcros plc 2011 Deferred Bonus Plan (Plan)

Form

The Plan allows for the deferral of part of a participant's bonus (on a net or gross basis) to be delivered in the form of an option over ordinary shares in the capital of the Company (Option).

Operation

The Company's Remuneration Committee (Committee) is responsible for granting Options and administering the Plan.

Eligibility

Any employee or Executive Director of the Group will be eligible to participate in the Plan at the discretion of the Committee.

Directors' report continued

Annual General Meeting continued

Appendix continued

Grant of options

At all times, the grant of Options will be subject to the terms of the Model Code for transactions in securities by directors.

No Options may be granted later than ten years after the approval of the Plan by shareholders.

Options may be granted over newly issued shares and/or shares purchased in the market.

Options are not transferable (other than on death) without the consent of the Committee. Options will not be pensionable.

Individual limits

No employee may be granted Options under the Plan in any financial year over shares worth more than 200% of base salary, unless the Committee determines that exceptional circumstances exist which justify exceeding this limit, in which case Options shall not exceed 300% of base salary.

Option exercise price

Options may be granted with an exercise price of between nil and the market value of an ordinary share on the grant date.

Limits on the issue of shares

In any ten year period not more than 10% of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the Plan and any other employees' share plans adopted by the Company.

For the purposes of these limits, Options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share plans adopted by the Company do count towards these limits. Where, instead of paying the exercise price, an Option exercise is satisfied by the number of shares representing the growth in value of a share between the exercise price and the market value at the date of exercise, only the number of shares actually issued shall count towards these limits.

Exercise of options

An Option will normally be exercisable between the third and tenth years following its grant provided that any specified performance condition has been satisfied.

Performance conditions

The exercise of Options granted may be subject to performance conditions as considered appropriate by the Committee and specified at the grant date of the Options.

The conditions may be varied in certain circumstances following the grant of an Option so as to achieve their original purpose, taking account of the interests of the shareholders of the Company, but not so as to make their achievement any more or less difficult to satisfy.

Leavers

If a participant ceases employment with the Company for any of the following reasons they will be regarded as a good leaver: death; illness; injury or disability; redundancy; retirement by agreement with the Company; or the Company ceasing to be a Group Member; or the transfer of an undertaking or part of an undertaking to a person who is not a Group Member.

In the case of a good leaver, if the Option has already vested the participant has six months from the date they cease employment to exercise their Option or, in the case of death, their personal representatives will have twelve months.

In the case of a good leaver, if the Option has not vested it will vest to the extent determined at the discretion of the Committee taking into account the time that has elapsed since the grant date and the extent to which any applicable performance conditions have been satisfied. The participant will have six months from the date of cessation of employment to exercise their Option, or in the case of death their personal representatives will have twelve months.

If a participant ceases employment for any other reason they will be regarded as a bad leaver. If their Option has vested they will have six months from the date of cessation to exercise their Option.

In the case of a bad leaver, if their Option has not vested, it will normally lapse, unless the Committee determines otherwise in the period of six months from the date of cessation. A participant will be able to exercise their Option during the period of six months from the date they cease employment to the extent determined by the Committee subject to such factors as the time that has elapsed since the grant date and the extent to which any applicable performance conditions have been satisfied.

Where a participant ceases employment due to summary dismissal, their Option will automatically lapse regardless of whether the Option has vested or not.

Change of control

In the event of a takeover, reconstruction or winding up of the Company, a proportion of an Option will vest and become exercisable depending on the time which has elapsed between the grant of that Option and the change of control and the extent to which performance conditions have been satisfied at that date. In determining the proportion of an Option which vests, the Committee may take into account such other factors, including the performance of the Company and the conduct of the participant, as it deems relevant.

Alternatively, Options may (or, if the Committee so determines, shall) be exchanged for new equivalent options where appropriate. In this case any performance conditions will continue unless the Committee determines otherwise.

Annual General Meeting continued

Appendix continued

Rights attaching to shares

Shares allotted or transferred under the Plan will rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the Option). The Company will apply for the listing of any new shares allotted under the Plan.

Variation of capital

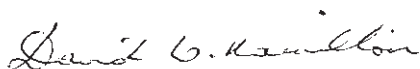
In the event of any variation of share capital, demerger or other corporate event the Committee may make such adjustments as they consider appropriate to the number of shares subject to Options and the price payable on the exercise of Options.

Alterations to the Plan

The Plan may at any time be altered by the Committee in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on participation and the number of new shares available under the Plan, terms of exercise and adjustment of Options must be approved in advance by shareholders in a general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the Plan, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies.

Overseas employees

The Committee may grant Options to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the Options are not overall more favourable than the terms of Options granted to other employees.



D. W. Hamilton

Director and Company Secretary
23 June 2011

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 2011, the Company has complied with the Combined Code in all respects save for those mentioned within this report.

Board balance and independence

The Board currently comprises a Non-executive Chairman, three Non-executive Directors and four Executive Directors, who are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this report and their biographical details are given on page 18.

Taking into account the provisions of the Combined Code, the Chairman and two Non-executive Directors (being Les Tench and Jamie Stevenson) 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 9 meetings	Audit Committee 3 meetings	Remuneration Committee 6 meetings	Nominations Committee 4 meetings
J. E. Brown, Chairman	9	3	6	4
L. Tench	9	3	6	4
J. R. Stevenson	9	3	5	3
V. Aggarwal	8	3	6	4
G. Patnaik (as alternate to V. Aggarwal)	1	—	—	—
J. Matthews	9	—	—	—
N. P. Kelsall	9	—	—	—
D. W. Hamilton	9	—	—	—

Advice for Directors

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

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

Board procedures

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

Board procedures *continued*

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. David Hamilton will retire at the next Annual General Meeting. Biographical details of David Hamilton are set out on page 18.

Nominations Committee

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

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

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

Audit Committee

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

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

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

The Committee reviews the policy by which employees of the Group may, in confidence, raise matters of concern, including possible improprieties in matters of financial reporting or other matters.

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

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

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 Non-executive Directors. Vijay Aggarwal sits on the Remuneration Committee. As he represents a significant shareholder he is not regarded as being independent under the Combined Code but the Board is of the opinion that he is able to carry out his role on the Remuneration Committee effectively as that significant shareholder is not represented by any other Director on the Board and he does not participate in the consideration or decision-making regarding his own remuneration. The Committee's report is set out on pages 34 to 37.

Financial reporting

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

Relations with shareholders

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

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

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

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

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

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

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

Accountability and audit

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

Risk management and internal control

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

The Board has identified and evaluated what it considers to be the significant risks faced by the Group and has also assessed the adequacy of the actions taken to manage these risks. This has been disclosed 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 its head office. The Board has considered whether the Company should have an internal audit department and has deemed that given both its risk management and internal control programme noted on page 32, 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 22.

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

Joe Matthews and Nick Kelsall participated in the Company's annual bonus scheme during the year.

Subject to the adoption of resolutions 8 and 9 on page 69, it is the Board's intention to award nil cost share options to Nick Kelsall and Martin Payne under the 2011 APSP as referred to in the above mentioned Resolutions. The proposed applicable performance measure for the 2011 APSP and other relevant terms and information are summarised in an edited version of the Shareholder Consultation Paper which appears on pages 73 to 76. The Paper also contains, inter alia, details of their proposed annual bonus arrangements for 2011/12, the linkage of their annual bonus, to the extent achieved, to the 2011 Deferred Bonus Plan and the new minimum shareholding requirement. The final version of the Shareholder Consultation Paper, following consultation with shareholders of the Company representing in excess of 66% of the Company's share capital, was sent out to all shareholders so consulted on 26 May 2011.

The percentage composition of each Director's remuneration (based on his 2010/11 remuneration) is as follows:

	Non-performance related	Performance related
J. Matthews	62%	38%
N. P. Kelsall	58%	42%
M. K. Payne	100%	—
D. W. Hamilton	100%	—

As there is currently no LTIP scheme in place the performance related figures above relate only to annual bonuses.

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 July 2007	12 months
N. P. Kelsall	16 July 2007	12 months
D. W. Hamilton	16 July 2007	12 months
M. K. Payne	18 March 2011	12 months
J. E. Brown	16 July 2007	1 month
L. Tench	16 July 2007	1 month
J. R. Stevenson	16 July 2007	1 month
V. Aggarwal	08 October 2009	1 month

Joe Matthews, Nick Kelsall, David Hamilton and Martin Payne have signed rolling contracts. These contracts are terminable on notice by either the Company or Director. The contracts are expressed to expire on each Director's applicable retirement date. Following his retirement as Group Chief Executive on 31 March 2011, Joe Matthews will retire from the Company at the forthcoming Annual General Meeting on 28 July 2011.

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.

Martin Payne will stand for election and David Hamilton 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 18.

Interest in shares

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

	31 March 2011 Deferred shares	31 March 2011 Ordinary shares	31 March 2010 Deferred shares	31 March 2010 Ordinary shares
J. Matthews	4,170,000	14,900,000	4,170,000	14,351,000
N. P. Kelsall	2,000,000	7,762,123	2,000,000	7,762,123
D. W. Hamilton	2,525,000	12,144,940	2,525,000	11,667,857
J. E. Brown	64,102	778,387	64,102	778,387
L. Tench	64,102	686,283	64,102	248,783
J. R. Stevenson	64,102	635,530	64,102	635,530

All Directors' interests are beneficially held. There has been no change in the interest set out above between 31 March 2011 and 23 June 2011.

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.

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	2011 Total £000	2010 Total £000
J. Matthews	286	232	1	29	63	611	488
N. P. Kelsall	213	173	1	23	—	410	284
M. K. Payne*	7	—	—	1	1	9*	—
D. W. Hamilton	100	—	5	20	—	125	124
J. E. Brown	80	—	—	—	—	80	80
L. Tench	40	—	—	—	—	40	40
J. R. Stevenson	40	—	—	—	—	40	40
V. Aggarwal*	15	—	—	—	—	15	7*
	781	405	7	73	64	1,330	1,063

* From appointment.

Nick Kelsall was appointed Group Chief Executive-designate from 1 July 2010. His salary increased to £220,000 per annum from this date and increased further to £260,000 per annum from 1 April 2011 when he succeeded Joe Matthews as Group Chief Executive.

Martin Payne was appointed Group Finance Director on 18 March 2011 with an annual salary of £180,000 per annum.

Benefits in kind consist of medical insurance for every Executive Director. £63,000 was paid to Joe Matthews and £1,000 was paid to Martin Payne under Funded Unapproved Retirement Benefit Scheme (FURBS).

Remuneration report continued

Audited information continued

Share schemes

Savings Related Share Option Scheme (SAYE)

The Executive Directors are eligible to participate in the Company's Savings Related Share Option Scheme which commenced in December 2007 with further participation invited in December 2008 and December 2010. 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 2010	Granted in year	Cancelled in year	Number at 31 March 2011
J. Matthews	23 December 2008	01 March 2012	31 August 2012	9.3p	103,020	—	—	103,020
N. P. Kelsall	23 December 2008	01 March 2012	31 August 2012	9.3p	103,020	—	—	103,020
D. W. Hamilton	23 December 2008	01 March 2012	31 August 2012	9.3p	103,020	—	—	103,020

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 was 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 would vest if the Group achieved RPI plus 12%, 30% of the shares vest if the Group achieved RPI plus 5% and shares would vest on a straight line basis for performance in between. No shares would vest if performance was below RPI plus 5%. As these criteria were not met these options have now lapsed.

Directors' interests in the LTIP

	Award date	Number at 1 April 2010	Lapsed	Number at 31 March 2011
J. Matthews	22 August 2007	378,345	(378,345)	—
N. P. Kelsall	22 August 2007	254,524	(254,524)	—

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 previous 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 12.88p and the range of market prices during the year was between 12.88p and 6.25p.

No share options were granted under the LTIP during the year ended 31 March 2011.

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 2011 £	Transfer value at 31 March 2010 £	Increase in transfer value less Directors' contributions £
N. P. Kelsall	9,492	12,910	166,431	148,543	17,888
M. K. Payne	3,257	9,928	103,971	92,318	11,653
				Increase in accrued pension for the year less CPI inflation £	Increase in accrued pension for the year £
N. P. Kelsall				249	736
M.K. Payne				—	311

Neither Nick Kelsall or Martin Payne are active members of the UK defined benefit scheme. Martin Payne's entitlement relates to his former employment at H&R Johnson Tiles Limited between 1993 and 2001.

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

Remuneration report continued

Audited information continued

Directors' pension entitlement continued

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 £63,930 (2010: £58,000) to this scheme.

On behalf of the Board



L. Tench

Chairman of the Remuneration Committee
23 June 2011

Statement of directors' responsibilities

In respect of the annual report, the remuneration report and the financial statements

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

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

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

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

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

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

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

Independent auditors' report

To the members of Norcross plc

We have audited the group financial statements of Norcross plc for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, Business Review, Corporate Governance Statement and the Remuneration Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other 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 30 to 33 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 33, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Norcross plc for the year ended 31 March 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

N. Richens (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
23 June 2011

Consolidated income statement

Year ended 31 March 2011

	Notes	2011 £m	2010 £m
Continuing operations			
Revenue	2	196.1	169.6
Operating profit/(loss)	3	10.6	(0.8)
Trading profit*		11.7	7.3
Exceptional operating items	5	(1.1)	(8.2)
Other operating income		—	0.1
Operating profit/(loss)		10.6	(0.8)
Finance costs	6	(3.4)	(5.9)
Finance income	6	0.2	0.6
IAS 19 finance income/(costs)	24	0.1	(1.1)
Share of loss of associate		—	(2.8)
Profit/(loss) before taxation		7.5	(10.0)
Taxation	7	(0.8)	—
Profit/(loss) for the year		6.7	(10.0)
Earnings/(loss) per share attributable to equity holders of the Company			
From continuing operations:			
Basic earnings/(loss) per share	9	1.2p	(3.4)p
Diluted earnings/(loss) per share	9	1.2p	(3.4)p
Weighted average number of shares for basic earnings per share (millions)	9	577.0	291.9
Non-GAAP measures:			
Benchmark profit before taxation** (£m)	8	10.2	3.4
Basic benchmark earnings per share		1.6p	1.2p
Diluted benchmark earnings per share		1.6p	1.2p

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

** Benchmark profit before taxation is defined as profit before exceptional items, amortisation of costs of raising finance, movement on fair value of derivative financial instruments, discounting of property lease provisions, finance costs relating to pension schemes and the Group's share of post-tax results from its associate undertakings.

Consolidated statement of comprehensive income and expense

Year ended 31 March 2011

	2011 £m	2010 £m
Profit/(loss) for the year	6.7	(10.0)
Other comprehensive income:		
Actuarial gains/(losses) on retirement benefit obligations	0.7	(5.6)
Foreign currency translation adjustments	1.4	8.8
Other comprehensive income for the year	2.1	3.2
Total comprehensive income/(expense) for the year	8.8	(6.8)

Items in the statement are disclosed net of tax.

Consolidated balance sheet

At 31 March 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Goodwill	11	23.9	23.8
Trade investments	13	—	1.7
Property, plant and equipment	14	49.1	47.0
Investment properties	15	5.5	5.5
Deferred tax assets	22	2.2	2.6
		80.7	80.6
Current assets			
Inventories	16	42.3	37.4
Trade and other receivables	17	42.6	38.7
Derivative financial instruments	21	0.4	0.6
Pension scheme asset	24	1.4	1.2
Cash and cash equivalents	18	7.7	3.9
		94.4	81.8
Current liabilities			
Trade and other payables	19	(50.6)	(41.7)
Derivative financial instruments	21	(1.8)	(2.2)
Current tax liabilities		(0.9)	(0.6)
Financial liabilities – borrowings	20	(3.1)	(2.8)
		(56.4)	(47.3)
Net current assets		38.0	34.5
Total assets less current liabilities		118.7	115.1
Non-current liabilities			
Financial liabilities – borrowings	20	(15.2)	(17.0)
Pension scheme liability	24	(7.0)	(9.3)
Other non-current liabilities		(1.8)	(1.6)
Provisions	23	(15.3)	(16.0)
		(39.3)	(43.9)
Net assets		79.4	71.2
Financed by:			
Share capital	25	19.2	19.2
Share premium		86.8	86.8
Retained earnings and other reserves		(26.6)	(34.8)
Total equity		79.4	71.2

The financial statements on pages 39 to 63 were approved on 23 June 2011 and signed on behalf of the Board by:



N. P. Kelsall
Group Chief Executive



M. K. Payne
Group Finance Director

Consolidated cash flow statement

Year ended 31 March 2011

	Notes	2011 £m	2010 £m
Cash generated from operations	26	10.8	10.6
Income taxes (paid)/received		(0.6)	0.1
Interest received		0.7	0.5
Interest paid		(1.7)	(3.6)
Net cash generated from operating activities		9.2	7.6
Cash flows from investing activities			
Proceeds from disposal of investments		4.4	—
Dividends received from associates and trade investments		—	0.1
Purchase of property, plant and equipment		(6.3)	(3.9)
Net cash used in investing activities		(1.9)	(3.8)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		—	27.7
Repayment of borrowings		(3.0)	(31.5)
Capitalised finance costs		—	(3.5)
Dividends paid to Company's shareholders	27	(0.7)	—
Net cash used in financing activities		(3.7)	(7.3)
Net increase/(decrease) in cash at bank and in hand and bank overdrafts		3.6	(3.5)
Cash at bank and in hand and bank overdrafts at beginning of the year		1.1	4.9
Exchange movements on cash and bank overdrafts		(0.1)	(0.3)
Cash at bank and in hand and bank overdrafts at end of the year	18	4.6	1.1

Consolidated statement of changes in equity

Year ended 31 March 2011

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 1 April 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
Comprehensive income:					
Profit for the year	—	—	—	6.7	6.7
Other comprehensive income:					
Actuarial gain on retirement benefit obligations	—	—	—	0.7	0.7
Foreign currency translation adjustments	—	—	1.4	—	1.4
Total other comprehensive income	—	—	1.4	0.7	2.1
Transactions with owners:					
Dividends paid	—	—	—	(0.7)	(0.7)
Share option schemes and warrants	—	—	—	0.1	0.1
At 31 March 2011	19.2	86.8	11.1	(37.7)	79.4

Notes to the group accounts

Year ended 31 March 2011

1. Group accounting policies

General information

Norcros plc (the "Company") which is the ultimate Parent Company of the Norcros Group is incorporated in England as a public company limited by shares. The shares of the Company are listed on the London Stock Exchange market of listed securities. The consolidated financial statements of the Group were approved by the Board on 23 June 2011.

Basis of preparation

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

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

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

Standards, amendments and interpretations effective in 2011

The Group has adopted the following new and amended IFRS as of 1 April 2010:

- IFRS 3 (revised), 'Business combinations' – The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill and non-controlling (minority) interests may be calculated on a gross or net basis. All transaction costs are expensed;
- IAS 27 (revised), 'Consolidated and separate financial statements' – IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss;
- Amendment to IFRS 2, 'Share-based payments – Group cash-settled payment transactions' – This amendment clarifies the scope and accounting for Group settled share-based payments;
- IAS 32 (Amendment) 'Classification of Rights' – The amendment clarifies the treatment of rights, options or warrants issued to acquire a fixed number of an entity's own equity instruments for a fixed amount of consideration;
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on 'Eligible hedged items' – This amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed-rate debt and prohibits including time value in the one-sided hedged risk when designating options as hedges; and
- Annual improvements to IFRS (2009) – This is a collection of amendments to twelve standards as part of the IASB programme of annual improvements. The standards impacted are:
 - IFRS 2, 'Share-based payment';
 - IFRS 5, 'Non-current assets held for sale and discontinued operations';
 - IFRS 8, 'Operating segments';
 - IAS 1, 'Presentation of financial statements';
 - IAS 7, 'Statement of cash flows';
 - IAS 17, 'Leases';
 - IAS 18, 'Revenue';
 - IAS 36, 'Impairment of assets';
 - IAS 38, 'Intangible assets';
 - IAS 39, 'Financial instruments: Recognition and measurement';
 - IFRIC 9, 'Reassessment of embedded derivatives'; and
 - IFRIC 16, 'Hedges of a net investment in foreign operation'.

The adoption of these new standards and amendments did not have a material impact on the Group's profit or equity.

Notes to the group accounts continued

Year ended 31 March 2011

1. Group accounting policies continued

Standards, amendments and interpretations early adopted by the Group

No standards have been early adopted by the Group.

Interpretations to existing standards that are not yet effective and not early adopted by the Group

- Amendment to IFRS 1, 'First time adoption' – financial instrument disclosures;
- Amendment to IAS 24, 'Related party disclosures';
- Annual improvements 2010;
- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition';
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation;
- Amendment to IAS 12, 'Income taxes', on deferred tax;
- IFRS 9, 'Financial instruments – Classification and measurement'; and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

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

Summary of significant accounting policies

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

Basis of consolidation

Subsidiaries

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

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

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

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 policies 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 2011 and 31 March 2010, the associates have been included based on audited financial statements drawn up to 31 December 2010 and 31 December 2009 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.

1. Group accounting policies *continued*

Basis of consolidation *continued*

Critical estimates *continued*

Critical judgements have been made in the following areas:

- estimated impairment of goodwill, long life assets and property, plant and equipment – the Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations have been carried out using the assumptions in note 11;
- retirement benefit obligations – the present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions include the discount rate. Any changes in these assumptions can impact the carrying amount of retirement benefit obligations (see note 24); 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.

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.

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.

Notes to the group accounts continued

Year ended 31 March 2011

1. Group accounting policies continued

Investment property

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

Inventories

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

Taxation

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

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

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

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

Operating leases

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

Provisions

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

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

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

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

Retirement benefit obligations

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

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

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

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

Curtailment gains are recognised in the income statement.

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

1. Group accounting policies *continued*

Exceptional items

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

Financial assets and liabilities

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

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

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

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

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

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

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

Fair value estimation

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

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

Research and development

Expenditure on research is charged against profits for the year in which it is incurred. The Directors do not believe development costs can be measured accurately enough to warrant capitalisation.

Dividend distribution

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

Foreign currency transactions

Functional currency

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

Transactions and balances

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

Translation of overseas net assets

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

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.

Notes to the group accounts continued

Year ended 31 March 2011

1. Group accounting policies continued

Share-based payments

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

2. Segmental reporting

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

Continuing operations – year ended 31 March 2011

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

Revenues of £29.6m (2010: £20.5m) are derived from a single customer. These revenues are attributable to the UK segment.

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 income				(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

3. Operating profit/(loss)

The following items have been included in arriving at operating profit/(loss):

	2011 £m	2010 £m
Staff costs (see note 4)	40.1	35.1
Depreciation of property, plant and equipment (all owned assets)	6.6	6.6
Depreciation of investment properties	—	0.1
Other operating lease rentals payable:		
– plant and machinery	1.5	1.4
– other	3.4	5.0
Research and development expenditure	2.3	1.9
Loss on disposal of property, plant and equipment	0.1	—

Auditors' remuneration

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

	2011 £m	2010 £m
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	0.1	0.1
Audit of subsidiaries pursuant to legislation	0.1	0.2
Corporate finance	—	0.2
	0.2	0.5

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

4. Employees

	2011 £m	2010 £m
Staff costs:		
– wages and salaries	36.0	31.6
– social security costs	2.2	2.1
– pension costs:		
– defined benefit	1.3	0.6
– defined contributions	1.0	0.8
– exceptional pension credit (see note 5)	(0.4)	—
	40.1	35.1

Included in wages and salaries are £nil (2010: £0.2m) of redundancy costs classed as exceptional items in the income statement.

	2011 Number	2010 Number
Average numbers employed:		
– UK	847	782
– overseas	819	811
	1,666	1,593

Directors' emoluments

	2011 £m	2010 £m
Salaries and short-term employee benefits	1.3	1.1
Post employment benefits	0.1	0.1
	1.4	1.2

Further information about the Directors' remuneration may be found in the Remuneration Report on pages 34 to 37.

Highest paid Director

	2011 £m	2010 £m
Salaries and short-term employee benefits	0.6	0.5

Notes to the group accounts continued

Year ended 31 March 2011

4. Employees continued

Key management compensation

	2011 £m	2010 £m
Salaries and short-term employee benefits	1.5	1.3
Post employment benefits	0.1	0.1
	1.6	1.4

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

5. Exceptional items

	2011 £m	2010 £m
Impairment of associate's carrying value and related costs ¹	—	(5.7)
Past service pension credit ²	0.4	—
Restructuring costs ³	—	(2.5)
Property provisions ⁴	(4.2)	—
Profit on disposal of investments ⁵	2.7	—
	(1.1)	(8.2)

1 The remaining carrying value of Philkeram Johnson (the Group's Greek associate) was 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 related to redundancies and asset write-downs following the implementation of a programme of restructuring initiatives throughout the Group's business units. Restructuring costs of £0.5m have been offset by a release of asset impairment provisions of £0.5m.

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

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

6. Finance income and costs

	2011 £m	2010 £m
Finance costs		
Interest payable on bank borrowings	1.5	4.3
Amortisation of costs of raising debt finance	1.2	0.8
Discount on property lease provisions	0.7	0.8
Total finance costs	3.4	5.9
Finance income		
Bank interest receivable	—	(0.3)
Movement on fair value of derivative financial instruments	(0.2)	(0.3)
Total finance income	(0.2)	(0.6)
Net finance costs	3.2	5.3

7. Taxation

Taxation comprises:

	2011 £m	2010 £m
Current		
UK taxation	0.8	—
Deferred		
Origination and reversal of temporary differences	—	—
Taxation	0.8	—

7. Taxation continued

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:

	2011 £m	2010 £m
Profit/(loss) before tax	7.5	(10.0)
Profit/(loss) on ordinary activities multiplied by rate of corporation tax in the UK of 28%	(2.1)	2.8
Effects of:		
– income/expenses not chargeable/deductible for tax purposes	(0.3)	(0.5)
– losses not recognised	(0.6)	(3.0)
– origination and timing differences	2.2	0.7
Total tax charge	(0.8)	—

8. Non-GAAP measures

	2011 £m	2010 £m
Profit/(loss) before taxation	7.5	(10.0)
Adjusted for:		
– exceptional operating items	1.1	8.2
– amortisation of costs of raising finance	1.2	0.8
– net movement on fair value of derivative financial instruments	(0.2)	(0.3)
– discount on property lease provisions	0.7	0.8
– IAS 19 finance (income)/costs	(0.1)	1.1
– share of post-tax loss of associates	—	2.8
Benchmark profit before taxation	10.2	3.4
Taxation	(0.8)	—
Benchmark earnings	9.4	3.4

Benchmark profit before tax is defined as profit before taxation, exceptional items, amortisation of costs of raising finance, movement on fair value of derivative financial instruments, discounting of property lease provisions, finance costs relating to pension schemes and the Group's share of post-tax results from its associate undertakings. The Directors believe that benchmark profit before taxation and benchmark earnings provide shareholders with additional useful information on the underlying performance of the Group.

9. Earnings per share

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

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. At 31 March 2011 the potential dilutive ordinary shares amounted to 116,155 (2010: nil) as calculated in accordance with IAS 33.

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

	2011 £m	2010 £m
Basic and diluted:		
– earnings/(loss) for the year	6.7	(10.0)
– benchmark earnings for the year (see note 8)	9.4	3.4
	2011 Number	2010 Number
Weighted average number of shares for basic earnings per share	577,025,912	291,893,248
Share options	116,155	—
Weighted average number of shares for diluted earnings per share	577,142,067	291,893,248
	2011	2010
Basic earnings/(loss) per share	1.2p	(3.4)p
Diluted earnings/(loss) per share	1.2p	(3.4)p
Basic benchmark earnings per share	1.6p	1.2p
Diluted benchmark earnings per share	1.6p	1.2p

Notes to the group accounts continued

Year ended 31 March 2011

10. Share-based payments

	Price per share	1 April 2010	Granted	Lapsed	31 March 2011	Date from which exercisable	Expiry date
Long Term Incentive Plan (LTIP)	0.0p	821,354	—	(821,354)	—	—	—
Company Share Option Plan (CSOP)	72.7p	636,310	—	(636,310)	—	—	—
Save As You Earn Scheme (1) (SAYE)	56.5p	130,177	—	(62,202)	67,975	01.03.11	31.08.11
Save As You Earn Scheme (2) (SAYE)	9.3p	4,275,316	—	(383,233)	3,892,083	01.03.12	31.08.12
Save As You Earn Scheme (3) (SAYE)	9.4p	—	1,864,296	—	1,864,246	01.03.14	31.08.14

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

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period on the Group's estimate of shares that will eventually vest. A charge of £0.1m was recognised in respect of share options in the period (2010: £nil). The Group uses a Black-Scholes pricing model to determine the annual charge for its share-based payments. The assumptions used in this model for each share-based payment are as follows:

	SAYE ⁽¹⁾	SAYE ⁽²⁾	SAYE ⁽³⁾
Date of grant	21.12.07	22.12.08	20.12.10
Initial exercise price	60.6p	10.0p	9.4p
Revised exercise price after capital raising adjustment	56.5p	9.3p	N/A
Number of shares granted initially	981,199	4,325,760	1,864,296
Revised number of shares after capital raising adjustment	1,052,848	4,642,065	1,864,296
Expected volatility	28.06%	69.95%	67.39%
Expected option life	3 years	3 years	3 years
Risk free rate	4.57%	4.61%	2.10%
Expected dividend yield	3%	3%	3%

The share price at 31 March 2011 was 12.88p. The average price during the year was 10.02p. Expected volatility is based on historical volatility over either the last three years of the construction and materials sector, or the previous three years' data for the Company where available.

11. Goodwill

	2011 £m	2010 £m
At beginning of the year	23.8	22.9
Exchange differences	0.1	0.9
	23.9	23.8

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

	2011 £m	2010 £m
Triton Showers	19.1	19.1
Tile Africa Group	4.8	4.7
	23.9	23.8

The recoverable amount of a CGU is determined by a value-in-use calculation. These calculations use cash flow projections based on financial forecasts approved by management covering a two-year period with a growth rate of 3% applied in future periods. The key assumption for the value-in-use calculations are those regarding discount rates, growth rates, future gross margin improvements and cash flows. Discount rates of 9.0% in the UK and 11.7% in South Africa have been applied depending on the region in which the CGU operates. The discount rate is based upon the risk free rate for Government bonds adjusted for a risk premium to reflect the increased risk of investing in equities and investing in the Group's specific sectors and regions.

The 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.

12. Investments in associates

	2011 £m	2010 £m
At beginning of year	—	2.1
Share of loss after tax	—	(2.1)
Financial assets		
At beginning of year	—	4.3
Share of loss after tax	—	(0.7)
Impairment of assets	—	(3.6)
	—	—

No goodwill has been attributed to the associate.

Financial assets represent long-term loans to the associate which have been fully impaired.

The Group's share of the results of its associate (see note 31), which is unlisted, and its share of the assets and liabilities are as follows:

	2011 £m	2010 £m
Revenue	8.6	15.6
Loss after taxation	(4.4)	(2.8)
Total assets	20.6	26.3
Total liabilities	(18.5)	(19.3)

As the investment is now fully impaired the Group has not recognised the above loss in its income statement.

13. Trade investments

	£m
Cost	
At 1 April 2010	1.7
Disposals during the year	(1.7)
At 31 March 2011	—

During the year the Group disposed of its 25% investment in R.J. Beaumont & Co Pty Ltd for net proceeds of £4.4m, realising a profit on disposal before taxation of £2.7m.

14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 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
Exchange differences	0.5	0.8	1.3
Additions	0.2	7.7	7.9
Disposals	(0.2)	(4.9)	(5.1)
At 31 March 2011	35.8	77.5	113.3
Accumulated depreciation			
At 1 April 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
Exchange differences	—	0.3	0.3
Charge for the year	1.0	5.6	6.6
Disposals	(0.1)	(4.8)	(4.9)
At 31 March 2011	10.2	54.0	64.2
Net book amount at 31 March 2010	26.0	21.0	47.0
Net book amount at 31 March 2011	25.6	23.5	49.1

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

Notes to the group accounts continued

Year ended 31 March 2011

15. Investment properties

	Investment property £m
Cost	
At 31 March 2009, 31 March 2010 and 31 March 2011	6.3
Accumulated depreciation	
At 1 April 2009	0.7
Charge for the year	0.1
At 31 March 2010	0.8
Charge for the year	—
At 31 March 2011	0.8
Net book amount at 31 March 2010	5.5
Net book amount at 31 March 2011	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.

16. Inventories

	2011 £m	2010 £m
Raw materials	9.2	8.7
Work in progress	0.8	0.9
Finished goods	32.3	27.8
	42.3	37.4

Provisions held against inventories totalled £3.0m (2010: £3.1m).

The cost of inventories recognised as an expense within cost of sales in the income statement amounted to £109.9m (2010: £97.3m).

During the year the Group charged £0.2m (2010: £0.7m) of inventory write-downs to the income statement within cost of sales.

17. Trade and other receivables

	2011 £m	2010 £m
Trade receivables	36.8	33.6
Less: provision for impairment of trade receivables	(0.4)	(0.7)
Trade receivables – net	36.4	32.9
Other receivables	3.1	2.8
Prepayments and accrued income	3.1	3.0
	42.6	38.7

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

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

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

	2011 £m	2010 £m
Sterling	34.1	30.0
South African Rand	7.4	7.3
Australian Dollar	1.1	1.4
	42.6	38.7

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

	2011 £m	2010 £m
At beginning of year	0.7	0.5
Provision for receivables impairment	0.2	0.3
Receivables written off during the year as uncollectable	(0.5)	(0.1)
At end of year	0.4	0.7

As at 31 March 2011, trade receivables of £32.1m (2010: £28.0m) were fully performing.

17. Trade and other receivables *continued*

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

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

At 31 March 2011 trade receivables of £4.3m (2010: £4.9m) 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:

	2011 £m	2010 £m
Up to one month	3.3	3.6
One to two months	0.5	0.4
Two to three months	0.2	0.3
Greater than three months	0.3	0.6
	4.3	4.9

As of 31 March 2011, trade receivables of £0.4m (2010: £0.7m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2010: 100%). The ageing of these receivables is as follows:

	2011 £m	2010 £m
Less than three months	0.1	0.2
Greater than three months	0.3	0.5
	0.4	0.7

The maximum exposure to credit risk at 31 March 2011 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.

18. Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	7.7	3.9

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

	2011 £m	2010 £m
Cash and cash equivalents as above	7.7	3.9
Less: bank overdrafts (note 20)	(3.1)	(2.8)
	4.6	1.1

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

19. Trade and other payables

	2011 £m	2010 £m
Trade payables	27.1	22.0
Other tax and social security payables	2.1	2.2
Amounts owed to associates	0.1	0.5
Other payables	3.6	1.8
Accruals and deferred income	17.7	15.2
	50.6	41.7

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

Notes to the group accounts continued

Year ended 31 March 2011

20. Borrowings

	2011 £m	2010 £m
Non-current		
Bank borrowings (secured):		
– bank loans	17.0	20.0
– less: costs of raising finance	(1.8)	(3.0)
Total non-current	15.2	17.0
Current		
Bank borrowings (secured):		
– bank overdrafts (note 18)	3.1	2.8
Total borrowings	18.3	19.8

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

The repayment terms of borrowings are as follows:

	2011 £m	2010 £m
Not later than one year	3.1	2.8
After more than one year:		
– between one and two years	17.0	—
– between two and five years	—	20.0
– costs of raising finance	(1.8)	(3.0)
	15.2	17.0
Total borrowings	18.3	19.8

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.

Interest rate profile

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

	2011 %	2010 %
Bank loans	3.6	3.5
Overdraft	3.5	3.5

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

Currency profile of net debt

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

	2011 £m	2010 £m
Sterling	10.3	13.4
Euro	0.1	0.1
South African Rand	(2.7)	(0.8)
Australian Dollar	3.1	2.9
US Dollar	(0.2)	0.3
	10.6	15.9

21. Derivative financial instruments

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

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

The Group's financial instruments comprise borrowings, cash, trade receivables and payables, cross currency swaps and forward exchange contracts.

Derivative financial instruments carried at fair value through the income statement

	2011 £m Assets	2011 £m Liabilities	2010 £m Assets	2010 £m Liabilities
Cross currency swap	—	(1.7)	—	(1.7)
Forward foreign exchange contracts	0.4	(0.1)	0.6	(0.5)
	0.4	(1.8)	0.6	(2.2)

Cross currency swaps

The notional principal amount of outstanding cross currency swaps at 31 March 2011 was €6.6m (2010: €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 12). The value of this loan was fully impaired in 2010 and as a result the mark to market value of this swap, being a £1.7m liability, was charged to exceptional operating items in the income statement in that year.

Forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2011 were €12.6m and US\$17.6m (2010: €12.5m and US\$12.1m).

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 £12.4m (excluding amortised finance costs) the effect of a 1% change in market interest rates would be approximately £0.1m 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 £1.6m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £1.8m increase in net assets.

The Group's profits and losses are exposed to both translational and transactional risk of fluctuations in foreign currency risk. The Group seeks to hedge the majority of its transactional risk using forward foreign exchange contracts. After taking these hedges into account the effect of a 5% strengthening in both Sterling and South African Rand against all other currencies would be an increase in profits of £0.5m. Likewise a 5% weakening in both these currencies would lead to a £0.6m reduction in profits.

22. Deferred tax

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

In July 2010 legislation was enacted to reduce the main rate of UK corporation tax from 28% to 27% from 1 April 2011.

The Budget announced on 23 March 2011 included further changes to the main rates of tax for UK companies. The main rate of corporation tax will reduce from 28% to 26% from 1 April 2011. This reduction is in addition to the decrease to 27%. The Budget also proposes to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012. It also proposes to make further reductions to the main rate of 1% per annum to 23% by 1 April 2014.

The additional 1% reduction (to 26%) from 1 April 2011 was substantively enacted on 29 March 2011. Consequently, deferred tax balances have been remeasured to 26%.

Notes to the group accounts continued

Year ended 31 March 2011

22. Deferred tax continued

The proposed further reduction to 25% is expected to be included in the Finance Bill 2011, with future finance bills introducing the additional reductions to 23%.

Given these further changes were not substantively enacted at the balance sheet date, they are not reflected in the financial statements.

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

	2011 £m	2010 £m
Deferred tax asset at the beginning of the year	2.6	—
(Debited)/credited to statement of comprehensive income	(0.4)	2.6
Deferred tax asset at the end of the year	2.2	2.6
	2011 £m	2010 £m
Other timing differences	0.4	—
Deferred tax asset relating to pension deficit	1.8	2.6
	2.2	2.6

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

	2011 £m	2010 £m
Accelerated capital allowances	(1.4)	(0.2)
Other timing differences	2.2	4.8
Deferred tax asset relating to pension deficit	1.4	2.3
Tax losses	20.8	19.8
Advanced corporation tax asset	5.0	5.0
	28.0	31.7

23. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	South Africa property provision £m	Total £m
At 1 April 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
Charged/(credited) to the income statement	1.1	0.8	4.2	(0.5)	5.6
Amortisation of discount	—	—	0.7	—	0.7
Utilisation	(1.1)	(0.5)	(4.4)	(1.0)	(7.0)
At 31 March 2011	1.1	0.7	13.1	0.4	15.3

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.

24. Retirement benefit obligations

(a) Pension costs

Norcros Security Plan

The Norcros Security Plan, the principal UK pension scheme of Norcros plc subsidiaries, is funded by a separate trust fund. It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits. Norcros plc itself has no employees and so has no liabilities in respect of these pension schemes.

South Africa defined benefit schemes

The Group previously operated two separate defined benefit schemes for the benefit of the Group's South African employees. These were the TAL Pension Fund and the Johnson Tiles Pension Fund. Both schemes were closed during the financial year 2007/08 and replaced by defined contribution schemes.

Defined contribution pension schemes

Contributions made to these schemes amounted to £1.0m (2010: £0.8m).

(b) IAS 19, 'Retirement benefit obligations'

Norcros Security Plan

The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation at 31 March 2010 and updated by Mercer Human Resource Consulting, a firm of qualified actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 March 2011. Scheme assets are stated at their market value at 31 March 2011.

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 £1.4m 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:

	2011 Projected unit	2010 Projected unit
Discount rate	5.50%	5.70%
Inflation rate (RPI)	3.40%	3.30%
Inflation rate (CPI)	2.70%	n/a
Increase to deferred benefits during deferment (non-GMP liabilities)	3.40%	3.30%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	3.40%	3.30%
Salary increases	3.65%	3.55%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2011 at age 65 will on average live for a further 20.3 years (2010: 20.1 years) after retirement if they are male and 23.1 years (2010: 22.9 years) if they are female.

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

	2011 £m	2010 £m
Included in operating profit:		
Current service cost	1.3	0.6
Past service credits	(0.4)	—
	0.9	0.6
Included in IAS 19 finance (income)/costs:		
Interest cost	20.1	19.8
Expected return on plan assets	(20.2)	(18.7)
	(0.1)	1.1
Total amounts recognised in the income statement	0.8	1.7

Notes to the group accounts continued

Year ended 31 March 2011

24. 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 2011 %	Value at 31 March 2011 £m	Long-term rate of return expected at 31 March 2010 %	Value at 31 March 2010 £m
Equities	– Norcross Security Plan	7.69%	81.4	8.00%	149.1
Absolute return funds	– Norcross Security Plan	7.69%	135.1	—	—
Bonds	– Norcross Security Plan	5.50%	73.1	5.60%	117.3
Cash and gilts	– Norcross Security Plan	4.19%	72.3	4.50%	87.2
	– other	—	1.4	—	1.2
Total market value of scheme assets			363.3		354.8
Present value of scheme liabilities			(368.9)		(362.9)
Pension deficit			(5.6)		(8.1)
Comprising:					
– Norcross Security Plan			(7.0)		(9.3)
– other			1.4		1.2
Deficit in schemes			(5.6)		(8.1)

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

	2011 £m	2010 £m
(Deficit)/surplus at the beginning of the year	(8.1)	1.8
Contributions	2.1	1.1
Past service credits	0.4	—
Currency translation adjustments	0.1	0.2
Current service cost	(1.3)	(0.6)
Interest cost	(20.1)	(19.8)
Expected return on scheme assets	20.2	18.7
Actuarial gain/(loss)	1.1	(9.5)
Deficit at the end of the year	(5.6)	(8.1)

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

	2011 £m	2010 £m
Opening fair value of scheme assets	354.8	300.2
Employer contributions	2.1	1.1
Employee contributions	0.7	0.7
Expected return on scheme assets	20.2	18.7
Benefits paid	(19.0)	(23.2)
Actuarial gain on scheme assets	5.0	57.1
Plan settlements	(0.6)	—
Currency translation	0.1	0.2
Closing fair value of scheme assets	363.3	354.8

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

	2011 £m	2010 £m
Opening scheme liabilities	(362.9)	(298.4)
Current service cost	(1.3)	(0.6)
Employee contributions	(0.7)	(0.7)
Interest cost	(20.1)	(19.8)
Actuarial loss	(3.9)	(66.6)
Benefits paid	19.0	23.2
Past service curtailment/credits	1.0	—
Closing fair value of scheme liabilities	(368.9)	(362.9)

24. Retirement benefit obligations *continued*

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

South Africa defined benefit schemes *continued*

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of scheme assets	363.3	354.8	300.2	375.8	388.1
Present value of defined benefit obligations	(368.9)	(362.9)	(298.4)	(365.4)	(369.8)
(Deficit)/surplus in the scheme	(5.6)	(8.1)	1.8	10.4	18.3
Experience adjustment on scheme assets	5.0	57.1	(79.6)	(19.1)	(1.3)
Experience (loss)/gain on scheme liabilities	—	(5.9)	—	—	5.2

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

	2011 £m	2010 £m
Actuarial gain/(loss)	1.1	(9.5)
Deferred tax	(0.4)	2.6
Restriction on recognition of surplus	—	1.3
	0.7	(5.6)

25. Called up share capital

	2011 £000	2010 £000
Issued and fully paid		
577,326,112 ordinary shares of 1p each	5,773	5,773
148,754,684 deferred shares of 9p each	13,388	13,388
	19,161	19,161

Warrant instruments

In the previous 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. Following a capital raising in the same year these warrants now represent 8,135,739 ordinary shares (1.41% of the issued ordinary share capital) at 31 March 2011. The warrants are exercisable at 8.97p per share at any time up to July 2017. Under IAS33, warrants only dilute earnings per share to the extent that their fair value exceeds their cost. As at both 31 March 2010 and 31 March 2011, the fair value of these warrants was below their cost and they are therefore not included in the diluted earnings per share calculation in note 9.

26. Consolidated cash flow statements

(a) Cash generated from operations

	2011 £m	2010 £m
Profit/(loss) before taxation	7.5	(10.0)
Adjustments for:		
– exceptional items included in the income statement	1.1	8.2
– cash flows from exceptional costs	(5.9)	(4.4)
– other operating income	—	(0.1)
– depreciation	6.6	6.7
– difference between pension charge and contributions	(0.8)	(0.5)
– loss on disposal of property, plant and equipment	0.1	—
– finance costs	3.4	5.9
– finance income	(0.2)	(0.6)
– other finance (income)/costs	(0.1)	1.1
– share of loss of associates	—	2.8
– share-based payments	0.1	—
– exchange differences	—	(0.4)
Operating cash flows before movement in working capital	11.8	8.7
Changes in working capital:		
– (increase)/decrease in inventories	(4.2)	3.9
– increase trade and other receivables	(4.2)	(5.0)
– increase in payables	7.4	3.0
Cash generated from operations	10.8	10.6

(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 2011

26. Consolidated cash flow statements continued

(c) Analysis of net debt

	Net cash £m	Net debt £m	Total £m
At 1 April 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)
Cash flow	3.6	3.0	6.6
Other non-cash movements	—	(1.2)	(1.2)
Exchange movement	(0.1)	—	(0.1)
At 31 March 2011	4.6	(15.2)	(10.6)

Other non-cash movements relate to an increase in transaction costs of £nil (2010: £3.5m) following the refinancing of bank debt in July 2009 less amortisation charged for the year of £1.2m (2010: £0.8m).

27. Dividends

An interim dividend of £0.7m (0.12p per share) was paid in January 2011. A final dividend in respect of the year ended 31 March 2011 of £1.4m (0.24p per share) is to be proposed at the Annual General Meeting on 28 July 2011. These financial statements do not reflect this final dividend.

28. Capital and other financial commitments

(a) Capital commitments

	2011 £m	2010 £m
Contracts placed for future capital expenditure not provided in the financial statements	0.3	0.3

(b) Operating lease commitments

	2011 £m	2010 £m
Total commitments under operating leases:		
– not later than one year	8.6	9.1
– later than one year and not later than five years	26.9	27.3
– later than five years	26.0	30.9
	61.5	67.3

Of the above commitments £14.0m relates to the onerous property lease for Springwood Drive, Braintree. Subsequent to the year end this lease was redeemed for a one-off payment including costs of £7.8m.

Total future sub-lease payments receivable relating to the above operating leases amounted to £3.1m (2010: £4.7m). Of this figure £0.4m relates to the Springwood Drive property noted above.

The above operating lease commitments are analysed as:

	2011 £m	2010 £m
Equipment:		
– not later than one year	1.0	1.1
– later than one year and not later than five years	1.7	1.5
– later than five years	0.1	0.1
Land and buildings:		
– not later than one year	7.6	8.0
– later than one year and not later than five years	25.2	25.8
– later than five years	25.9	30.8
	61.5	67.3

(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:

	2011 £m	2010 £m
Total commitments under operating leases:		
– not later than one year	0.9	0.6
– later than one year and not later than five years	2.9	2.3
– later than five years	2.1	1.6
	5.9	4.5

29. Related party transactions

The following transactions were carried out with related parties:

(a) Loans to associates

	2011 £m	2010 £m
At beginning of year	—	4.3
Losses made by associate and impairment of loans	—	(4.3)
At end of year (note 12)	—	—

(b) Sales of goods and services

	2011 £m	2010 £m
Sales of goods: – associates	—	0.1

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

(c) Purchases of goods and services

	2011 £m	2010 £m
Purchases of goods: – associates	2.1	2.7
– Prism Cement Limited (formerly H & R Johnson (India) Limited)	0.4	0.9
Purchase of services: – commissions paid to major shareholder	—	0.1
	2.7	3.7

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

Commissions of £nil (2010: £0.1m) and dividends of £0.2m (2010: £nil) 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 of which Vijay Aggarwal is a Director.

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

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

	2011 £m	2010 £m
Receivables from related parties: – associates	—	—
Payables to related parties (note 19): – associates	(0.1)	(0.5)
– Prism Cement Limited (formerly H & R Johnson (India) Limited)	—	(0.2)

30. 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.

31. 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 2011 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 37, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, Business Review, Corporate Governance Statement and the Remuneration Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2011;
- 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 2011.

N. Richens (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
23 June 2011

Parent company balance sheet

At 31 March 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Investments	3	177.3	177.3
Creditors: amounts falling due within one year			
Other	5	(7.2)	(2.4)
Net current liabilities		(7.2)	(2.4)
Total assets less current liabilities		170.1	174.9
Creditors: amounts falling due after more than one year			
Borrowings – bank and other loans	4	(15.2)	(17.0)
Net assets		154.9	157.9
Financed by:			
Share capital	7	19.2	19.2
Share premium account	8	86.8	86.8
Profit and loss account	8	48.9	51.9
Total shareholders' funds	8	154.9	157.9

The financial statements on pages 65 to 68 were approved on 23 June 2011 and signed on behalf of the Board by:



N. P. Kelsall
Group Chief Executive



M. K. Payne
Group Finance Director

Notes to the parent company accounts

Year ended 31 March 2011

1. Statement of accounting policies

Norcross 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 policies 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 29.

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 £4,000 (2010: £5,000) is borne by the Company's subsidiary.

3. Investments

Shares in
subsidiaries
£m

At 1 April 2010 and 31 March 2011

177.3

The Company owns 100% of the share capital of Norcross 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, showers and adhesives.

Details of the principal operating subsidiaries indirectly owned by the Company are shown in note 31 of the Group accounts.

4. Borrowings

	2011 £m	2010 £m
Loans and bank overdrafts – secured	17.0	20.0
Costs of raising finance	(1.8)	(3.0)
	15.2	17.0
Repayable after more than one year:		
– between one and two years	17.0	—
– between two and five years	—	20.0
– costs of raising finance	(1.8)	(3.0)
	15.2	17.0

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.

5. Creditors - amounts falling due within one year

	2011 £m	2010 £m
Amounts owed to Group undertakings	6.3	1.5
Other creditors	0.9	0.9
	7.2	2.4

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

6. Deferred tax

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

The full potential asset for deferred taxation is as follows:

	2011 £m	2010 £m
Tax losses	6.9	7.3

7. Share capital

	2011 £000	2010 £000
Issued and fully paid		
577,326,112 ordinary shares of 1p each	5,773	5,773
148,754,684 deferred shares of 9p each	13,388	13,388
	19,161	19,161

Warrant instruments

In the previous 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. Following a capital raising in the same year these warrants now represent 8,135,739 ordinary shares (1.41% of the issued ordinary share capital) at 31 March 2011. The warrants are exercisable at 8.97p per share at any time up to July 2017.

8. Reconciliation of movement in shareholders' funds

	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
At beginning of year	19.2	86.8	51.9	157.9
Loss for the year	—	—	(2.3)	(2.3)
Dividends paid	—	—	(0.7)	(0.7)
At end of year	19.2	86.8	48.9	154.9

Notes to the parent company accounts *continued*

Year ended 31 March 2011

9. Dividends

An interim dividend of £0.7m (0.12p per share) was paid in January 2011. A final dividend in respect of the year ended 31 March 2011 of £1.4m (0.24p per share) is to be proposed at the Annual General Meeting on 28 July 2011. These financial statements do not reflect this final dividend.

10. Contingent liabilities

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

11. Financial risk management objectives and policies

A description of the Group's financial risk management policies are provided in the Directors' Report on page 21. These objectives and policies also apply to the Company.

12. Share-based payments

The grants and related accounting treatment adopted by Norcross plc under FRS 20, 'Share-based payments' are identical to those adopted by the Group under IFRS 2, 'Share-based payments'. For details refer to note 10 in the Group accounts.

Notice of annual general meeting

Notice is given that the 2011 Annual General Meeting of the Company will be held at 11.00 am on 28 July 2011 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 1 to 10 (inclusive) below will be proposed as ordinary resolutions and resolutions 11 to 16 (inclusive) below 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 2011.
2. To approve the Board's Remuneration Report for the financial year ended 31 March 2011.
3. To declare a final dividend of 0.24 pence per ordinary share.
4. To re-elect David Hamilton as a Director.
5. To elect Martin Payne 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 - to adopt the Norcros plc 2011 Approved Performance Share Plan

8. That:
 - (a) the rules of the Norcros plc 2011 Approved Performance Share Plan with HM Revenue & Customs Approved Schedule (APSP) described in the Annual Report and Accounts 2011 of which the notice containing this resolution forms part and in a form produced in draft to the meeting, and for the purposes of identification only, initialled by the chairman of the meeting, be and are hereby approved and adopted; and
 - (b) the Directors of the Company be and are hereby authorised to do all such things as may be necessary or desirable to carry the APSP into effect, including making any changes to the rules of the APSP as are necessary or desirable in order to obtain approval by HM Revenue & Customs.

Ordinary resolution - to adopt the Norcros plc 2011 Deferred Bonus Plan

9. That:
 - (a) the rules of the Norcros plc 2011 Deferred Bonus Plan (Plan) described in the Annual Report and Accounts 2011 of which the notice containing this resolution forms part and in a form produced in draft to the meeting, and for the purposes of identification only, initialled by the chairman of the meeting, be and are hereby approved and adopted; and
 - (b) the Directors of the Company be and are hereby authorised to do all such things as may be necessary or desirable to carry the Plan into effect.

Ordinary resolution - authority to allot shares

10. That the Directors are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (Allotment Rights), but so that:
 - (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £3,810,352, 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 2012 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.

Notice of annual general meeting continued

Special resolution – disapplication of pre-emption rights

11. 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 10 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, and shall expire when the authority conferred on the directors by resolution 10 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 resolution – authority to purchase own shares on market

12. 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 nominal value of such shares that may be acquired under this authority is £577,326;
- (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 2012 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 – approval of the purchase of deferred shares

13. That the terms of, and the execution by or on behalf of the Company of, the proposed contract (a draft of which has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification only) between the Company and all of the holders of deferred shares of 9 pence each in the capital of the Company (Deferred Shares), pursuant to which the Company will purchase all of the Deferred Shares in issue, be and are hereby approved and authorised for the purposes of section 694 of the Companies Act 2006 and article 4.2(g)(ii) of the Articles of Association of the Company, but so that such approval and authority shall expire on 31 December 2011.

Special resolution – amendments to the Articles of Association

14. That, subject to the resolution numbered 13 in the notice convening this Annual General Meeting having been passed and the contract which is referred to in that resolution having been entered into by (or on behalf) of the holders of the deferred shares and the Company, the Articles of Association of the Company be and are hereby amended as follows:

- (a) in article 1, by the deletion of the words "Deferred Share means deferred shares of 9 pence each in the capital of the Company";
- (b) by the deletion of the words "and Deferred Shares" in article 4.1; and
- (c) by the deletion of Article 4.2 in its entirety.

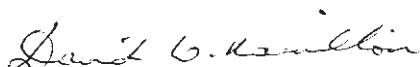
Special resolution – cancellation of share premium account and capital redemption reserve

15. That:

- (a) the share premium account of the Company be cancelled; and
- (b) the capital redemption reserve of the Company which arises upon completion of the contract referred to in the resolution numbered 13 in the notice convening this Annual General Meeting be cancelled.

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

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



D. W. Hamilton

Director and Company Secretary
23 June 2011

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, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.
2. The right of a member of the Company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares of 1p each (ordinary shares) by 6.00 pm on 26 July 2011 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.
3. A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with Section 323 of the Companies Act 2006, as amended. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this notice of Annual General Meeting. To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then be delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Capita Registrars, Proxy Department at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by 11.00 am on 26 July 2011. 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 below. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.
4. Any person to whom this notice is sent who is currently nominated by a member of the Company to enjoy information rights under Section 146 of the Companies Act 2006, as amended, (a "nominated person") may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
5. Voting on all resolutions will be conducted by way of a poll, rather than a show of hands. This is a more transparent method of voting as members' votes are counted according to the number of ordinary shares held. As soon as practicable following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against, together with the number of votes actively withheld in respect of, each of the resolutions will be announced via a Regulatory Information Service, and will also be placed on the Company's website: www.norcros.com.
6. As at 20 June 2011 (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 each carrying one vote each and 148,754,684 deferred shares of 9p each carrying no voting rights and (ii) the total voting rights in the Company were 577,326,112.
7. The draft contract referred to in resolution 13 is available for inspection at the Company's registered office by members for at least 15 days ending on 28 July 2011, and at the meeting.

Notice of annual general meeting continued

8. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with Section 319A of the Companies Act 2006, as amended, and subject to some exceptions, the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act 2006, as amended, to publish on a website in advance of the meeting may be viewed at www.norcros.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.
9. It is possible that, pursuant to members' requests made in accordance with Section 527 of the Companies Act 2006, as amended, the Company will be required to publish on a website a statement in accordance with Section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the Company's latest audited accounts. The Company cannot require the members concerned to pay its expenses in complying with those sections. The Company must forward any such statement to its auditors by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.
10. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer procedures described in "the CREST voting service" section of the CREST manual. CREST personal members or other 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 2011. 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.
11. 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.

Shareholder consultation paper

Remuneration and incentives

Background

Following a review by the Remuneration Committee of the Company (the "Committee") the Board proposes, after having fully consulted with the Company's major shareholders and receiving extremely helpful and constructive input, much of which has been incorporated, to introduce a new long-term incentive plan, namely the Norcros plc 2011 Approved Performance Share Plan (the "2011 APSP") with an HMRC-approved component.

The Committee also intends to adopt a new deferred share bonus plan, namely the Norcros plc 2011 Deferred Share Bonus Plan (the "2011 Bonus Plan") to operate in conjunction with the Company's existing bonus structure for certain of the Company's Executive Directors.

The Committee is of the opinion that the proposed 2011 APSP, together with other components of reward, provides an appropriate balance of fixed and variable remuneration at a market competitive level. It is also of the opinion that these new plans will ensure remuneration arrangements of the Executive Directors are aligned with those of shareholders and reinforce the Company strategy in motivating and retaining key individuals.

Summary of Executive Directors' service contracts

Under the terms of a service contract entered into on 1 April 2011, Nick Kelsall is entitled to a base salary of £260,000 per annum with effect from 1 April 2011, the date on which he became Group Chief Executive of Norcros Group. In addition he is entitled to a pension contribution of 30% of base salary and, again with effect from 1 April 2011, an annual car allowance of £29,150. Mr Kelsall is also eligible to participate in annual bonus arrangements and any long-term incentive scheme and is eligible for life assurance, membership of a private medical expenses arrangement and permanent health insurance cover. Mr Kelsall's service contract is terminable on 12 months' notice to or from the Company.

Under the terms of a service contract entered into on 18 March 2011 Martin Payne, the new Group Finance Director, is entitled to a base salary of £180,000 per annum. In addition he is entitled to a pension contribution of 25% of base salary and an annual car allowance of £20,000. Mr Payne is also eligible to participate in annual bonus arrangements and any long-term incentive plan and is eligible for life insurance, membership of a private medical expenses arrangement and permanent health insurance cover. Mr Payne's service contract is terminable on 12 months' notice to or from the Company.

Under the terms of a service contract entered into on 14 June 2007 Joe Matthews is entitled to a base salary of £286,000 p.a. In addition he is entitled to a pension contribution of 25% of salary and an annual car allowance of £29,150. Mr Matthews is eligible for life assurance, membership of a private medical expenses arrangement and permanent health insurance cover. Mr Matthews will cease to be a Director of Norcros plc with effect from 31 July 2011 following the Company's AGM. Mr Matthews will participate in any bonus entitlement in respect of the year ending 31 March 2011 and also participate pro rata (i.e. to the extent of one third) in any bonus entitlement in respect of the year ended 31 March 2012. Mr Matthews will not participate in the new APSP.

Under the terms of a service contract entered into with effect from 1 April 2011 Mr Hamilton is entitled to a base salary of £100,000 p.a. He does not participate in any annual bonus arrangement or any long-term incentive plan nor is he entitled to any pension contribution but he does receive a car allowance of £19,850 p.a. Mr Hamilton is eligible for life assurance, membership of a private medical expenses arrangement and permanent health insurance cover.

2011 annual bonus structure

The Committee proposes to introduce the following annual bonus structure for eligible Executive Directors of the Company in 2011:

- target and maximum annual bonus opportunities of 25% and 100% (respectively) of base salary, determined wholly in terms of Group trading profit; and
- 50% of bonus amounts to be deliverable in the form of nil cost options over ordinary shares in the capital of the Company, the release of which will be deferred for three years.

The Committee intends to adopt the 2011 Bonus Plan to facilitate this new bonus structure.

Shareholder consultation paper continued

Remuneration and incentives

The 2011 APSP

In order to align executive interest further with shareholders the Committee proposes the introduction of the 2011 APSP for key executives of the Company and its subsidiaries (the "Group"). The main terms of the APSP are summarised below. Awards made under the APSP will generally be made in the period following the announcement of the Company's full year results.

The 2011 APSP provides for the grant of performance shares in the form of nil cost options which will only vest on the satisfaction of demanding performance criteria over three years (subject to individual and overall limits). The 2011 APSP also allows for part of the Awards to be made under an HMRC-approved addendum, which provides for beneficial tax treatment for the Company and participants on an element of the award.

Performance criteria

The vesting of Awards under the 2011 APSP will be subject to demanding performance criteria set by the Committee in respect of each performance period. 2011 Awards will vest, subject to achievement of targets based on the aggregate diluted benchmark earnings per share (EPS) for the three financial years 31 March 2012 to 31 March 2014. The Remuneration Committee considers that the measurement of performance in this way will focus participants' attention on generation of longer-term value over the performance period. The Committee further considers that this approach provides a performance condition over which there is line of sight for participants and which encourages the creation of shareholder value in each of the constituent years as opposed to focusing on relative growth from one point to another which does not take into account intermediate performance.

The Company is committed to setting demanding, but achievable, annual and long-term incentive performance targets. Performance targets are calculated to take account of a number of reference points which reflect internal and external expectations, including the latest internal forecasts, straight line profit growth consistent with median and upper quartile returns over the next three to five years and broker forecast data for the Company.

The Committee proposes diluted benchmark EPS as the performance measure to determine vesting of 2011 Awards as it believes diluted benchmark EPS, provided that it is tightly and clearly defined, remains the best (and best understood) measure of enhancing shareholder value. The Committee is committed to reviewing the possibility of introducing additional performance measures such as total shareholder return (TSR) and cashflow in advance of each APSP cycle. The Committee believes TSR lacks consistency at this time, given the extreme volatility over the past three years in the share price of both the Company and its sector peers and that cash flow, whilst a powerful tool of internal control, is less appropriate given the current low level of gearing and would add further definitional complexity.

Additionally, for Awards to vest on diluted benchmark EPS, the Committee must satisfy itself that the recorded diluted benchmark EPS is a genuine reflection of the underlying business performance of the Company over the performance period.

The Committee will retain discretion to adjust the targets in the event of any material acquisitions and other corporate events, in order to maintain the same level of challenge and objectivity and to ensure the proposals support the Company's ongoing strategy.

Performance criteria: 2011 Awards

For the 2011 Awards the Committee proposes a three-year aggregate diluted benchmark EPS target for the period 2012–14 of 5.08p to 5.75p. At the lower end, this is equivalent to 10% compound annualised trading profit growth and at the upper end to 15% compound annualised growth. In summary, if over the three financial years ending 31 March 2012 to 31 March 2014 the aggregate diluted benchmark EPS is less than 5.08p there will be no vesting. 25% of the 2011 Awards will vest for aggregate diluted benchmark EPS of 5.08p rising on a straight line basis to full vesting for aggregate diluted benchmark EPS of 5.75p or higher.

Change of control

In the event of a change of control, Awards will vest, pro rata, taking into account the time which has elapsed between the grant of the award and the change of control and the extent to which performance conditions have been satisfied in that period. In all other circumstances the Awards will normally lapse unless the Board determines otherwise.

Good leavers

Awards will vest in the case of those participants who are good leavers, i.e. due to death in service or retirement on or after the age of 55, taking into account the time which has elapsed between the grant of that award and cessation of employment and the extent to which the performance conditions have been satisfied. In all other circumstances the Awards will normally lapse unless the Board determines.

Claw back

The Remuneration Committee is committed to operating a claw back, where the accounts upon which the performance conditions are based are shown to be materially incorrect and intend to apply claw back to Awards so affected in such circumstances. The Remuneration Committee is also committed to monitoring market practice in this area and will actively consider whether the introduction of a broader claw back mechanism is something which might be appropriate for future Awards.

Dilution limit

Generally, it is the intention that APSP Awards will be satisfied through the transfer or purchase of existing shares unless the Committee, in its discretion, feels that a new issue of shares would be more appropriate. In the event that Awards under the 2011 APSP are satisfied through a new issue of shares the Company will operate within the Association of British Insurers (ABI) guideline that dilution should be limited to 10% within ten years for all share-based incentive schemes.

Extent of awards

Subject to shareholder approval it is anticipated that initial APSP Awards will be offered to key executives across the Group.

Proposed Awards to the Company's Executive Directors

The Committee intends in normal circumstances to grant APSP Awards as a percentage of base salary restricted to an upper limit of 100%. However the Plan allows for up to 150% in exceptional circumstances. The proposed 2011 Awards to eligible Executive Directors are set out below:

	Base salary	2011 Awards
Nicholas Kelsall	£260,000	100%
Martin Payne	£180,000	100%

Shareholder consultation paper continued

Remuneration and incentives

Adoption of Deferred Share Bonus Plan

As set out above, as part of the process of aligning executive and shareholder interest, the Committee has approved a 2011 Deferred Share Bonus Plan. Under the Deferred Share Bonus Plan, 50% of the eligible Executive Director's bonus that would otherwise have been payable in cash will be delivered in the form of nil cost option performance shares, to strengthen alignment with shareholders' interests. Awards under the Deferred Share Bonus Plan will normally vest at the end of a three-year period, subject to the Executive Director concerned not being dismissed for reasons that constitute gross misconduct. Other key employees participating in the APSP may be required to defer a portion of their annual bonus pursuant to the Deferred Share Bonus Plan.

Employees' trust

The Committee has already established an Employee Benefit Trust (the "Trust") managed by professional trustees based in Jersey. The intention is that, where appropriate, the shares to be delivered under the APSP and the Deferred Plan will be sourced via market purchase through the Trust.

Shareholding guidelines

The Committee has also adopted shareholding guidelines for Executive Directors of the Company. Executive Directors participating in the 2011 APSP and 2011 Bonus Plan will be expected to retain at least half, and other eligible executives 20%, of the shares vesting under these Plans (net of taxes) until such time, in either case, as a total personal shareholding derived from participating in the APSP and the deferred share Bonus Plan and equivalent to 100% of base salary has been achieved.

Overseas participants

The Group operates in a number of jurisdictions outside the UK and it is intended that long-term incentive Awards should be able to be made, where appropriate, to key overseas employees. The Company will retain the ability to amend the 2011 APSP, or establish further share plans based on the 2011 APSP, but modified to take account of the local tax and legal position, provided that Awards under any such plans are treated as counting against the limits on individual and overall participation in the APSP.

Resolutions

Resolutions proposed in relation to the adoption of the 2011 APSP and the 2011 Bonus Plan are on page 69 of the Notice of Meeting and the relative explanatory notes appear on page 23.



