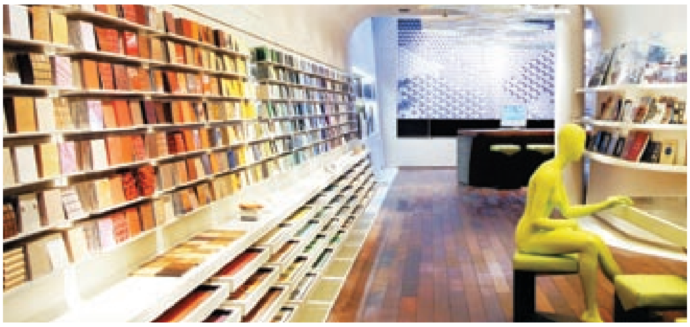
norcros

Norcros plc
annual report and accounts 2008




who we are

Norcros plc designs, manufactures and sells selected home consumer products, supplies high quality and innovative showers, ceramic wall and floor tiles and related products.

We have three complementary UK businesses: Triton Showers, the leading UK shower company; Johnson Tiles, the leading UK tile producer; and our tile adhesive operation, Norcros Adhesives. We have significant operations in South Africa and interests in Australia, Greece and India.

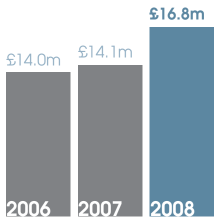
Norcros plc was listed on the London Stock Exchange on 16 July 2007 to enhance the Group's profile and allow for continued expansion.

our highlights

Operating profit*

£16.8m

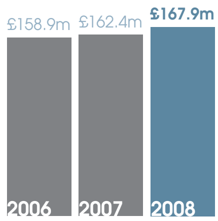
+19.1%



Revenue*

£167.9m

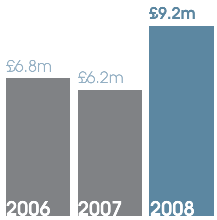
+3.4%



Net cash generated from operating activities

£9.2m

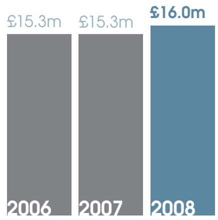
+48.4%



Trading profit*

£16.0m

+4.6%



* from continuing operations.

our history

NOVEMBER 1999
Business taken private by MBO with equity backing principally from Bridgepoint Capital.

NOVEMBER 2001
Sale of UK and Australian adhesive businesses to Ardex.

DURING 2003
Completed three year restructuring of Johnson Tiles manufacturing operations in the UK from four sites to a single state-of-the-art facility.

DECEMBER 2004
Acquisition of Tile Africa, a tile retail operation, by Norcros South Africa.

our operations

UK OPERATIONS

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

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

REST OF THE WORLD OPERATIONS

The Group has a wholly-owned subsidiary in Australia selling tiles under the "Johnson" brand. Norcros also has associates in Greece manufacturing tiles and adhesives, an investment in a leading Australian tile distributor and retailer (R. J. Beaumont & Co. Pty Ltd) and an investment in H & R Johnson (India) Limited, a manufacturer of ceramic tiles using the "Johnson" brand.

SOUTH AFRICAN OPERATIONS

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

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

JUNE 2005
Sale of Autotype (speciality chemicals business).

AUGUST 2005
Re-entered the tile adhesive market in the UK with two new brands, Norcros and Johnson Professional.

MARCH TO MAY 2007
Acquisition of 14 freehold and 2 long leasehold properties in South Africa relating to its retail operations under an option agreement.

JULY 2007
Listing of Norcros plc on the London Stock Exchange.

chairman's statement

I am pleased to report the Group's first full-year results since its successful listing in July last year.

I am pleased to report the Group's first full-year results since its successful listing in July last year.

We could not have chosen a more challenging year in which to return to the public spotlight. Despite difficult trading conditions in both of our main markets, we achieved a 4.6% increase in trading profit and a 75.7% increase in profit before tax and exceptional items, on a 3.4% increase in turnover. Profit before taxation increased from £5.9m to £9.9m.

These results reflect a number of factors including the proven resilience of our businesses in the face of difficult conditions, reduced gearing, the significant capital investment we have made in them over recent years, our leading market positions in both the UK and South Africa and, above all, the quality and experience of our management teams.

With our markets expected to remain challenging in the short term, the factors referred to above, along with our ongoing programme of marketing and cost initiatives, underline our confidence in the long term future of the Group and our determination to maintain and develop the quality of our businesses.

RESULTS

Revenue for the year was £167.9m (2007: £162.4m), an increase of 3.4% and reflects robust performances in all of our geographical segments. Reported revenue was adversely impacted by a weakening in the South African Rand to Sterling exchange rate. At constant exchange rates revenue increased by 5.2%.

As indicated in our pre-close trading statement, trading profit was £16.0m (2007: £15.3m), an increase of 4.6%, reflecting significant improvements in our UK and Australian businesses partly offset by cost pressures and the market downturn in the second half in South Africa. At constant exchange rates trading profit increased by 6.7%. Trading profit margins increased to 9.5% from 9.4%. Benefiting from this resilient trading performance and lower net finance costs, profit before tax and exceptional items increased by 75.7% to £13.0m (2007: £7.4m).

Finance costs before exceptional interest costs were down from £12.0m to £6.9m because of the reduction in net borrowings following the Group's stock market listing and consequent refinancing of its previous debt facilities. The exceptional operating credit of £0.7m is the recognised surplus from our South African defined pension benefit scheme following its closure during

Norcros made good progress in what was a testing year.

the period. The exceptional interest cost of £3.8m relates to the write off of capitalised costs relating to the previous debt facilities.

Basic earnings per share before exceptional items were 10.7p (2007: 12.8p) reflecting the significant increase in the number of shares in issue following the listing.

DIVIDEND

Reflecting both the progress made during the year and its confidence in the Group's prospects, the Board is recommending a final dividend of 2.66p per share which, if passed at the Annual General Meeting, will be paid on 31 July 2008 to shareholders on the register as at 6 July 2008. Together with the interim dividend of 0.56p, paid on 11 January 2008, this will bring the total dividend for the period since listing to 3.22p per share.

FINANCE

The Group remains in a strong financial position with net debt of £46.5m at the end of March 2008 and an £80.0m banking facility available until 2012. On 16 July 2007 the Company's shares were admitted to the Official List of the UK Listing Authority and the London Stock Exchange's main market. 128,802,669 ordinary shares were placed at 78p per share raising £100.5m in total, of which £72.0m (after expenses) was raised for the Company. These net proceeds were applied in reducing borrowings and repaying shareholder loans.

Net cash generated from operations in the period was £13.7m (2007: £14.1m) and net investment in capital expenditure and acquisitions was £10.4m (2007: £5.9m) including the balance of the consideration of £3.8m relating to the acquisition of the freehold interests in 14 and the leasehold interests in two of the Tile Africa stores which were previously leased. Consequently, net borrowings reduced from £112.9m at 31 March 2007 to £46.5m at 31 March 2008.

INITIATIVES

The Board's priority is to ensure an ongoing twin track focus on managing the Group's cost base, whilst at the same time judiciously investing in the Group's businesses for future growth. The Board is implementing a range of measures which, it is estimated, will achieve annualised cost savings in the region of £2.0m to £2.5m at a one-off exceptional cost of approximately £1m. These include a review of staffing requirements and business process programmes designed to improve efficiency.

BOARD

Ahead of its stock market listing the Group announced the appointment of three Non-executive Directors to the Board, including Les Tench, non-executive chairman at SIG plc, Jamie Stevenson, non-executive director with Interior Services Group plc and myself as Chairman.

Including the extensive track records of the executive Directors, the Board collectively has considerable experience and knowledge of the UK and international building and construction sectors.

EMPLOYEES

The progress made during the year would not have been possible without the professionalism, enthusiasm and dedication of our people. On behalf of the Board I wish to thank all our employees for their contribution. It is particularly encouraging to see the emphasis that is given to the high levels of customer service and exciting new product programmes. The leading market positions held by a number of our businesses is a testament to the success of our approach at every level of the organisation.

SUMMARY AND OUTLOOK

Norcros made good progress in what was a testing year.

Since the year end our markets in the UK and South Africa have continued to soften whilst energy prices continue to increase substantially. We do not anticipate any respite in the short term and are maintaining our focus on cost reduction and cash management. We nevertheless continue to believe that Norcros has a bright future with strong positions in attractive market segments. This belief is further reinforced by our continued investment in both capital and revenue programmes to support the longer term development of the business.

J. E. BROWN
CHAIRMAN
19 JUNE 2008

business review

Norcros is a focused Group engaged in the design, manufacture and sale of selected home consumer products.

OUR HIGHLIGHTS

- Revenue* increased 3.4% to £167.9m.
- Operating profit* increased 19.1% to £16.8m.
- Trading profit* increased 4.6% to £16.0m.
- Net cash generated from operating activities increased 48.4% to £9.2m.

* from continuing operations.

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 divisions:

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

In the UK the Group operates through three divisions: Triton Showers, Johnson Tiles and Norcros Adhesives.

SOUTH AFRICA

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

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

Triton Showers is the UK market leader in the manufacture and marketing of domestic showers, with a leading position in electric showers and an increasing presence in mixer showers.

REST OF THE WORLD
The Group has a wholly-owned subsidiary in Australia selling tiles under the "Johnson" brand. Norcros also has an associate in Greece manufacturing tiles and adhesives, an investment in a leading Australian tile distributor and retailer (R. J. Beaumont & Co. Pty Ltd) and an investment in H & R Johnson (India) Limited, a manufacturer of ceramic tiles.

OUR STRATEGY

TRITON SHOWERS
Triton is well positioned to leverage its excellent brand awareness and consumer brand loyalty. Future growth is expected to be achieved through:

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

JOHNSON TILES
Johnson Tiles has demonstrated good sales growth in the UK market in recent years and continued sales growth is expected to be achieved through:

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

Johnson Tiles has demonstrated good sales growth in the UK market in recent years.

Future growth of Norcros South Africa is expected to be realised through a continued emphasis on superior customer service, supply chain improvements and increased efficiencies.

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

- the expansion and refurbishment of the TAF estate. The objective is to introduce a minimum of four new stores each year and to refurbish a similar number of existing stores each year;
- investment in marketing and advertising to increase the brand awareness of TAF, TAL and Johnson;
- investment in new product development programmes in the JTSA and TAL operations; and
- a continued emphasis on superior customer service, supply chain improvements and increased efficiencies.

business review

TRADING PERFORMANCE

OVERVIEW

The year to 31 March 2008 was extremely challenging for everyone at Norcros but we delivered a result ahead of the prior year. This was a resilient performance.

In the UK, our businesses were faced with the knock-on effects of the so-called 'credit crunch' and, in particular, with downturns in the housing market, consumer confidence and spending. Unprecedented increases in energy costs had – and continue to have – a direct impact on our operations with energy costs substantially ahead of the comparable period last year. Our highly efficient businesses, ongoing management of costs, together with the benefits of new product and marketing initiatives ensured that we were able to deliver a good result for the year.

As previously reported, our operations in South Africa were impacted by high interest rates, consumer uncertainty, power supply disruption and input cost increases. However, our investment in new stores and store refurbishment is delivering revenue benefits and has strengthened the market position of our business.

UK

Total revenue increased 1.8% to £107.7m and trading profits improved from £12.1m to £13.7m with operating margins advancing to 12.7% from 11.4%. Each of the three UK businesses recorded an uplift in revenues and trading profit compared with the corresponding period in 2007.

TRITON SHOWERS

Triton, our market leading domestic shower business, grew total revenues by 1.8% with an increase in UK revenues of 4.5% more than offsetting a reduction in export revenues of 8.5%. Despite the tougher UK market conditions particularly in the second half of the year, Triton continued to record revenue growth in both the trade and retail channels. The decline in export sales largely reflects the weak market conditions in Ireland, Triton's largest export market.

The year to 31 March 2008 was extremely challenging for everyone at Norcros but we delivered a result ahead of the prior year.

Triton's UK performance is particularly noteworthy in the context of an estimated 3% decline in the UK shower market. The division has not only maintained its leading market position but also grown its share. Particular success was enjoyed with its mixer shower ranges and Triton is now considered (Source: GB Consult) to be one of the leading suppliers of mixer valves in the UK and the market leading brand in the retail segment.

Triton continues to invest significantly in new product development, marketing and promotional programmes, all of which are driven on the back of detailed consumer and installer research. As a result over 70% of its revenue is derived from products introduced in the last three years. New products launched in the period included a range of "Eco" electric and mixer showers; the T90XR, a pumped electric shower; the T80XR, an all chrome version of the best-selling T80 shower; and a number of new electric and mixer shower ranges for the retail segment. In early September 2007, Triton ran a highly successful TV sponsorship campaign to drive brand awareness. This featured the state-of-the-art Satellite shower range which succeeded in increasing revenue and raising brand and product profile.

Triton continues to invest significantly in new product development, marketing and promotional programmes, all of which are driven on the back of detailed consumer and installer research.

Building on these successes, Triton has recently launched two significant new product ranges: the Safeguard Electric Shower, targeted at the growing care market; and the Triton Inscription and Triton Collection range, offering inspirational products at affordable prices. Both ranges have been well received by the trade and retail sectors. Profitability was marginally ahead of last year despite input cost increases, reflecting revenue growth, selective sales price increases and tight control of costs. A key focus of the business is an ongoing value analysis programme with the supplier base combined with increased sourcing of components and sub-assemblies from low cost factor countries.

In summary, our Triton business has recorded a solid operating performance and significant cash generation reflecting the resilience of its business model, the flexibility of its cost structure and the strength of its brand and franchise. Triton is very well positioned to take advantage of market opportunities and to continue to outperform by offering exciting and affordable new products backed up with excellent service. We remain confident of further progress.

JOHNSON TILES

Our UK tile business Johnson Tiles made excellent progress and increased its UK revenues by 5.8% more than offsetting the expected decline in export revenues as the contract to supply the Dubai International Airport was completed. This growth reflects the benefits of the ongoing investment in successful new product ranges, specification gains in the contract sector and market share gains in the housebuilder segment. Notable successes included new business with B&Q and Next in the consumer segment, the specification for the new Marks & Spencer store in White City and the Bryant and Kier housebuilder national specifications.

business review

TRADING PERFORMANCE CONTINUED

JOHNSON TILES CONTINUED

Revenue gains were combined with improved operational effectiveness through selective capital investment targeted at "in line" manufacturing capability, kiln firing efficiency and energy recovery. One of the main drivers in improving operational effectiveness is through rationalising the number of product sizes and ranges that are manufactured. This is a key objective in the current financial year and should lead to significant productivity gains once executed.

As a result, despite markedly higher energy costs particularly in the second half of the year and the more challenging market conditions, our UK tile business recorded a significant improvement in profits and cash generation. This achievement is testament to our increasingly focused marketing approach, our strengthened product offer, good customer service, strong management team together with selective sales price increases and effective cost control.

NORCROS ADHESIVES

Our recently established UK adhesive business continued to make very good progress. Start up losses reduced significantly and monthly profits were recorded in four separate months of the year. Revenues were strongly ahead of last year growing by 46% reflecting, in part, a number of major account wins in the second half of the year.

The strategy of developing joint tile and adhesive specification, particularly within the commercial sector is proving successful and several major contracts, including the Marks & Spencer store at White City, have been gained, together with a promising bank of prospects. The marketing focus continues to build both the Norcros and Johnson brands through trade advertising, promotional programmes and point of sale merchandise. An important operational development has been the construction of a powder adhesive and grout manufacturing facility at a cost of £1.0m on the Johnson Tiles manufacturing site, which was commissioned early in the current financial year. This will deliver margin benefits and improve quality control and customer service and, together with continued revenue growth, should ensure the business moves into a sustainable profit position in the current financial year. Continuing demand from social housing and public sector refurbishment is expected to more than offset a projected decline in activity levels in the private housing and retail sectors.

SOUTH AFRICA

The performance of our South African operations particularly in the second half of the year was impacted by the slowing, and increasingly uncertain, local and global economic environments. The local economy saw the introduction of a National Credit Act, the raising of interest rates by 450 basis points, pushing prime lending rates to 15%, a significant increase in international fuel prices and a reduction

in business confidence resulting from the disruption and uncertainty in the supply of electricity. Notwithstanding these difficulties the overall revenue of our South African business grew, in constant currencies, by 12.1%, principally reflecting 11.4% revenue growth in Tile Africa, our retail operation, and 14.7% revenue growth in TAL, our adhesive operation.

In Tile Africa, all the existing stores have undergone a major upgrading in their housekeeping and four existing stores, Fourways, Boksburg, Springfield and Garsfontein have been totally refurbished to our new lifestyle format. Four new stores were opened in the period at Rivonia, Paarden Island, Witbank and Pomona. In addition, we purchased the George and Randburg stores, which were previously franchise operations. The estate now comprises 34 stores and work is ongoing to improve and expand the estate with a further three sites already secured at Ballito, Pinetown and Centurion which are scheduled to be operational in Q4 of the current financial year. We are targeting to secure additional new stores this year with the current objective of reaching 50 stores in 2010/11.

Profitability has improved year on year but declined in the second half of the year, reflecting the combined effects of negative like for like revenue growth in this period, increased marketing and training costs together with the costs associated with store refurbishments and new store openings.

TAL, our adhesive operation, grew revenues by 14.7% reflecting strong growth in the tile adhesive and building construction segments together with modest growth in the industrial adhesives segment. Our tile adhesive business has benefited from the quality of our product offering and our strong technical on-site service support, both of which are particularly relevant in the specification and commercial segments. In construction products, our know-how and technology in rapid set ceramic adhesives has enabled us to expand our product range into the screeding and waterproofing applications. In industrial adhesives, we have expanded and focused our resources in the pressure sensitive and hot melt fields. The investment in a new hot melt plant has supported growth in this area as well as the development of a fire retardant hot melt product for the roofing insulation market.

TAL maintained high profit margins albeit in absolute terms profits declined marginally year on year reflecting input cost increases, particularly raw materials and distribution charges.

JTSA, our tile manufacturing operation, experienced difficult trading conditions and recorded an operating loss for the year. This reflected the impact of lower revenue to Tile Africa, following the decision to release manufacturing capacity to service an expected increase in demand from our independent customer base. This did not materialise because of the downturn in the market, substantial competitor capacity increases and structural changes in the customer base, impacting sales in this segment. Profitability was also impacted by increases in input costs, particularly glaze, manufacturing consumables and energy, all of which were exacerbated by the weakening Rand exchange rate. In response, we have deferred the planned increase in capacity, increased our new product development resource and focused our manufacturing facility on producing higher quality, upmarket designer tiles.

business review

TRADING PERFORMANCE CONTINUED

SOUTH AFRICA CONTINUED

We are confident that the planned changes will further strengthen our position in the commercial/contract and consumer markets, and that we will see an improvement in operating performance in the current year.

REST OF THE WORLD

Our Australian business, Johnson Tiles Australia, continued to make good progress with revenues on a constant currency basis increasing by 10.3%. The business recorded a trading loss of £0.3m compared to a loss of £0.8m in the comparable period last year. We continue to invest in new product development, focused trade marketing and selling resource, the benefits of which have yet to be fully realised. We have been successful in growing floor tile revenue by 25% and this remains the biggest opportunity going forward. We have successfully launched the "Johnson Home Heating" product range with a significant increase in revenue anticipated in this financial year as we supply major commercial specifications gained last year. Our priority is to continue to grow revenues and move the business into sustainable profits in this financial year.

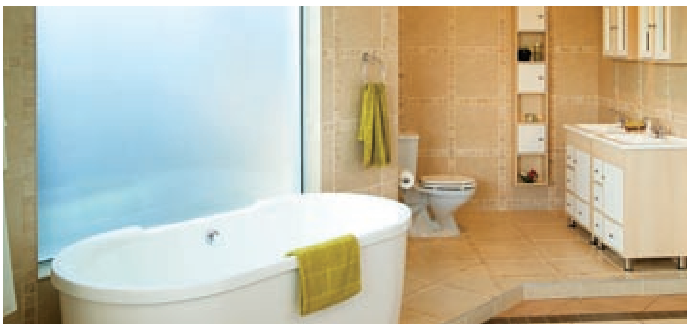
SUMMARY

The combination of our UK market leading positions, business efficiency initiatives, innovative product development and robust management of our cost base underline our confidence in the future of our businesses and our ability to out-perform the markets in which we operate.

South Africa remains challenging but again, with the strength of our market positioning and business initiatives, we remain very positive about the medium to long term potential of our South African operations.

Norcros has excellent businesses in each of the segments in which it operates. With strong brands supporting leading market positions, a relentless focus on business efficiencies and excellent management teams, we are confident that, whilst the current year will continue to present challenges and difficulties, we can continue to strengthen the quality of our businesses and position ourselves to take advantage of the medium term opportunities.

Norcros has excellent businesses in each of the segments in which it operates.



FINANCIAL REVIEW

REVENUE

Group revenues increased on a reported basis by 3.4% or by £5.5m to £167.9m (2007: £162.4m). The underlying growth on a constant currency basis was higher at 5.2% or £8.3m from £159.6m (2007 restated to constant currency), principally reflecting the translation impact of the weaker South African Rand/Sterling exchange rate between the two periods. The Group recorded revenue growth in each of its three geographical segments and in each of its individual businesses.

TRADING AND OPERATING PROFIT

Trading profit, as reported, increased by 4.6% to £16.0m (2007: £15.3m) and on a constant currency basis increased by 6.7% to £16.0m (2007 restated to constant currency: £15.0m). This reflected the growth in profits in our UK businesses and the reduction in losses in the Australian tile operation more than offsetting the decline in profit in our South African segment. Trading profit margins increased from 9.4% to 9.5%.

Operating profit increased by 19.1% to £16.8m from £14.1m.

FINANCE COSTS

Finance costs reduced significantly to £6.9m from £12.0m in 2007. This reduction reflects the benefit of the Company's new capital structure following the listing in July 2007 when the Group's debt levels were reduced by £72.0m and the bank facilities renewed on more advantageous terms.

Finance income largely reflects the net income relating to our UK defined benefit pension scheme which amounted to £3.4m compared to £2.4m last year. The increase reflects the expected net return resulting from the improvement in the funding position in 2007 compared to the previous year. Further details are provided in note 23 to the accounts on pages 60 to 63.

PROFIT BEFORE TAX

Profit before tax and exceptional items increased by 75.7% or £5.6m to £13.0m (2007: £7.4m) reflecting the improvement in trading profit and the significant reduction in finance costs detailed above. Profit before tax and after exceptional items was £9.9m compared to £5.9m for the comparable period.

EXCEPTIONAL ITEMS

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

The exceptional net charge of £1.5m in 2007 is detailed in note 5 on page 49. The major items comprise an increase in the provision relating to legacy onerous lease obligations dating back to the disposal of a number of businesses in the early 1990s of £6.0m and a £5.0m exceptional credit relating to changes in pension tax legislation which enable members to withdraw a greater portion of their pension as a lump sum. The Company has assumed members will take advantage of this added flexibility.

TAXATION

The taxation charge on the profit before tax and exceptional items for 2008 amounts to £0.4m (2007: £1.0m) and represents an effective rate of 3% (2007: 13.5%).This low tax rate principally reflects the benefit of brought forward UK tax losses and allowable deductions relating to the exceptional employer's contribution to the UK defined benefit pension scheme agreed in March 2006 and the write off of finance costs previously capitalised following the renewal of the Group's banking arrangements in July 2007.

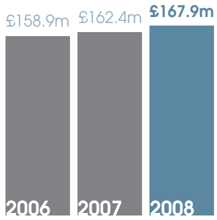
EARNINGS PER SHARE

Earnings per share, based on earnings before exceptional items of £12.8m (2007: £6.4m), amounted to 10.7p (2007: 12.8p) reflecting the significant increase in the average number of shares in issue to 120.0m from 50.0m in 2007. This increase was primarily due to the placing of 128.8m ordinary shares following the listing of the Company's shares on 16 July 2007. Further details are provided in note 8 on pages 50 and 51.

Revenue*

£167.9m

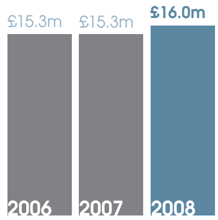
+3.4%



Trading profit*

£16.0m

+4.6%



* from continuing operations.

business review

The proposed final dividend of 2.66p per share makes a total dividend of 3.22p in respect of the period 16 July 2007 to 31 March 2008. This is equivalent to a total dividend of 4.00p on an annualised basis and is consistent with the dividend policy set out in the prospectus in July 2007.

FINANCIAL REVIEW CONTINUED

DIVIDENDS

The proposed final dividend of 2.66p per share makes a total dividend of 3.22p in respect of the period 16 July 2007 to 31 March 2008. This is equivalent to a total dividend of 4.00p on an annualised basis and is consistent with the dividend policy set out in the prospectus in July 2007. Dividend cover as measured by reference to earnings per share before exceptional items of 10.7p amounts to 2.7 times.

PENSION SCHEMES

Details of the Group's pension schemes are set out in note 23 to the accounts starting on page 60.

The Group contributed £2.4m into its two defined benefit pension schemes during the year, which included a £1.0m additional contribution to the UK scheme agreed in 2006.

The total charge in respect of defined benefit schemes to operating expenses (excluding exceptional credits) in the Consolidated Income Statement was £1.4m (2007: £1.7m excluding the exceptional credit of £5.0m).

Effective from 1 March 2008 the defined benefit pension schemes in South Africa were closed resulting in a crystallisation of a surplus. The Group's share of the surplus after realisation costs is £0.7m.

The overall gross defined benefit pension scheme surplus reduced during the year by £7.9m to £10.4m.

The reduction principally relates to the decrease in asset values and the effect of the closure of the South African schemes, partly offset by a decrease in the value of discontinued liabilities caused by changes in discount rates from 5.3% in 2007 to 5.7% this year.

The Group's contributions to its defined contribution pension schemes were £0.8m (2007: £0.8m).

CASH FLOW AND FINANCIAL POSITION

The Group has recorded another year of solid cash generation from its operations amounting to £13.7m (2007: £14.1m) and net cash generated after tax and interest of £9.2m (2007: £6.2m) to fund investment for growth, operational efficiencies and necessary replacement. The table below sets out the key cash flow components and the movement in Group net debt.

Key cash flow components and movement in group net debt

	2008 £m	2007 £m
Cash flow from operating activities	**13.7**	14.1
Interest and tax	**(4.5)**	(7.9)
Free cash flow available for investment	**9.2**	6.2
Net proceeds from equity issue	**72.2**	—
Capital expenditure	**(10.4)**	(6.2)
Dividends	**(0.8)**	—
Other items including foreign exchange and amortised financing costs	**(3.8)**	(1.9)
Movement in net debt	**66.4**	(1.9)
Opening net debt	**(112.9)**	(111.0)
Closing net debt	**(46.5)**	(112.9)

Included within the figure of £13.7m, cash generated from operations is an increase in working capital of £3.5m compared to an increase of £4.8m in 2007. The majority of the increase relates to the investment in inventory to support the retail store roll out programme in our South African business.

Of the capital expenditure of £10.4m (2007: £6.2m), £3.8m was the final payment relating to the strategic decision to exercise the option to purchase 14 freehold and two leasehold Tile Africa retail stores. The initial consideration of £1.4m was paid in 2007. A further £3.4m was invested in our South African operations, £2.3m on new stores and existing store refurbishment and £1.1m on new plant and equipment to support growth in the hot melt adhesives sector in TAL and operational improvements in JTSA. Leaving aside the expenditure on the property option, the capital expenditure to depreciation ratio was 1.2 compared to 0.8 for 2007.

In summary, the Group's financial position has been strengthened considerably during the year and the net proceeds raised from the listing in July 2007 has been the key factor in reducing the Group's overall net debt by £66.4m to £46.5m. At the same date of the listing the Group's banking arrangements were refinanced culminating in a £80.0m non-amortising, multi-currency committed facility available until 2012.

FOREIGN CURRENCY TRANSLATION

Profits from our overseas operations are translated at the average exchange rate for the year and balance sheets of these operations translated at the closing rate of exchange. The table below sets out the relevant exchange rates used:

	Average rate vs £	
	2008	2007
South African Rand	**14.03**	13.52
Australian Dollar	**2.31**	2.49
Euro	**1.41**	1.48
US Dollar	**2.01**	1.92

	Closing rate vs £	
	2008	2007
South African Rand	**16.08**	14.22
Australian Dollar	**2.17**	2.43
Euro	**1.26**	1.47
US Dollar	**1.99**	1.96

The movement in average exchange rates compared to 2007 had the effect of reducing 2007 reported Group revenue and trading profit by £2.8m and £0.3m respectively.

KEY PERFORMANCE INDICATORS

Management uses a full suite of measures to manage and monitor the performance of its individual businesses. The Board considers that its key performance indicators are the measures most relevant in monitoring its progress to creating shareholder value. The relevant statistics for 2008 and 2007 are as follows:

	2008 £m	2007 £m	Change %
Revenue*	**167.9**	159.6	5.2%
Trading profit*	**16.0**	15.0	6.7%
Profit before tax and before exceptional items	**13.0**	7.4	75.7%
Basic earnings per share before exceptional items – pence	**10.7p**	12.8p	(16.4)%
Dividend per share – pence**	**3.22p**	—	—
Cash generated from operations	**13.7**	14.1	(2.8)%
Net debt	**46.5**	112.9	(58.8)%

* Expressed in constant currencies.
** Including proposed final dividend of 2.66p.

business review

...the Group has developed a very **experienced and globally co-ordinated product sourcing function.**

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

KEY COMMERCIAL RELATIONSHIPS
Whilst the Group has a diverse range of customers and suppliers there are nevertheless certain key customers who account for high levels of revenue. Many of the contractual arrangements with such customers are short term in nature (as is common in the domestic shower and tile manufacturing markets) and there exists some risk that the current performance of a business may not be maintained if such contracts were not renewed or extended. Therefore the importance of relationships with key customers is recognised and dealt with by senior personnel.

COMPETITION
The Group operates within a competitive environment. The Group accepts there is a risk to its results and financial condition caused by the actions of its competitors, including competitors' marketing strategies and product development.

To help identify such risks the competitive environment, specific marketplace and the actions of particular competitors are discussed at both Group and operating company Board meetings. In addition each market is carefully monitored to identify any significant shift in policy by any competitor.

RELIANCE ON PRODUCTION FACILITIES
The Group has a small number of fully automated manufacturing facilities for the manufacture of tiles. If any of these facilities (including technology used to operate them) were to fail, the effect on the Group could be significant. To mitigate this the Group has a well established ongoing preventative maintenance programme as well as a comprehensive "annual shutdown" programme throughout its manufacturing operations.

Furthermore the Group has developed a very experienced and globally co-ordinated product sourcing function which could mitigate the risk of failure. Finished inventory holdings across the Group's operations would also act as a limited buffer in the event of operational failure. In addition the Group maintains a business interruption insurance policy to mitigate losses caused by a serious event affecting manufacturing capability.

STAFF RETENTION AND RECRUITMENT
While staff retention and recruitment has not been an issue to date, the Group's ability to grow and increase its market share depends significantly on its continuing ability to recruit and retain highly skilled employees in each area of its activities. Group policy is to remunerate its key personnel in line with market rates and practice.

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

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, where it is considered advantageous, Group borrowings are partially denominated in South African Rand to part hedge the translational profit and asset risk.

INTEREST RATE RISK
As noted above, Norcros' bank debts are denominated in Sterling and South African Rand. The Group chooses to manage the interest rate risk on these debts by entering interest rate hedges covering the majority of this debt. At the year end, £44.4m of the Group's £48.0m long term debt was covered by hedges which expire in March 2010 or later. This position is reviewed regularly by Executive Management and at least annually as part of the Group budget process.

PENSION SCHEME MANAGEMENT
The UK companies in the Group participate in an occupational defined benefits pension scheme. The Group's most recent financial results show an aggregate surplus in this scheme, as at 31 March 2008 of £9.7m assessed in accordance with IAS 19. There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations.

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

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

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

J. MATTHEWS
GROUP CHIEF EXECUTIVE

N. P. KELSALL
GROUP FINANCE DIRECTOR

directors and officers

1.


4.


2.


5.


3.


6.


advisers

COMPANY WEBSITE
www.norcros.com

LISTING DETAILS

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

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Cheshire SK9 1BU

Tel: 01625 549010

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REGISTERED NUMBER
3691883
Registered in England

PRINCIPAL BANKERS
LLOYDS TSB BANK PLC
25 Gresham Street
London EC2V 7HN

BARCLAYS BANK PLC
7th Floor
1 Marsden Street
Manchester M2 1HW

FORTIS BANK
8th Floor
Ship Canal House
98 King Street
Manchester M2 4WU

1. JOHN BROWN (AGE 64)
CHAIRMAN
Appointed to the Board on admission of Norcros plc to the Stock Exchange on 16 July 2007. He was formerly the chief executive of Speedy Hire plc which he founded in 1977. He is also the non-executive chairman of Voller Energy Group plc and non-executive director of Lookers plc and Henry Boot plc, all London Stock Exchange listed companies. He also holds a number of other Directorships.

2. JOE MATTHEWS (AGE 62)
GROUP CHIEF EXECUTIVE
Appointed to the Board in October 1991 and appointed Group Chief Executive in April 1996. He joined Norcros in 1974 holding a number of senior positions including Managing Director of H & R Johnson Tiles Ltd and Chairman of both Triton plc and the Group's Ceramics Division.

3. NICK KELSALL (AGE 51)
GROUP FINANCE DIRECTOR
Appointed to the Board in October 1996. After qualifying as a chartered accountant in 1982 he held senior positions at Touche Ross and Waterford Wedgewood plc. He joined the Norcros Group in 1993 as Finance Director of H & R Johnson Tiles Ltd before taking up his current position.

4. DAVID HAMILTON (AGE 65)
DIRECTOR AND COMPANY SECRETARY
Appointed to the Board in April 1996 having previously been appointed Company Secretary in 1989. He joined Norcros plc as Group Legal Advisor in 1973 following positions as legal advisor and legal assistant respectively with Automotive Products Associated Limited and Pfizer Limited.

5. LES TENCH (AGE 63)
NON-EXECUTIVE DIRECTOR
Appointed to the Board on admission of Norcros plc to the Stock Exchange on 16 July 2007. Les joined CRH plc in 1992 and from 1998 until his retirement in December 2002 was managing director of CRH Europe – Building Products. Les was also a non-executive director of Shepherd Building Group Limited from 1994 until 2004 and is currently non-executive chairman of SIG plc.

6. JAMIE STEVENSON (AGE 59)
NON-EXECUTIVE DIRECTOR
Appointed to the Board on admission of Norcros plc to the 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. From 1997 to 2003, he was head of global research product at Dresdner Kleinwort Securities. Having spent three years as a non-executive director with McCarthy Stone plc, he is currently a non-executive director with Interior Services Group plc and a teaching fellow at Exeter University's School of Business and Economics.

SOLICITORS
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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
ALTIUM CAPITAL LIMITED
5 Ralli Courts
West Riverside
Manchester M3 5FT

FINANCIAL PR
COLLEGE HILL
The Registry
Royal Mint Court
London EC3N 4QN

AUDITORS
PRICEWATERHOUSECOOPERS LLP
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects are included in the Chairman's Statement and the Business Review on pages 2 to 15. Key performance indicators are shown on page 13.

The Directors recommend a final dividend of 2.66p per share for the year ended 31 March 2008 (2007: nil) which, together with the interim dividend of 0.56p per share (2007: nil), brings the total paid and proposed to 3.22p per share (2007: nil) for the year. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 31 July 2008 to all shareholders on the register at close of business on 6 July 2008.

DIRECTORS

Biographical details of the present Directors are set out on page 17. The Directors who served during the year are set out below:

John Brown	–	Chairman (appointed 16 July 2007)
Les Tench	–	Non-executive (appointed 16 July 2007)
Jamie Stevenson	–	Non-executive (appointed 16 July 2007)
Alan Lewis	–	Chairman (resigned 16 July 2007)
Hamish Grant	–	Non-executive (resigned 16 July 2007)
Julian Knights	–	Non-executive (resigned 16 July 2007)
Andrew Haining	–	Non-executive (resigned 16 July 2007)
Joe Matthews	–	Group Chief Executive
Nick Kelsall	–	Group Finance Director
David Hamilton	–	Director and Company Secretary

DIRECTORS AND OFFICERS' LIABILITY INSURANCE AND INDEMNITIES

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

PURCHASE OF OWN SHARES

During the year the Company formed the Norcros Employee Benefit Trust (the "Trust"). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust purchased 300,000 of the Company's shares during the year.

SUBSTANTIAL SHAREHOLDING

As at 31 March 2008 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
JP Morgan Asset Management	8.78%
Artemis Fund Managers	6.83%
Jupiter Asset Management	6.59%
F&C Asset Management	6.51%
Legal and General Investment Management	6.28%
Standard Life Investment	5.66%
UBS Global Asset Management	3.94%

directors' report

EMPLOYEES

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

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

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

CHARITABLE DONATIONS

The Group made donations for charitable purposes of £6,000 during the year (2007: £8,000). There were no political donations.

CREDITOR PAYMENT POLICY

Group policy requires all operating units to apply appropriate controls to working capital management, whilst developing relationships with suppliers. In view of the international nature of the Group's activities, no universal code or standard on payment policy is followed but subsidiary companies are expected to establish payment terms consistent with the above policy, local procedures, custom and practice. Group trade payables amounting to £19.8m (2007: £20.9m) reported in note 18 to the accounts represent 62 days (2007: 68 days) of average daily purchases.

RESEARCH AND DEVELOPMENT

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

FINANCIAL RISK MANAGEMENT

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

INTEREST RATE RISK

The Group seeks to secure a substantial proportion of its bank loans at fixed rates via interest rate swap facilities.

The Group typically seeks to hedge part of its interest rate risk for a rolling period of two/three years for two thirds of the expected drawn debt. Currently there is a multi-currency interest rate swap in place of approximately £38m expiring in March 2010 and a further interest rate swap of approximately £6m expiring in March 2011.

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 2008 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's exchange exposure policy ensures the majority of all material foreign currency transaction exposures are hedged using appropriate instruments such as forward contracts.

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

ENERGY PRICE RISK

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

directors' report

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 17 July 2008 at the Stanneylands Hotel, Stanneylands Avenue, Wilmslow, Cheshire SK9 4EY. The Notice of this meeting, together with the resolutions to be proposed, appears on pages 76 to 80 of this report. The Directors recommend all shareholders to vote in favour of all the resolutions, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

EXPLANATORY NOTES

Explanatory notes in relation to the resolutions appear below.

Resolution 1:

Report and accounts

For each financial year the Directors are required to present the Directors' Report, the audited accounts and the auditors' reports to shareholders at a general meeting.

Resolution 2:

Approval of the Remuneration Report

The Company is required by law to seek the approval of shareholders of its annual report on remuneration policy and practice. This does not affect the Directors' entitlement to remuneration and the result of this resolution is advisory only.

The Remuneration Report for the year ended 31 March 2008 is set out in full on pages 29 to 32 of this document. Any shareholder who would like a copy of the Annual Report and Accounts 2008 can obtain one by contacting our registrar on 0871 664 0300. Alternatively, the Annual Report and Accounts 2008 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:

Final dividend

An interim dividend of 0.56p per share was paid on 11 January 2008. The payment of the final dividend of 2.66p per share requires the approval of shareholders in general meeting. If the meeting approves resolution 3, the final dividend in respect of 2008 of 2.66p per share will be paid on 31 July 2008 to ordinary shareholders who are on the register of members on 6 July 2008 in respect of each ordinary share.

Resolutions 4 and 5:

Re-election of Directors

Under the Company's Articles of Association up to one third of the Company's Directors are obliged to retire by rotation at Annual General Meetings and may put themselves forward for re-election by shareholders. The Directors who fall due for retirement and re-election, through separate resolutions numbered 4 and 5, are Joe Matthews and David Hamilton. Brief biographical details of the Directors seeking re-election can be found on page 17. The remaining Directors therefore unanimously recommend that each of these Directors be re-elected as a Director of the Company.

Resolution 6:

Re-appointment of auditors

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

directors' report

ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES CONTINUED

Resolution 7:

Remuneration of auditors

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

Resolution 8:

Power to allot shares

The Directors are currently authorised to allot relevant securities (which includes ordinary shares) of the Company but their authorisation ends on the date of the Annual General Meeting. This resolution seeks to renew the Directors' authority to allot shares. This authority is limited to the amounts set out in the resolution being approximately 33.33% of the total ordinary share capital in issue as at 11 June 2008, being the latest practicable date prior to the publication of this Notice. As at 11 June 2008, the Company did not hold any shares in the Company in treasury. The renewed authority will remain in force until the earlier of 30 September 2009 or the next Annual General Meeting of the Company.

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

Resolution 9:

Disapplication of pre-emption rights

This resolution, which will be proposed as a special resolution, seeks to renew the authority conferred on the Directors at last year's Annual General Meeting (prior to the flotation of the Company) to issue equity securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. Listed companies in the UK typically obtain these authorities on an annual basis, in compliance with regulation and best practice. Other than in connection with a rights or other similar issue or scrip dividend (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) the authority contained in this resolution will be limited to an aggregate nominal value of £743,589.40 which represents 5% of the Company's issued ordinary share capital as at 11 June 2008 (being the latest practicable date prior to the publication of this Notice). The renewed authority will remain in force until the earlier of 30 September 2009 or the next Annual General Meeting of the Company.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the Treasury Shares Regulations) came into force on 1 December 2003, with the result that the requirements of Section 89 of the Companies Act 1985 also apply to a sale by the Company of any shares it holds as treasury shares under the Treasury Shares Regulations, except to the extent these are disapplied. If resolution 9 is passed then the authority sought and the limits set by this resolution will disapply the application of Section 89 of the Companies Act 1985 from a sale of treasury shares to the extent specified in this resolution.

In accordance with the Statement of Principles on disapplying pre-emption rights issued in 2006 by the Pre-Emption Group (which is supported by the Association of British Insurers, the National Association of Pension Funds Limited and the Investment Managers Association), the Board confirms its intention that no more than 7.5% of the issued share capital will be issued for cash on a non pre-emptive basis during any rolling three year period. The Directors have no present intention of exercising this authority.

Resolution 10:

Authority to purchase own shares

This resolution, which will be proposed as a special resolution, is a resolution which the Company proposes to seek on an annual basis, in line with other listed companies in the UK, to give the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 1985. The authority limits the number of shares that could be purchased to a maximum of 14,871,788 (representing less than 10% of the issued ordinary share capital of the Company as at 11 June 2008 (being the latest practicable date prior to the publication of this report)) and sets minimum and maximum prices. This authority will expire on the earlier of the 16 January 2010 or the date of the next Annual General Meeting of the Company.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account other investment opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would promote the success of the Company for the benefit of its shareholders generally. To the extent that any shares so purchased are held in treasury (see page 22), 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.

directors' report

ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES CONTINUED

Resolution 10: continued

Authority to purchase own shares continued

The Treasury Shares Regulations, which came into force on 1 December 2003, permit the Company to purchase and hold as treasury shares, ordinary shares with an aggregate nominal value not exceeding 10% of the nominal value of the issued ordinary shares of the Company at the relevant time. Shares held in treasury in this manner can be cancelled, sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes. Any shares held in treasury would not be eligible to vote nor would any dividend be paid on any such shares. If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares then such shares would be immediately cancelled in which event the number of ordinary shares in issue would be reduced.

The Directors believe that it is desirable for the Company to have this choice. Holding the repurchased shares as treasury shares gives the Company the ability to re-issue them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

As at 11 June 2008 (being the latest practicable date prior to the publication of this report), there were options outstanding over 2,574,709 ordinary shares in the capital of the Company which represent 1.7% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 1.9% of the Company's issued ordinary share capital. As at 11 June 2008, (being the latest practicable date prior to the publication of this report) the Company did not hold any shares in treasury.

Resolution 11:

Amendments to the Articles of Association

This special resolution will approve the making of amendments to the Company's Articles of Association (Articles) that take into account changes to the law that are already in force, or are scheduled to come into force later in 2008, as a result of the Companies Act 2006.

It is proposed to make these changes by adopting new Articles in place of the existing Articles. This is a simpler and shorter procedure than amending the text of the existing Articles, which would require the full text of all amendments to be set out in the Notice of Annual General Meeting. However, the full text of the amendments will be available for inspection as explained below.

The main changes are summarised below and all reflect changes in the law resulting from the Companies Act 2006 and the repeal of provisions in the Companies Act 1985.

1. Directors' conflicts of interest – a new article will allow the Board to authorise a Director coming into or remaining in a situation in which he has or could have an interest that conflicts with the Company's interests. This power of authorisation is permitted under Section 175 of the Companies Act 2006. If this power is not given to the Board, situations could arise in which a Director would be unable to remain on the Board through no fault of his own as a result of changes to the law that are expected to take effect on 1 October 2007.
2. Directors' indemnification – a new article will confirm that the Company may indemnify a Director or purchase Directors' and Officers' liability insurance on his behalf or fund his costs in defending himself in litigation or regulatory proceedings that might be brought against him in his capacity as a Director, but in each case only to the extent permitted under the Companies Act 2006. Another new provision will permit any Director concerned to be included in the quorum and to vote on any Board resolution to approve such an arrangement. The law in relation to these matters has changed significantly since the Company adopted its existing articles. The relevant provisions in the existing Articles are not consistent with the Companies Act 2006 and are less favourable to the Company.
3. Electronic communications with shareholders – various amendments will be made to the provisions in the Articles concerning electronic communications so as to make them more consistent with the "company communication provisions" in the Companies Act 2006 that came into force in 2007.

directors' report

ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES CONTINUED

Resolution 11: continued

Amendments to the Articles of Association continued

4. General meetings (except Annual General Meetings) held on 14 days' notice – a new provision will allow the Company to hold a general meeting at which a special resolution is to be proposed on 14 days' notice, as permitted by the Companies Act 2006, rather than on 21 days' notice as required by the existing articles.
5. Joint shareholders – a new provision will confirm that the giving of a document or other information by the Company to a joint shareholder with that shareholder's agreement, and vice versa, will be effective so far as all the joint shareholders are concerned notwithstanding that it was not necessarily agreed to by the other joint shareholder(s). This is to avoid any such action being ineffective and invalid as a result of a technical infringement of the Companies Act 2006.
6. Proxies – new provisions will be added relating to proxies. One will confirm the right that proxies now have under the Companies Act 2006 to speak at shareholder meetings. Another will allow the Company to disregard weekends and bank holidays when determining the time by which proxy forms must be lodged prior to a shareholder meeting. This will enable the Company to fix a deadline for lodging a proxy that is up to 48 hours earlier (and sometimes more) than what is permitted under the existing articles.
7. Quorum at shareholder meetings – a provision will be added requiring two different members to be present at a shareholder meeting in person or through a corporate representative or a proxy in order for the meeting to be quorate. This provision will avoid the possibility of a shareholder meeting being quorate if it is attended by a proxy and a corporate representative appointed by the same corporate member, and no one else. This has been a possibility since October 2007 as a result of a change to the law made by the Companies Act 2006.
8. Requisitions – provisions in the existing Articles that confer power on shareholders to requisition shareholder meetings or to requisition the circulation of Annual General Meeting resolutions will be removed. These powers are conferred on shareholders by the Companies Act 2006 and do not need to be replicated in the articles.
9. Shareholder resolutions and meetings – various amendments will be made to make the provisions in the existing Articles concerning shareholder resolutions and meetings consistent with those in the Companies Act 2006 that came into force in October 2007. One purpose of these changes is to reduce the risk of a conflict between the Articles and the Companies Act 2006 jeopardising the validity of any resolution passed at a shareholder meeting.
10. Statutory references and definitions – references to sections of the Companies Act 1985 will be replaced by references to the corresponding sections in the Companies Act 2006, where applicable. Various new terms will be defined in the "definitions" section of the articles. Certain terms used in the Companies Act 1985 but not in the Companies Act 2006 will be removed from the articles. For example (i) references to any "extraordinary general meeting" will become any "general meeting", (iii) references to "electronic communications" will be replaced by "electronic means", and (iii) references to any "extraordinary resolution" will be replaced by any "special resolution" or will be removed altogether.

By order of the Board

David W. Hamilton

D. W. HAMILTON

DIRECTOR AND COMPANY SECRETARY

19 JUNE 2008

corporate governance

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc. Its policy is to manage the affairs of the Company in accordance with the principles of good governance and the Code of Best Practice set out in Section 1 of the Combined Code on Corporate Governance appended to the Listing Rules of the UK Listing Authority (the "Combined Code").

For the period from 16 July 2007, when the Company's shares were admitted to the Official List of the UK Listing Authority and the London Stock Exchange's main market, the Company has complied with the FRC 2006 Combined Code in all respects.

BOARD BALANCE AND INDEPENDENCE

The Board currently comprises a Non-executive Chairman, two Non-executive Directors and three Executive Directors, who are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this report and their biographical details are given on page 17.

Taking into account the provisions of the Code, the Chairman and Non-executive Directors are considered by the Board to be independent of the Company's Executive management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The terms and conditions of appointment of the Non-executive Directors are available for inspection at the registered office of the Company. The letters of appointment set out the expected time commitment. Other significant commitments are disclosed to the Board.

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

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

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

CHAIRMAN AND GROUP CHIEF EXECUTIVE

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

APPRAISALS AND EVALUATION

It is proposed that the performance of the Board will be appraised by the Chairman. The Non-executive Directors will be appraised individually by the Chairman. The Board, led by the Senior Independent Non-executive Director, will together appraise the Chairman, following consultation by the Non-executive Directors with the Executive Directors. The Non-executive Directors will appraise the performance of each of the Executive Directors. The first appraisal will be initiated following the anniversary of the appointment of the Non-executive Directors at the time of the Company's listing in July 2007. All the appraisals will be concluded by the end of the current financial year. Thereafter appraisals will be conducted on an annual basis.

corporate governance

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 period since admission to the London Stock Exchange's main market is detailed in the table below:

	Main Board 9 meetings	Audit Committee 2 meetings	Remuneration Committee 1 meeting	Nominations Committee 1 meeting
J. E. Brown	9	2	1	1
L. Tench	9	2	1	1
J. R. Stevenson	9	2	1	1
J. Matthews	9	—	—	—
N. P. Kelsall	9	—	—	—
D. W. Hamilton	8	—	—	—

ADVICE FOR DIRECTORS

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

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

BOARD PROCEDURES

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

The Board operates in such a way to ensure that all decisions are made by the most appropriate people in a timely manner that will not unnecessarily delay progress. The Board has formally delegated specific responsibilities to Board Committees, including the Audit Committee, Remuneration Committee and Nominations Committee (see page 26). 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 full time for the Group and none has taken on any Non-executive Directorship, or become chairman of a major FTSE 100 company. However, in appropriate circumstances, Executive Directors will be encouraged to take on one Non-executive Directorship in another non-competing company or organisation.

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

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

corporate governance

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. Joe Matthews and David Hamilton will retire by rotation at the next Annual General Meeting. Biographical details of these Directors are set out on page 17.

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 judgments contained in them.

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

REMUNERATION COMMITTEE

The Remuneration Committee operates under written terms of reference, which are consistent with current best practice. These terms of reference are available upon written request to the Company and on the Company's website at www.norcros.com. The Committee comprises only independent Non-executive Directors. The Committee's Report is set out on pages 29 to 32.

corporate governance

RELATIONS WITH SHAREHOLDERS

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

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

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

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

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

- the number of shares in respect of which proxy appointments have been validly made;
- the number of votes for the resolution;
- the number of votes against the resolution; and
- the number of shares in respect of which the vote was directed to be withheld.

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

ACCOUNTABILITY AND AUDIT

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

corporate governance

OPERATIONAL STRUCTURE, REVIEW AND COMPLIANCE

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

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

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

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

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

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

GOING CONCERN

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

remuneration report

REMUNERATION POLICY

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

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

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

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

If the earnings per share growth is on target thereby allowing 100% of his LTIP to vest, the percentage composition of each Director's remuneration (based on his 2007/08 remuneration) will be as follows:

	Non-performance related	Performance related
J. Matthews	88%	12%
N. P. Kelsall	86%	14%
D. W. Hamilton	100%	—

DIRECTORS' SERVICE CONTRACTS

The details of the service contracts of those who have served as Directors since 16 July 2007 are:

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

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

John Brown, Les Tench and Jamie Stevenson are on fixed term contracts of three years from their contract date although these contracts may be terminated at one month's notice by either the Company or Director.

Joe Matthews and David Hamilton will retire by rotation and seek re-election at the Annual General Meeting. Biographical details of the Directors standing for re-election are on page 17.

remuneration report

INTEREST IN SHARES

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

	1 April 2007 Number	31 March 2008 Number
THE COMPANY – ORDINARY SHARES 1P		
J. Matthews	300,000	—
N. P. Kelsall	150,000	—
D. W. Hamilton	150,000	—
THE COMPANY – ORDINARY SHARES 10P		
J. Matthews	—	2,250,000
N. P. Kelsall	—	1,080,000
D. W. Hamilton	—	1,480,000
J. E. Brown	—	61,102
L. Tench	—	61,102
J. R. Stevenson	—	61,102

All Directors' interests are beneficially held. There has been no change in the interest set out above between 31 March 2008 and 19 June 2008.

MEMBERS OF THE REMUNERATION COMMITTEE

The members of the Remuneration Committee during the period from 16 July 2007, when the Company listed on the London Stock Exchange's main market, to the end of the year were:

Les Tench (Chairman)

John Brown

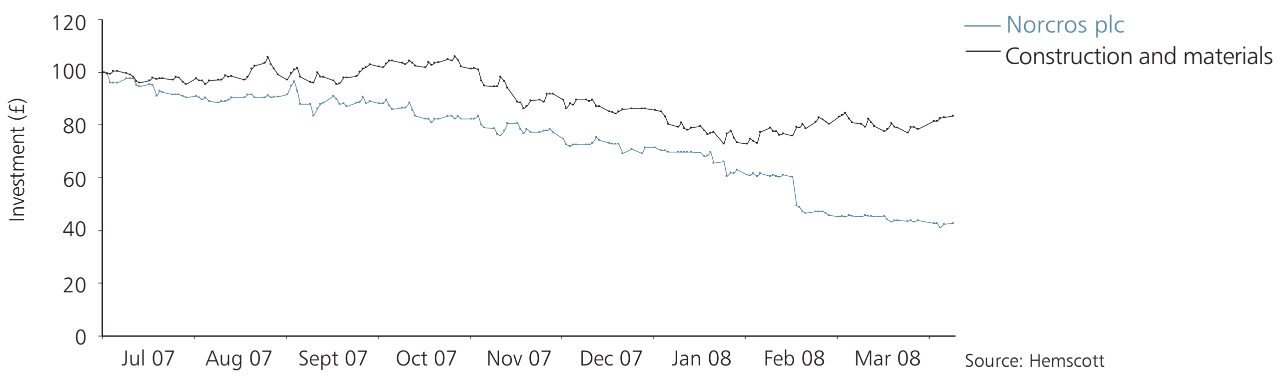
Jamie Stevenson

During the period following the Company's listing, Deloitte & Touche LLP provided advice to the Remuneration Committee.

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 at 16 July 2007 has changed compared with the same investment in a fund mirroring the make up of the construction and materials index of listed companies:



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

remuneration report

AUDITED INFORMATION

The remainder of the Remuneration Report is audited information.

DIRECTORS' EMOLUMENTS

Executive	Salary and fees £000	Benefits in kinds £000	Expense allowances (including car allowance) £000	Annual bonus £000	FURBS £000	2008 Total £000	2007 Total £000
J. Matthews	268	1	31	—	59	359	342
N. P. Kelsall	180	1	23	—	—	204	207
D. W. Hamilton	161	1	20	—	30	212	187
J. E. Brown*	62	—	—	—	—	62	—
L. Tench*	31	—	—	—	—	31	—
J. R. Stevenson*	31	—	—	—	—	31	—
A. Lewis**	9	—	—	—	—	9	30
H. Grant**	9	—	—	—	—	9	30
A. Haining**	6	—	—	—	—	6	20
J. Knights**	2	—	—	—	—	2	10
	759	3	74	—	89	925	826

* from appointment.

** to date of resignation.

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

Salary and fees include an amount of £26,000 (2007: £90,000) paid to third parties in respect of making available the services of Alan Lewis, Hamish Grant, Andrew Haining and Julian Knights to the Company.

SHARE SCHEMES

SAVINGS RELATED SHARE OPTION SCHEME (SAYE)

The Executive Directors are eligible to participate in the Company's Savings Related Share Option Scheme which commenced in December 2007 and 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 which represents a 10% discount to the market price at the start of the savings period. These options are not subject to any performance conditions.

	Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 April 2007 (10p shares)	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2008 (10p shares)
J. Matthews	21.12.07	21.12.10	21.06.11	60.6p	—	825	—	—	825
N. P. Kelsall	21.12.07	21.12.10	21.06.11	60.6p	—	825	—	—	825
D. W. Hamilton	21.12.07	21.12.10	21.06.11	60.6p	—	825	—	—	825

LONG TERM INCENTIVE PLAN (LTIP)

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

remuneration report

AUDITED INFORMATION CONTINUED

The remainder of the Remuneration Report is audited information.

SHARE SCHEMES CONTINUED

DIRECTORS' INTERESTS IN THE LTIP

	Award date	At 1 April 2007 Number	Shares awarded Number	**At 31 March 2008 Number**	Vesting date
J. Matthews	22.08.07	—	352,564	**352,564**	22.08.10
N. P. Kelsall	22.08.07	—	237,180	**237,180**	22.08.10

The market price on 22 August 2007 was 78.0p.

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

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

The market price of the Company's shares at the end of the financial year was 37.0p and the range of market prices during the year was between 88.0p and 35.5p.

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 2008 £**	Transfer value at 31 March 2007 £	Decrease in transfer value less Directors' contributions £
N. P. Kelsall	6,052	10,505	**71,802**	73,716	(1,914)

	Increase in accrued pension for the year less inflation £	Increase in accrued pension for the year £
N. P. Kelsall	523	885

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

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

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

Nick Kelsall also participated in the Group's UK defined contribution scheme. During the year the Group contributed £54,000 (2007: £47,000) to this scheme.

On behalf of the Board

L. TENCH

CHAIRMAN OF THE REMUNERATION COMMITTEE

19 JUNE 2008

statement of directors' responsibilities

IN RESPECT OF THE ANNUAL REPORT, THE REMUNERATION REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Parent Company financial statements and the Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the Parent Company financial statements and the Remuneration Report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

group accounts

IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
YEAR ENDED 31 MARCH 2008

independent auditors' report

TO THE MEMBERS OF NORCROS PLC

We have audited the Group financial statements of Norcros plc for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statements, and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Norcros plc for the year ended 31 March 2008 and on the information in the Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

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

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
MANCHESTER
19 JUNE 2008

consolidated income statement

YEAR ENDED 31 MARCH 2008

	Notes	2008 £m	2007 £m
CONTINUING OPERATIONS			
Revenue	2	**167.9**	162.4
OPERATING PROFIT	3	**16.8**	14.1
Trading profit*		**16.0**	15.3
Exceptional operating items	5	**0.7**	(1.5)
Other operating income		**0.1**	0.3
Operating profit		**16.8**	14.1
Finance costs	6	**(6.9)**	(12.0)
Exceptional interest costs	5	**(3.8)**	—
Total finance costs		**(10.7)**	(12.0)
Finance income	6	**4.0**	3.4
Share of (loss)/profit of associates		**(0.2)**	0.4
PROFIT BEFORE TAXATION		**9.9**	5.9
Taxation	7	**(0.4)**	(1.0)
PROFIT FOR THE PERIOD	25	**9.5**	4.9
EARNINGS PER SHARE			
From continuing operations:			
Basic earnings per share	8	**7.9p**	9.8p
Diluted earnings per share	8	**7.9p**	9.8p

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

consolidated statement of recognised income and expense

YEAR ENDED 31 MARCH 2008

	2008 £m	2007 £m
Profit for the period	**9.5**	4.9
Actuarial losses on retirement benefit obligations	**(4.4)**	(7.1)
Foreign currency translation adjustments	**(1.9)**	(5.9)
Total recognised income and expense for the year	**3.2**	(8.1)

consolidated balance sheet

AT 31 MARCH 2008

	Notes	2008 £m	2007 £m
NON-CURRENT ASSETS			
Goodwill	10	**22.3**	22.0
Investment in associates	11	**4.2**	4.1
Financial assets	11	**4.3**	4.3
Trade investments	12	**4.4**	4.4
Property, plant and equipment	13	**45.6**	42.5
Investment properties	14	**5.8**	5.8
Deferred tax asset	21	**0.9**	1.5
		87.5	84.6
CURRENT ASSETS			
Inventories	15	**32.7**	30.8
Trade and other receivables	16	**33.6**	32.3
Derivative financial instruments	20	**0.6**	0.5
Pension scheme asset	23	**0.7**	—
Cash and cash equivalents	17	**3.3**	4.1
		70.9	67.7
CURRENT LIABILITIES			
Trade and other payables	18	**(36.4)**	(35.0)
Current tax liabilities		**(0.6)**	(0.8)
Financial liabilities – borrowings	19	**(2.2)**	(5.8)
		(39.2)	(41.6)
NET CURRENT ASSETS		**31.7**	26.1
TOTAL ASSETS LESS CURRENT LIABILITIES		**119.2**	110.7
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings	19	**47.6**	75.3
Shareholder loans	19	**—**	35.9
Other non-current liabilities		**1.1**	2.1
Provisions	22	**11.4**	13.6
		60.1	126.9
FINANCED BY:			
Ordinary share capital	24	**14.9**	0.1
Share premium	25	**63.4**	5.5
Retained earnings and other reserves	25	**(19.2)**	(21.8)
TOTAL EQUITY/(DEFICIT)	25	**59.1**	(16.2)
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**119.2**	110.7

The financial statements on pages 36 to 67 were approved on 19 June 2008 and signed on behalf of the Board by:

J. MATTHEWS
GROUP CHIEF EXECUTIVE

N. P. KELSALL
GROUP FINANCE DIRECTOR

consolidated cash flow statement

YEAR ENDED 31 MARCH 2008

	Notes	2008 £m	2007 £m
CASH GENERATED FROM OPERATIONS	26	**13.7**	14.1
Income taxes paid		**(0.2)**	(1.3)
Interest received		**1.0**	0.3
Interest paid		**(5.3)**	(6.9)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**9.2**	6.2
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of businesses, net of overdraft acquired	26	**(0.6)**	—
Dividends received from associates and trade investments		**0.1**	0.3
Purchase of property, plant and equipment		**(10.4)**	(6.2)
Proceeds from sale of property, plant and equipment		**0.6**	0.3
NET CASH USED IN INVESTING ACTIVITIES		**(10.3)**	(5.6)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary share capital		**72.2**	—
Repayment of loans		**(128.3)**	(12.6)
Drawdown of new loans		**57.2**	9.5
Dividends paid to shareholders		**(0.8)**	—
NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES		**0.3**	(3.1)
NET DECREASE IN CASH AT BANK AND IN HAND AND BANK OVERDRAFTS		**(0.8)**	(2.5)
Cash at bank and in hand and bank overdrafts at beginning of the period		**2.1**	5.1
Exchange movements on cash and bank overdrafts		**(0.2)**	(0.5)
CASH AT BANK AND IN HAND AND BANK OVERDRAFTS AT END OF THE PERIOD	17	**1.1**	2.1

notes to the group accounts

YEAR ENDED 31 MARCH 2008

1. GROUP ACCOUNTING POLICIES

GENERAL INFORMATION

Norcros plc (the "Company") which is the ultimate Parent Company of the Norcros Group is incorporated in England and Wales as a public company limited by shares. The shares of the Company are listed on the London Stock Exchange market of listed securities. The consolidated financial statements of the Group were approved by the Board on 19 June 2008.

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 which are stated at their fair value. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union issued by the International Accounting Standards Board (IASB), with the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are effective as of the balance sheet date and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

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

Standards, amendments and interpretations effective in 2008

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group financial statements. The Group already applies an accounting policy which complies with the requirements of IFRIC 8.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the financial statements.

Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2007 but they are not relevant to the Group operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

notes to the group accounts

YEAR ENDED 31 MARCH 2008

1. GROUP ACCOUNTING POLICIES CONTINUED

BASIS OF PREPARATION CONTINUED

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods but the Group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 April 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 April 2009, subject to endorsement by the European Union but is currently not applicable to the Group as there are no qualifying assets;
- IFRS 8, 'Operating segments' (effective from 1 April 2008). The standard is still subject to endorsement by the European Union. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 April 2009, subject to endorsement by the European Union. Adoption of this standard is not expected to impact the reportable segments of the Group; and
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 April 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 April 2008 but it is not expected to have any impact on the Group or Company's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods but are not relevant for the Group's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 April 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group operations because none of the Group's companies provide for public sector services; and
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group operations because none of the Group's companies operate any loyalty programmes.

Summary of significant accounting policies

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

BASIS OF CONSOLIDATION

Subsidiaries

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

notes to the group accounts

YEAR ENDED 31 MARCH 2008

1. GROUP ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION CONTINUED

Subsidiaries continued

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the income statement in the period of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 in reserves is recognised in reserves.

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

The associates have a statutory accounting reference date of 31 December. In respect of the years ended 31 March 2008 and 31 March 2007, the associates have been included based on audited financial statements drawn up to 31 December 2007 and 31 December 2006 as adjusted for transactions in the three months to 31 March each year.

Critical estimates

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

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

Critical judgements have been made in the following areas:

- estimated impairment of goodwill and long life assets – the Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations have been carried out using the assumptions in note 10;
- retirement benefit obligations – The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions include the discount rate. Any changes in these assumptions can impact the carrying amount of retirement benefit obligations. (see note 23); and
- property provisions – where a property leased by the Group is vacated, but an ongoing lease commitment remains, provision is made for the onerous element of the lease. Key assumptions are the extent to which properties are let and rentals are achieved. Any changes in these assumptions can affect the quantum of the provisions.

notes to the group accounts

YEAR ENDED 31 MARCH 2008

1. GROUP ACCOUNTING POLICIES CONTINUED

REVENUE RECOGNITION

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

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

SEGMENTAL REPORTING

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

Primary reporting format – geographic segments

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

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

Secondary reporting format – business segments

The worldwide group operates in two business segments:

- showers; and
- tiles and adhesives.

GOODWILL

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

IMPAIRMENT OF LONG LIFE ASSETS

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

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

TRADE INVESTMENTS

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

notes to the group accounts

YEAR ENDED 31 MARCH 2008

1. GROUP ACCOUNTING POLICIES CONTINUED

PROPERTY PLANT AND EQUIPMENT

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

The estimated useful lives of Group assets are as follows:

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

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

INVESTMENT PROPERTY

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

INVENTORIES

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

TAXATION

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

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

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

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

OPERATING LEASES

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

notes to the group accounts

YEAR ENDED 31 MARCH 2008

1. GROUP ACCOUNTING POLICIES CONTINUED

PROVISIONS

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

Reorganisation costs – provision is made for costs of reorganising the Group when the Group is demonstrably committed to incurring the cost in a future period and the cost can be reliably measured.

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

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

RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of defined benefit and defined contribution pension schemes.

Full actuarial valuations of the Group's main defined benefit schemes are 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 such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the statement of recognised income and expenses.

The asset or liability in respect of defined benefit pensions plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan 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. Scheme assets are included at market value.

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 in respect of discontinued operations are recognised in the income statement in the year of disposal.

The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due.

EXCEPTIONAL ITEMS

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

notes to the group accounts

YEAR ENDED 31 MARCH 2008

1. GROUP ACCOUNTING POLICIES CONTINUED

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

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

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

FAIR VALUE ESTIMATION

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

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

RESEARCH AND DEVELOPMENT

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

DIVIDEND DISTRIBUTION

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

FOREIGN CURRENCY TRANSACTIONS

Functional currency

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

Transactions and balances

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

Translation of overseas net assets

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

SHARE CAPITAL

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

notes to the group accounts

YEAR ENDED 31 MARCH 2008

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

PRIMARY SEGMENT

Continuing operations – year ended 31 March 2008

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

* Unallocated assets include deferred tax assets.

** Unallocated liabilities include borrowings and tax liabilities.

notes to the group accounts

YEAR ENDED 31 MARCH 2008

2. SEGMENTAL REPORTING CONTINUED

PRIMARY SEGMENT CONTINUED

Continuing operations – year ended 31 March 2007

	UK £m	South Africa £m	Rest of the World £m	Group £m
REVENUE	**105.8**	**51.2**	**5.4**	**162.4**
Trading profit	12.1	4.0	(0.8)	15.3
Exceptional operating items	(1.3)	—	(0.2)	(1.5)
Other operating income	—	—	0.3	0.3
Operating profit	10.8	4.0	(0.7)	14.1
Finance costs				(12.0)
Finance income				3.4
Share of profit of associates				0.4
Profit before taxation				5.9
Taxation				(1.0)
Profit from continuing operations				4.9
Segment assets	110.3	35.6	4.9	150.8
Unallocated assets*				1.5
TOTAL ASSETS				**152.3**
Segment liabilities	(40.6)	(9.3)	(0.8)	(50.7)
Unallocated liabilities**				(117.8)
TOTAL LIABILITIES				**(168.5)**
Capital expenditure	3.0	2.9	—	5.9
Depreciation	3.8	1.7	0.1	5.6

* Unallocated assets include deferred tax assets.

** Unallocated liabilities include borrowings and tax liabilities.

SECONDARY SEGMENT

Continuing operations

	Showers £m	Tiles and adhesives £m	Group £m
YEAR ENDED 31 MARCH 2008			
Revenue	**57.4**	**110.5**	**167.9**
Segment assets	**46.2**	**106.4**	**152.6**
Unallocated assets*			**5.8**
TOTAL ASSETS			**158.4**
Capital expenditure	**0.9**	**9.5**	**10.4**
Year ended 31 March 2007			
Revenue	56.3	106.1	162.4
Segment assets	44.8	99.8	144.6
Unallocated assets*			7.7
TOTAL ASSETS			152.3
Capital expenditure	1.0	4.9	5.9

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

notes to the group accounts

YEAR ENDED 31 MARCH 2008

3. OPERATING PROFIT

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

	2008 £m	2007 £m
Staff costs (see note 4)	**33.5**	29.2
Depreciation of property, plant and equipment (all owned assets)	**5.5**	5.5
Depreciation of investment properties	—	0.1
Other operating lease rentals payable:		
– plant and machinery	**1.1**	1.3
– other	**3.1**	3.3
Research and development expenditure	**1.5**	1.7
Profit on disposal of property, plant and equipment	**(0.3)**	—

AUDITORS' REMUNERATION

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

	2008 £m	2007 £m
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**0.1**	0.1
Audit of subsidiaries pursuant to legislation	**0.1**	0.1
Corporate finance	**0.5**	0.3
	0.7	0.5

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

4. EMPLOYEES

	2008 £m	2007 £m
Staff costs:		
– wages and salaries	**29.9**	29.7
– social security costs	**2.0**	2.0
– pension costs	**2.3**	2.5
– exceptional pension curtailment/credit (see note 5)	**(0.7)**	(5.0)
	33.5	29.2

	2008 Number	2007 Number
Average numbers employed:		
– UK	**886**	889
– overseas	**1,084**	1,029
	1,970	1,918

DIRECTORS' EMOLUMENTS

	2008 £m	2007 £m
Salaries and short term employee benefits	**0.9**	0.8
Post employment benefits	**0.1**	0.1
	1.0	0.9

notes to the group accounts

YEAR ENDED 31 MARCH 2008

4. EMPLOYEES CONTINUED

HIGHEST PAID DIRECTOR

	2008 £m	2007 £m
Salaries and short term employee benefits	**0.4**	0.4

KEY MANAGEMENT COMPENSATION

	2008 £m	2007 £m
Salaries and short term employee benefits	**1.3**	1.2
Post employment benefits	**0.1**	0.1
	1.4	1.3

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

5. EXCEPTIONAL ITEMS

EXCEPTIONAL OPERATING ITEMS

	2008 £m	2007 £m
Pension curtailments credit [1]	**0.7**	—
Past service pension credit [2]	—	5.0
Restructuring	—	(0.1)
Property provisions [3]	—	(6.0)
Aborted transaction costs	—	(0.4)
	0.7	(1.5)

EXCEPTIONAL INTEREST COSTS

	2008 £m	2007 £m
Write off of capitalised financing costs [4]	**(3.8)**	—

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

[2] The £5.0m pension credit last year related to the impact of changes in pension tax legislation which enabled members to withdraw a greater proportion of their pension as a lump sum.

[3] The provision to cover the Group's onerous leases was increased by £6.0m during last year.

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

6. FINANCE INCOME AND COSTS

	2008 £m	2007 £m
FINANCE COSTS:		
Interest payable on bank borrowings	**4.9**	6.9
Interest payable on shareholder loans	**1.1**	3.2
Amortisation of costs of raising debt finance	**0.4**	1.3
Movement on fair value of derivative financial instruments	—	0.2
Discount on property lease provisions	**0.5**	0.4
TOTAL FINANCE COSTS	**6.9**	12.0
FINANCE INCOME:		
Bank interest receivable	**(0.5)**	(0.5)
Other finance income (see note 23)	**(3.4)**	(2.4)
Movement on fair value of derivative financial instruments	**(0.1)**	(0.5)
TOTAL FINANCE INCOME	**(4.0)**	(3.4)
NET FINANCE COSTS	**2.9**	8.6

notes to the group accounts

YEAR ENDED 31 MARCH 2008

7. TAXATION

Taxation comprises:

	2008 £m	2007 £m
CURRENT		
Overseas tax	—	(0.8)
DEFERRED TAX		
Origination and reversal of temporary differences	(0.4)	(0.2)
TAXATION	(0.4)	(1.0)

The tax for all periods under review is different from the standard rate of corporation tax in the UK (30% throughout the period). The differences are explained below:

	2008 £m	2007 £m
PROFIT BEFORE TAX	9.9	5.9
Profit on ordinary activities multiplied by rate of corporation tax in the UK (30% for all periods under review)	(3.0)	(1.8)
Effects of:		
– expenses not deductible for tax purposes	(0.1)	(0.1)
– deferred tax/profits and losses not recognised	2.8	0.9
– differences on overseas tax rates	(0.1)	—
TOTAL TAX CHARGE	(0.4)	(1.0)

During the year, as a result of the changes in both UK and South African corporation tax rates from 30% to 28% which will be effective from 1 April 2008, deferred tax balances have been remeasured. The impact was £1.6m in relation to the unrecognised deferred tax asset, it has therefore not been reflected in the income statement.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Norcros Employee Benefit Trust. The calculation of the weighted average number of ordinary shares for 2007 has been adjusted to reflect the bonus issue of 79 ordinary shares for each ordinary share held, together with the share consolidation in July 2007.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assure conversion of all potential dilutive ordinary shares. At 31 March 2008 the potential dilutive ordinary shares amounted to 664 (2007: nil) as calculated in accordance with IAS 33.

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

	2008 £m	2007 £m
Basic and diluted:		
– profit for the financial year	9.5	4.9
Basic and diluted before exceptionals:		
– profit for the financial year	9.5	4.9
– exceptional items (net of taxation)	3.3	1.5
	12.8	6.4

notes to the group accounts

YEAR ENDED 31 MARCH 2008

8. EARNINGS PER SHARE CONTINUED

	2008 Number	2007 Number
Weighted average number of shares for basic earnings per share	**120,040,103**	49,984,786
Exercise of share options	**664**	—
Weighted average number of shares for diluted earnings per share	**120,040,767**	49,984,786

	2008	2007
Basic earnings per share	**7.9p**	9.8p
Diluted earnings per share	**7.9p**	9.8p
Basic earnings per share before exceptionals	**10.7p**	12.8p
Diluted earnings per share before exceptionals	**10.7p**	12.8p

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

9. SHARE-BASED PAYMENTS

	Price per share	1 April 2007	Granted	31 March 2008	Date from which exercisable	Expiry date
Long Term Incentive Plan (LTIP)	0.0p	—	878,763	878,763	22.08.10	22.08.17
Company Share Option Plan (CSOP)	78.0p	—	714,747	714,747	22.08.10	22.08.17
Save As You Earn scheme (SAYE)	60.6p	—	981,199	981,199	21.12.10	21.06.11

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

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

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period on the Group's estimate of shares that will eventually vest. The total charge for the year relating to the Group's three share-based payment plans was £154,000 (2007: £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:

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

The opening share price of the Company on its listing on 16 July 2007 was 78p. The price at 31 March 2008 was 37p. The average price during the intervening period was 65p. Expected volatility is based on historic volatility over the last three years of the construction and materials sector.

notes to the group accounts

YEAR ENDED 31 MARCH 2008

10. GOODWILL

	2008 £m	2007 £m
At beginning of the year	22.0	23.1
Exchange differences	(0.3)	(1.1)
Additions	0.6	—
	22.3	22.0

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

	2008 £m	2007 £m
Triton plc	19.1	19.1
Tile Africa Group (pty) Ltd	3.2	2.9
	22.3	22.0

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 twelve month period with a growth rate of 3% applied in future periods. The key assumption for the value-in-use calculations are those regarding discount rates, growth rates and cash flows. A discount rate of 11% has been applied in all periods. 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 sector.

11. INVESTMENTS IN ASSOCIATES

	2008 £m	2007 £m
At beginning of year	4.1	3.8
Share of (loss)/profit after tax	(0.2)	0.4
Exchange differences	0.3	(0.1)
	4.2	4.1
FINANCIAL ASSETS		
At 1 April 2007 **AND 31 MARCH 2008**	4.3	4.3

No goodwill has been attributed to associates.

Financial assets represents long term loans to associates.

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

	2008 £m	2007 £m
Revenue	17.5	17.6
(Loss)/profit after taxation	(0.2)	0.4
Total assets	25.1	21.4
Total liabilities	(16.0)	(13.5)

notes to the group accounts

YEAR ENDED 31 MARCH 2008

12. TRADE INVESTMENTS

	£m
Cost	
At 1 April 2007 **AND 31 MARCH 2008**	4.4

The Group's trade investments as at 31 March 2008 are as follows:

	Percentage ownership	Nature of business	Country of incorporation
H & R Johnson (India) Ltd	19%	Tiles	India
R. J. Beaumont & Co (Pty) Ltd	25%	Tiles	Australia

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
COST			
At 1 April 2006	25.1	63.8	88.9
Exchange differences	(1.3)	(5.6)	(6.9)
Additions	2.0	3.8	5.8
Disposals	—	(1.4)	(1.4)
At 31 March 2007	25.8	60.6	86.4
Exchange differences	(0.5)	(1.9)	(2.4)
Additions	4.5	5.9	10.4
Transfers	0.7	(0.7)	—
Disposals	(0.3)	(0.1)	(0.4)
AT 31 MARCH 2008	**30.2**	**63.8**	**94.0**
ACCUMULATED DEPRECIATION			
At 1 April 2006	5.0	37.0	42.0
Exchange differences	(0.1)	(2.5)	(2.6)
Charge for the year	0.8	4.7	5.5
Disposals	—	(1.0)	(1.0)
At 31 March 2007	5.7	38.2	43.9
Exchange differences	—	(0.9)	(0.9)
Charge for the year	0.8	4.7	5.5
Transfers	0.5	(0.5)	—
Disposals	—	(0.1)	(0.1)
AT 31 MARCH 2008	**7.0**	**41.4**	**48.4**
Net book amount at 31 March 2007	20.1	22.4	42.5
NET BOOK AMOUNT AT 31 MARCH 2008	**23.2**	**22.4**	**45.6**

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

notes to the group accounts

YEAR ENDED 31 MARCH 2008

14. INVESTMENT PROPERTIES

	Investment property £m
COST	
At 1 April 2006	6.3
Additions	0.1
At 31 March 2007 **AND 31 MARCH 2008**	**6.4**
ACCUMULATED DEPRECIATION	
At 1 April 2006	0.5
Charge for the year	0.1
At 31 March 2007	0.6
Charge for the year	—
AT 31 MARCH 2008	**0.6**
Net book amount at 31 March 2007	5.8
NET BOOK AMOUNT AT 31 MARCH 2008	**5.8**

Investment properties are held at cost and depreciated over 50 years with the exception of land which is not depreciated. The Directors are of the opinion that the fair value of the investment properties is not significantly different to their carrying value.

15. INVENTORIES

	2008 £m	2007 £m
Raw materials	**7.9**	7.4
Work in progress	**1.0**	0.8
Finished goods	**23.8**	22.6
	32.7	30.8

Provisions held against inventories totalled £2.1m (2007: £2.3m).

The cost of inventories recognised as an expense within cost of sales in the income statement amounted to £91.9m (2007: £87.6m).

During the year the Group charged £0.2m (2007: £0.4m) of inventory write downs to the income statement, which is reflected within cost of sales.

16. TRADE AND OTHER RECEIVABLES

	2008 £m	2007 £m
Trade receivables	**27.4**	26.2
Less: provision for impairment of trade receivables	**(0.5)**	(0.3)
Trade receivables – net	**26.9**	25.9
Other receivables	**3.5**	3.2
Amounts owed by associates	**0.3**	0.3
Prepayments and accrued income	**2.9**	2.9
	33.6	32.3

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

notes to the group accounts

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16. TRADE AND OTHER RECEIVABLES CONTINUED

Concentration of credit risk with respect to trade receivables is limited due to the breadth of the Group's customer base. Taking into account the use of credit insurance, management believes there is no further material credit risk provision required in excess of 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:

	2008 £m	2007 £m
Sterling	**26.7**	25.6
South African Rand	**6.0**	6.1
Australian Dollar	**0.9**	0.6
	33.6	32.3

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

	2008 £m	2007 £m
At beginning of year	**0.3**	0.4
Provision for receivables impairment	**0.2**	0.1
Receivables written off during the year as uncollectible	—	(0.1)
Unused amounts reversed	—	(0.1)
At end of year	**0.5**	0.3

As at 31 March 2008, trade receivables of £21.1m (2007: £19.9m) were fully performing.

The creation and release of provision for impaired receivables have been included in administration costs in the income statement.

At 31 March 2008 trade receivables of £5.8m (2007: £6.0m) 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:

	2008 £m	2007 £m
Up to one month	**4.9**	4.3
One to two months	**0.6**	0.7
Two to three months	**0.1**	0.6
Over three months	**0.2**	0.4
	5.8	6.0

As of 31 March 2008, trade receivables of £0.5m (2007: £0.3m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2007: 100%). The ageing of these receivables is as follows:

	2008 £m	2007 £m
Less than three months	**0.1**	0.2
Greater than three months	**0.4**	0.1
	0.5	0.3

The maximum exposure to credit risk at 31 March 2008 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.

notes to the group accounts

YEAR ENDED 31 MARCH 2008

17. CASH AND CASH EQUIVALENTS

	2008 £m	2007 £m
Cash at bank and in hand	3.3	4.1

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

	2008 £m	2007 £m
Cash and cash equivalents as above	3.3	4.1
Less: bank overdrafts (note 19)	(2.2)	(2.0)
	1.1	2.1

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

18. TRADE AND OTHER PAYABLES

	2008 £m	2007 £m
Trade payables	19.8	20.9
Other tax and social security payables	1.7	1.4
Amounts owed to associates	0.5	0.5
Other payables	2.6	2.8
Accruals and deferred income	11.8	9.4
	36.4	35.0

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

19. BORROWINGS

	2008 £m	2007 £m
NON-CURRENT		
Bank borrowings (secured):		
– bank loans	48.0	78.4
– less: costs of raising finance	(0.4)	(3.1)
	47.6	75.3
Shareholder loans	—	35.9
TOTAL NON-CURRENT	47.6	111.2
CURRENT		
Bank borrowings (secured):		
– bank overdrafts (note 17)	2.2	2.0
– bank loans	—	4.9
– less: costs of raising finance	—	(1.1)
	2.2	5.8
TOTAL BORROWINGS	49.8	117.0

The fair value of bank loans equals their carrying amount, as they bear interest at floating rates. The fair value of shareholder loans was not materially different to their carrying value.

notes to the group accounts

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19. BORROWINGS CONTINUED

The repayment terms of borrowings are as follows:

	2008 £m	2007 £m
Not later than one year	**2.2**	6.9
Costs of raising finance	**—**	(1.1)
	2.2	5.8
After more than one year:		
– later than one year and not later than two years	**—**	6.0
– later than two years and not later than five years	**48.0**	25.4
– later than five years	**—**	82.9
– costs of raising finance	**(0.4)**	(3.1)
	47.6	111.2
TOTAL BORROWINGS	**49.8**	117.0

In July 2007 the Group's banking facilities were refinanced resulting in £80.0m of committed facilities being made available. This arrangement expires in 2012. Under these facilities bank borrowings are secured by the Group's UK assets.

CAPITAL RISK MANAGEMENT

As part of the Company's listing on 16 July 2007 the Company raised £72.0m net of the costs of the listing and the associated financing. This resulted in a significant reduction in the Group's financial liabilities, which in turn lead to reduced finance costs during the period between 16 July 2007 and 31 March 2008. The effect of these reductions will continue in future financial years and allow more of the Group's cash flows to be invested in the Group's businesses to further enhance profitability.

INTEREST RATE PROFILE

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

	2008 %	2007 %
Bank loans	**8.4**	7.8
Overdraft	**6.9**	7.3
Shareholder loans	**—**	10.0

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

The Group has entered into an interest rate swap agreement covering £44.4m. Details of this arrangement are included in note 20.

CURRENCY PROFILE OF NET DEBT

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

	2008 £m	2007 £m
Sterling	**29.0**	102.5
Euro	**(0.3)**	(0.1)
South African Rand	**15.7**	9.1
Australian Dollar	**2.1**	1.7
US Dollar	**—**	(0.3)
	46.5	112.9

notes to the group accounts

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20. DERIVATIVE AND FINANCIAL INSTRUMENTS

The Group issues or holds financial instruments for two purposes:

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

The Group's financial instruments comprise borrowings, cash, trade receivables and payables, interest rate swaps and forward exchange contracts, except for loans to associates which are held as non-current assets and analysed in note 11.

DERIVATIVE AND FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE THROUGH THE INCOME STATEMENT

	2008 £m	2007 £m
Interest rate swaps	—	0.5
Cross currency swap	—	0.1
Forward foreign exchange contracts	0.6	(0.1)
	0.6	0.5

INTEREST RATE SWAPS

The notional principal amounts of outstanding interest rate swap contracts at 31 March 2008 were £44.4m (2007: £62.7m).

At 31 March 2008, the fixed interest rates were 4.71% for Sterling borrowings and 10.88% for South African Rand borrowings (2007: 5.16% for Sterling and 7.59% for South African Rand) and the main floating rates are base rate and LIBOR. Gains and losses recognised on interest rate swap contracts to date have been taken to the income statement.

CROSS CURRENCY SWAPS

The notional principal amount of outstanding cross currency swaps at 31 March 2008 was €6.6m (2007: €6.6m). The Group uses the cross currency swap to manage its foreign exchange exposure upon the interest receivable on the Euro denominated loan made to its associate, Philkeram – Johnson SA (note 11).

At 31 March 2008, the fixed interest rate receivable on the Sterling notional amount was 4.59% (2007: 4.59%) and the fixed interest rate payable was 3.12% (2007: 3.12%) on the equivalent Euro amount.

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

FORWARD FOREIGN EXCHANGE CONTRACTS

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2008 were €9.0m and US$11.0m (2007: €14.5m and US$12.5m).

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. The maximum exposure to credit risk at 31 March 2008 is the fair value of the derivative assets at the balance sheet date.

ENERGY DERIVATIVE

The notional principal amounts of outstanding forward contracts for energy purchases at 31 March 2008 were £nil (2007: £0.2m). These derivatives had no value at 31 March 2008 (2007: £nil).

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

As the Group has hedged £44.4m of its £48.0m long term loans until at least March 2010, the effect of a 1% change in market interest rates would be negligible.

(B) 5% strengthening or weakening in major currencies

A number of the Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. The effect on the Group's South African assets is partially hedged by the Group's South African Rand borrowings, however a 5% strengthening of Sterling across all currencies would lead to a £1.4m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £1.5m increase in net assets.

The Group profits and losses are exposed to both transitional and transactional risk of fluctuations in foreign currency risk. The group hedges an element of its translational risk by paying interest on its South African Rand borrowings and 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 £0.9m. Likewise a 5% weakening in both these currencies would lead to a £0.9m reduction in profits.

notes to the group accounts

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21. DEFERRED TAX

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

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 30%). The movement on the deferred tax account is as shown below:

	2008 £m	2007 £m
Deferred tax asset at the beginning of the period	**1.5**	2.2
Charged to income statement	**(0.4)**	(0.2)
Exchange differences	**(0.2)**	(0.5)
Deferred tax asset at the end of the period	**0.9**	1.5

	2008 £m	2007 £m
Accelerated capital allowances	**(1.5)**	(2.0)
Other timing differences	**1.1**	1.2
Deferred tax liability relating to pension surplus	**(0.2)**	—
Tax losses	**1.5**	2.3
	0.9	1.5

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

	2008 £m	2007 £m
Accelerated capital allowances	**0.4**	(0.5)
Other timing differences	**4.6**	11.8
Deferred tax liability relating to pension surplus	**(0.2)**	—
Tax losses	**19.7**	16.4
Advanced corporation tax asset	**5.0**	5.0
	29.5	32.7

On 21 March 2007, the Chancellor of the Exchequer announced that the standard rate of Corporation Tax in the UK would be reduced from 30% to 28% with effect from 1 April 2008. Deferred tax assets and liabilities have therefore been rebased.

22. PROVISIONS

	Warranty provision £m	Restructuring provision £m	Property provision £m	Total £m
At 1 April 2006	0.9	0.6	7.5	9.0
Charged to the income statement	1.0	—	6.0	7.0
Amortisation of discount	—	—	0.4	0.4
Utilisation	(0.9)	(0.3)	(1.6)	(2.8)
At 31 March 2007	1.0	0.3	12.3	13.6
Charged to the income statement	1.1	—	—	1.1
Amortisation of discount	—	—	0.5	0.5
Utilisation	(1.0)	(0.2)	(2.6)	(3.8)
AT 31 MARCH 2008	**1.1**	**0.1**	**10.2**	**11.4**

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.

notes to the group accounts

YEAR ENDED 31 MARCH 2008

22. PROVISIONS CONTINUED

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

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

23. RETIREMENT BENEFIT OBLIGATIONS

(A) PENSION COSTS

Norcros Security Plan

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

South Africa defined benefit schemes

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

Defined contribution pension schemes

Contributions made to these schemes amounted to £0.8m (2007: £0.8m).

(B) IAS 19 RETIREMENT BENEFIT OBLIGATIONS

Norcros Security Plan

The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation at 31 March 2006 and updated by Mercer Human Resource Consulting to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 March 2008. Scheme assets are stated at their market value at 31 March 2008.

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 year and replaced with defined contribution schemes. Following the agreement of the allocation of surplus assets a surplus of £0.7m has been recognised as it is considered to be recoverable by the Group.

(i) The principal assumptions used to calculate the respective scheme liabilities under IAS 19 are:

	2008	2007
Valuation method	Projected unit	Projected unit
Discount rate		
– Norcros Security Plan	5.70%	5.30%
– other	—	7.75%
Inflation rate		
– Norcros Security Plan	3.30%	3.00%
– other	—	4.75%
Increase to deferred benefits during deferment		
– Norcros Security Plan (non GMP liabilities)	3.30%	3.00%
– other	—	2.62%
Increases to pensions in payment		
– Norcros Security Plan (other than pre 1988 GMP liabilities)	3.30%	3.00%
– other	—	2.62%
Salary increases		
– Norcros Security Plan	4.30%	4.00%
– other	—	5.75%

The IAS 19 calculations have been performed using PA92 mc (YOB) +3 year mortality assumptions.

notes to the group accounts

YEAR ENDED 31 MARCH 2008

23. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(B) IAS 19 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

	2008 £m	2007 £m
Current service cost	1.4	1.7
Past service curtailment/credits	(0.7)	(5.0)
Interest cost	19.0	19.2
Expected return on plan assets	(22.4)	(21.6)
INCOME RECOGNISED IN THE INCOME STATEMENT	(2.7)	(5.7)

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

		Long term rate of return expected at 31 March 2008 £m	Value at 31 March 2008 £m	Long term rate of return expected at 31 March 2007 £m	Value at 31 March 2007 £m
Equities	– Norcros Security Plan	7.75%	125.5	7.75%	141.3
	– other	—	—	10.75%	5.7
Bonds	– Norcros Security Plan	6.50%	101.2	5.30%	109.1
	– other	—	—	7.75%	0.9
Cash and gilts	– Norcros Security Plan	4.50%	140.5	4.75%	128.5
	– other	—	8.6	5.75%	0.9
Property	– other	—	—	10.75%	1.7
Total market value of scheme assets			375.8		388.1
Present value of scheme liabilities			(365.4)		(369.8)
Pension surplus			10.4		18.3
Comprising					
Norcros Security Plan			9.7		13.4
Other			0.7		4.9
Surplus in schemes			10.4		18.3
Amounts not recognised			(9.7)		(18.3)
Asset recognised			0.7		—

(iv) Movement on scheme surplus in the year

	2008 £m	2007 £m
Surplus at the beginning of the year	18.3	7.0
Contributions	2.4	1.4
Past service curtailment/credits	0.7	5.0
Currency translation adjustments	(0.3)	(1.4)
Current service cost	(1.4)	(1.7)
Interest cost	(19.0)	(19.2)
Expected return on scheme assets	22.4	21.6
Actuarial (loss)/gain	(12.7)	5.6
Surplus at the end of the year	10.4	18.3

notes to the group accounts

YEAR ENDED 31 MARCH 2008

23. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(B) IAS 19 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(v) Reconciliation of scheme assets

	2008 £m	2007 £m
Opening fair value of scheme assets	388.1	386.5
Employer contributions	2.4	1.4
Employee contributions	0.6	0.5
Expected return on scheme assets	22.4	21.6
Benefits paid	(18.1)	(18.0)
Actuarial loss on scheme assets	(19.1)	(1.3)
Currency translation	(0.5)	(2.6)
Closing fair value of scheme assets	375.8	388.1

(vi) Reconciliation of scheme liabilities

	2008 £m	2007 £m
Opening scheme liabilities	(369.8)	(379.5)
Current service cost	(1.4)	(1.7)
Employee contributions	(0.6)	(0.5)
Interest cost	(19.0)	(19.2)
Actuarial gain	6.4	6.9
Benefits paid	18.1	18.0
Past service curtailment/credits	0.7	5.0
Currency translation	0.2	1.2
Closing fair value of scheme liabilities	(365.4)	(369.8)

(vii) The actuarial (loss)/gain for the year comprises:

	2008 £m	2008 Percentage of scheme assets/ (liabilities)	2007 £m	2007 Percentage of scheme assets/ (liabilities)	2006 £m	2006 Percentage of scheme assets/ (liabilities)	2005 £m	2005 Percentage of scheme assets/ (liabilities)	2004 £m	2004 Percentage of scheme assets/ (liabilities)
Difference between expected and actual return on scheme assets	(19.1)	5.1%	(1.3)	0.3%	33.2	8.6%	8.9	2.6%	34.1	10.4%
Experience gains/(losses) on scheme liabilities	—	—	5.2	1.4%	0.1	0.0%	(2.7)	0.8%	14.5	4.2%
Effect of changes in actuarial assumptions on scheme liabilities	6.4	—	1.7	—	(31.7)	—	—	—	(19.6)	—
TOTAL ACTUARIAL (LOSS)/GAIN FOR THE YEAR	(12.7)	3.4%	5.6	1.4%	1.6	0.4%	6.2	1.8%	29.0	8.5%

notes to the group accounts

YEAR ENDED 31 MARCH 2008

23. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(B) IAS 19 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(viii) Amounts recognised in the statement of recognised income and expense

	2008 £m	2007 £m
Actuarial (loss)/gain	**(12.7)**	5.6
Currency translation and other adjustments	**(0.3)**	(1.4)
Restriction on recognition of surplus	**8.6**	(11.3)
	(4.4)	(7.1)

24. ORDINARY CALLED UP SHARE CAPITAL

	2008 £000	2007 £000
AUTHORISED		
200,000,000 ordinary shares of 10p each	**20,000**	—
781,250 'A' ordinary shares of 1p each	—	8
5,468,750 'B' ordinary shares of 1p each	—	55
	20,000	63
ISSUED AND FULLY PAID		
148,717,884 ordinary shares of 10p each	**14,872**	—
600,000 'A' ordinary shares of 1p each	—	6
5,250,000 'B' ordinary shares of 1p each	—	52
	14,872	58

During the year the Company issued 150,000 'A' ordinary shares and 249,992 'B' ordinary shares. The proceeds from these issues were £0.2m. A 79 to 1 bonus issue then took place leading to the issue of a further 493,749,368 shares, immediately followed by a share consolidation whereby every ten 1p 'A' share or every ten 1p 'B' share were consolidated to one 10p ordinary share leaving the Company with 49,999,936 10p ordinary shares in issue. On 16 July 2007 a further 98,717,948 shares were issued upon the Company's listing on the London Stock Exchange's main list. Net proceeds from the listing were £72.0m after costs of £5.0m. Of these costs £4.5m were charged to the share premium account and £0.5m are being amortised through finance costs.

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

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 1 April 2006	0.1	5.5	2.3	(16.0)	(8.1)
Actuarial loss on pension scheme	—	—	—	(7.1)	(7.1)
Profit for the period	—	—	—	4.9	4.9
Exchange differences	—	—	(5.9)	—	(5.9)
At 31 March 2007	0.1	5.5	(3.6)	(18.2)	(16.2)
Shares issued	14.8	57.9	—	—	72.7
Actuarial loss on pension scheme	—	—	—	(4.4)	(4.4)
Profit for the period	—	—	—	9.5	9.5
Dividends	—	—	—	(0.8)	(0.8)
Share-based payments	—	—	—	0.2	0.2
Exchange differences	—	—	(1.9)	—	(1.9)
AT 31 MARCH 2008	**14.9**	**63.4**	**(5.5)**	**(13.7)**	**59.1**

notes to the group accounts

YEAR ENDED 31 MARCH 2008

26. CONSOLIDATED CASH FLOW STATEMENTS

(A) CASH GENERATED FROM OPERATIONS

	2008 £m	2007 £m
Profit before taxation	**9.9**	5.9
Adjustments for:		
– exceptional items included in the income statement	**3.1**	1.5
– cash flows from exceptional items	**(2.8)**	(2.1)
– other operating income	**(0.1)**	(0.3)
– depreciation	**5.5**	5.6
– difference between pension charge and contributions	**(1.0)**	0.3
– (profit)/loss on disposal of property, plant and equipment	**(0.3)**	—
– finance costs	**6.9**	12.0
– finance income	**(4.0)**	(3.4)
– share of loss/(profit) of associates	**0.2**	(0.4)
– share-based payments	**0.2**	—
– exchange differences	**(0.4)**	(0.2)
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL	**17.2**	18.9
Changes in working capital:		
– increase in inventories	**(2.7)**	(5.0)
– decrease/(increase) in trade and other receivables	**0.2**	(1.7)
– (decrease)/increase in payables	**(1.0)**	1.9
CASH GENERATED FROM OPERATIONS	**13.7**	14.1

(B) OUTFLOW RELATED TO EXCEPTIONAL ITEMS

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

(C) ANALYSIS OF NET DEBT

	Net cash £m	Net debt £m	Total £m
At 1 April 2006	5.1	(116.1)	(111.0)
Cash flow	(2.5)	3.1	0.6
Other non-cash movements	—	(4.5)	(4.5)
Exchange movement	(0.5)	2.5	2.0
At 31 March 2007	2.1	(115.0)	(112.9)
Cash flow	(0.8)	71.1	70.3
Other non-cash movements	—	(4.8)	(4.8)
Exchange movement	(0.2)	1.1	0.9
AT 31 MARCH 2008	**1.1**	**(47.6)**	**(46.5)**

Other non-cash movements relate to the movement in capitalised finance costs of £3.8m (2007: £1.3m) together with rolled up interest in relation to shareholder loans of £1.0m (2007: £3.2m).

notes to the group accounts

YEAR ENDED 31 MARCH 2008

26. CONSOLIDATED CASH FLOW STATEMENTS CONTINUED

(D) ACQUISITIONS IN THE YEAR ENDED 31 MARCH 2008

The Group purchased the assets of two Tile Africa franchise stores in South Africa on 31 August 2007 and 31 January 2008. From the acquisition date until 31 March 2008 these contributed a net outflow of £0.1m to net operating cash flows, paid £0.1m in respect of interest and utilised no capital expenditure.

In the period from the beginning of the financial year to the date of acquisition the Group made sales to the franchises of £0.8m. The results of the franchises for their previous financial year and the subsequent period to the date of acquisition are not publicly available.

	Acquired book value £m	Fair value adjustment £m	Net cost £m
Inventories	0.3	—	0.3
Other payables	(0.3)	—	(0.3)
Goodwill	0.6	—	0.6
Satisfied by cash	0.6	—	0.6

27. CAPITAL AND OTHER FINANCIAL COMMITMENTS

(A) CAPITAL COMMITMENTS

	2008 £m	2007 £m
Contracts placed for future capital expenditure not provided in the financial statements	**2.4**	0.4

(B) OPERATING LEASE COMMITMENTS

	2008 £m	2007 £m
Total commitments under operating leases		
Not later than one year	**7.7**	8.3
Later than one year and not later than five years	**25.7**	28.5
Later than five years	**36.3**	41.7
	69.7	78.5

Total future sub-lease payments receivable relating to the above operating leases amounted to 2008: £7.3m (2007: £6.3m).

The above operating lease commitments are analysed as:

	2008 £m	2007 £m
Equipment:		
– not later than one year	**1.0**	1.0
– later than one year and not later than five years	**1.6**	2.0
– later than five years	**0.1**	—
Land and buildings:		
– not later than one year	**6.7**	7.3
– later than one year and not later than five years	**24.1**	26.5
– later than five years	**36.2**	41.7
	69.7	78.5

notes to the group accounts

YEAR ENDED 31 MARCH 2008

27. CAPITAL AND OTHER FINANCIAL COMMITMENTS CONTINUED

(C) OPERATING LEASES RECEIVABLE

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

	2008 £m	2007 £m
Total commitments under operating leases		
Not later than one year	0.5	0.5
Later than one year and not later than five years	2.1	2.0
Later than five years	2.7	3.0
	5.3	5.5

28. RELATED PARTY TRANSACTIONS

At the beginning of the year the total issued share capital of Norcros plc was held 57.4% by Bridgepoint Capital Limited, 15.89% by NOVA/Paul Investments Capital (SCA) SICAR, 8.4% by Gresham Private Equity Limited, 7.44% by Botts Nominees (Jersey) Limited and 10.3% by the Executive Directors of the Company. Following the Company's listing on 16 July 2007 none of the previous shareholders, except for the Executive Directors, are considered to be related parties.

The following transactions were carried out with related parties:

(A) LOANS TO/FROM RELATED PARTIES

	2008 £m	2007 £m
Shareholder loans:		
– at beginning of period	35.9	32.7
– loan repayments	(37.0)	—
– interest charged	1.1	3.2
At end of period (note 19)	—	35.9
Loan to associates:		
– at beginning of period	4.3	4.3
– loan repayment	—	—
At end of period (note 11)	4.3	4.3

Interest of £0.4m (2007: £0.4m) was charged in the year.

(B) SALES OF GOODS AND SERVICES

	2008 £m	2007 £m
Sales of goods:		
– associates	0.1	0.3

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

notes to the group accounts

YEAR ENDED 31 MARCH 2008

28. RELATED PARTY TRANSACTIONS CONTINUED

(C) PURCHASES OF GOODS AND SERVICES

	2008 £m	2007 £m
Purchases of goods:		
– associates	**3.1**	4.9

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

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

	2008 £m	2007 £m
Receivables from related parties (note 16):		
– associates	**0.3**	0.3
Payables to related parties (note 18):		
– associates	**(0.5)**	(0.5)

29. CONTINGENT LIABILITIES

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

30. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANY

The principal Group subsidiaries and associates are disclosed below. Transactions between subsidiaries and between the Parent Company and its subsidiaries are eliminated on consolidation.

UK

- Norcros Group (Holdings) Limited
- H & R Johnson Tiles Ltd.*
- Triton plc*

OVERSEAS

- Johnson Tiles Pty Ltd.* (incorporated in Australia)
- Philkeram-Johnson SA* (Associated company – 50%**, incorporated in Greece)
- Norcros SA (Pty) Ltd. trading as Johnson Tiles (Pty) Ltd, TAL and TAF* (Incorporated in South Africa)
- TAL (Pty) Ltd.* (Incorporated in South Africa)
- Tile Africa Group (Pty) Ltd.* (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 and Wales. Overseas companies operate in the countries in which they are incorporated.

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

parent company accounts

IN ACCORDANCE WITH UK ACCOUNTING STANDARDS
YEAR ENDED 31 MARCH 2008

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 2008 which comprise the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Norcros plc for the year ended 31 March 2008.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008;
- the Parent Company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
MANCHESTER
19 JUNE 2008

parent company balance sheet

AT 31 MARCH 2008

	Note	2008 £m	2007 £m
FIXED ASSETS			
Investments	3	**177.3**	177.3
CURRENT ASSETS			
Debtors	4	—	11.0
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Borrowings – bank and other loans	5	—	(3.4)
Other	6	**(27.4)**	(79.6)
		(27.4)	(83.0)
NET CURRENT LIABILITIES		**(27.4)**	(72.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		**149.9**	105.3
FINANCED BY			
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Borrowings – bank and other loans		**33.6**	66.6
Shareholder loans		—	35.9
	5	**33.6**	102.5
CAPITAL AND RESERVES			
Share capital	8	**14.9**	0.1
Share premium account	9	**63.4**	5.5
Profit and loss account	9	**38.0**	(2.8)
TOTAL SHAREHOLDERS' FUNDS	9	**116.3**	2.8
		149.9	105.3

The financial statements on pages 70 to 75 were approved on 19 June 2008 and signed on behalf of the Board by:

J. MATTHEWS
GROUP CHIEF EXECUTIVE

N. P. KELSALL
GROUP FINANCE DIRECTOR

parent company statement of total recognised gains and losses YEAR ENDED 31 MARCH 2008

	2008 £m	2007 £m
Profit for the financial year	**41.4**	0.4
Exchange differences on inter group loans	**—**	(0.1)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	**41.4**	0.3

notes to the parent company accounts

YEAR ENDED 31 MARCH 2008

1. STATEMENT OF ACCOUNTING POLICES

Norcros plc prepares its financial statements on the going concern basis under the historical cost basis of accounting and in accordance with both applicable Accounting Standards in the UK and the Companies Act 1985. A summary of the more important accounting polices which have been applied consistently is set out below.

ACCOUNTING REFERENCE DATE

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

INVESTMENTS

Investments held as fixed assets are stated at cost, less any provision for impairment.

BORROWINGS

Borrowings are recognised net of transaction costs (any such costs that are incremental and directly attributable to the issue of the financial instrument) which are amortised through the income statement over the duration of the borrowing.

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

FOREIGN CURRENCY TRANSACTIONS

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

TAXATION

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

PROFIT AND LOSS ACCOUNT

A separate profit and loss account dealing with the results of the Company has not been presented as permitted by Section 230(1) of the Companies Act 1985.

CASH FLOW STATEMENT

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

DIVIDEND DISTRIBUTION

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

FINANCIAL ASSETS AND LIABILITIES

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

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

SHARE-BASED PAYMENTS

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

2. OTHER INFORMATION

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

Auditors' remuneration of £5,000 (2007: £5,000) is borne by the Company's subsidiary.

notes to the parent company accounts

YEAR ENDED 31 MARCH 2008

3. INVESTMENTS

	Shares in subsidiaries £m
At 1 April 2007 **AND 31 MARCH 2008**	**177.3**

The Company owns 100% of the share capital of Norcros Group (Holdings) Limited, a company incorporated in England and Wales. The principal activity of the subsidiary is to act as an intermediate holding company.

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

4. DEBTORS

	2008 £m	2007 £m
Amounts due within one year		
Group relief receivable	—	2.0
Dividends receivable from subsidiary undertakings	—	9.0
	—	11.0

Dividends receivable from subsidiary undertakings in the year ended 31 March 2007 were approved on 30 March 2007.

5. BORROWINGS

	2008 £m	2007 £m
Loans and bank overdrafts – secured	**34.0**	73.9
Shareholder loans – unsecured	—	35.9
Costs of raising finance	**(0.4)**	(3.9)
	33.6	105.9
Repayable:		
– within one year	—	4.4
– costs of raising finance	—	(1.0)
	—	3.4
After more than one year:		
– between one and two years	—	4.9
– between two and five years	**34.0**	21.5
– over five years by instalments	—	79.0
– costs of raising finance	**(0.4)**	(2.9)
	33.6	102.5
	33.6	105.9

Loans and bank overdrafts are secured on the Group's UK assets and principally carry interest based on LIBOR. Bank loans are repayable on expiry of the current banking arrangements in June 2012.

notes to the parent company accounts

YEAR ENDED 31 MARCH 2008

6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £m	2007 £m
Amounts owed to Group undertakings	26.9	79.3
Other creditors	0.5	0.3
	27.4	79.6

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

7. DEFERRED TAX

No deferred tax has been recognised in the financial statements.

The full potential asset for deferred taxation is as follows:

	2008 £m	2007 £m
Tax losses	8.2	4.9
Other timing differences	—	4.7
	8.2	9.6

8. SHARE CAPITAL

	2008 £000	2007 £000
AUTHORISED		
200,000,000 ordinary shares of 10p each	20,000	—
781,250 ‘A’ ordinary shares of 1p each	—	8
5,468,750 ‘B’ ordinary shares of 1p each	—	55
	20,000	63
ISSUED AND FULLY PAID		
148,717,884 ordinary shares of 10p each	14,872	—
600,000 ‘A’ ordinary shares of 1p each	—	6
5,250,000 ‘B’ ordinary shares of 1p each	—	52
	14,872	58

Details of the changes in share capital are disclosed in note 24 of the Group accounts.

9. SHAREHOLDERS’ FUNDS

	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
At beginning of period	0.1	5.5	(2.8)	2.8
Profit for the period	—	—	41.4	41.4
Dividends	—	—	(0.8)	(0.8)
Shares issued	14.8	57.9	—	72.7
Share-based payments	—	—	0.2	0.2
At end of period	14.9	63.4	38.0	116.3

notes to the parent company accounts

YEAR ENDED 31 MARCH 2008

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 19. These objectives and policies also apply to the Company.

12. SHARE-BASED PAYMENTS

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

notice of annual general meeting

Notice is hereby given that the 2008 Annual General Meeting of Norcros plc will be held at The Stanneylands Hotel, Stanneylands Road, Wilmslow, Cheshire, SK9 4EY on Thursday 17 July 2008 at 11.00 am to consider and, if thought fit, pass the following resolutions.

Resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 to 11 will be proposed as special resolutions.

ORDINARY BUSINESS

1 To receive and consider the accounts and reports of the Directors and the auditors for the financial year ended 31 March 2008.

2 To approve the Remuneration Report for the financial year ended 31 March 2008.

3 To approve the final dividend of 2.66p per ordinary share for the year ended 31 March 2008 payable on 31 July 2008 to the holders of ordinary shares on the register of members of the Company at the close of business on 6 July 2008.

4 To re-elect Joe Matthews as a Director of the Company.

5 To re-elect David Hamilton as a Director of the Company.

6 To authorise the Audit Committee to re-appoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office until the conclusion of the next Annual General Meeting before which accounts are laid.

7 To authorise the Audit Committee to determine the auditors' remuneration.

SPECIAL BUSINESS

8 That the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 as amended (the Act) and in substitution for all existing powers to allot relevant securities to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £4,957,262.80. This authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2009, save that the Company may, before such expiry, make any offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.

9 That subject to the passing of resolution 8 above:

(a) the Directors be empowered pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Sections 94(2) and 94(3A)) paid for in cash pursuant to the general authority given by resolution 8 above and/or where the same is an allotment of equity securities by virtue of Section 94(3A) of the Act as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(i) in connection with a rights issue; and

(ii) (otherwise than pursuant to paragraph 9(a)(i) above) up to an aggregate nominal amount of £743,589.40 (being a sum equal to 5% of the Company's issued ordinary share capital);

and, unless renewed or otherwise varied by the Company in general meeting, shall expire on the expiry of the general authority conferred by resolution 8 above. The Company may make any offers or agreements before this power has expired which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired;

(b) all authorities previously conferred under Section 95 of the Act be revoked, provided that such revocation shall not have retrospective effect; and

(c) for the purpose of this resolution rights issue means an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date of ordinary shares in the Company, in proportion (as nearly as may be practicable) to their respective holdings but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements, or legal practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory or by virtue of shares being represented by depositary receipts.

notice of annual general meeting

SPECIAL BUSINESS CONTINUED

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

(a) the maximum aggregate number of ordinary shares which may be purchased is 14,871,788 (representing less than 10% of the issued ordinary share capital as at 11 June 2008;

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

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

(d) this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 16 January 2010, save that the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be completed wholly or partly after the expiry of the authority and may complete a purchase of ordinary shares pursuant to any such contract.

11 That the amendments to the Company's Articles of Association as set out in the draft amended Articles of Association produced to the meeting (and for the purpose of identification signed by the Chairman of the meeting) be approved.

By order of the Board

D. W. HAMILTON
COMPANY SECRETARY
19 June 2008

REGISTERED OFFICE:
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

NOTES:

ENTITLEMENT TO ATTEND AND VOTE

1. In accordance with Regulation 41(1) of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Company's register of members at 6.00 pm on 15 July 2008 (or, in the case of an adjournment, no later than 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time. Changes to entries on the register of members after 6.00 pm on 15 July 2008 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

APPOINTMENT OF PROXIES

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

   A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company.

3. A form of proxy is enclosed for your use.

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

5. To be valid and effective, a completed and signed form of proxy, together with any power of attorney or other written authority under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or written authority, must be returned so as to reach the Company's registrars, Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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

notice of annual general meeting

NOTES: CONTINUED

APPOINTMENT OF PROXIES CONTINUED

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

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

APPOINTMENT OF PROXIES THROUGH CREST

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

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by no later than 11.00 am on Tuesday 15 July 2008, the latest time(s) for receipt of proxy appointments specified in this Notice of meeting. No message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which our registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

CHANGING PROXY INSTRUCTIONS

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

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

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

TERMINATION OF PROXY APPOINTMENTS

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

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

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

notice of annual general meeting

NOTES: CONTINUED

WEBSITE PUBLICATION OF AUDIT CONCERNS

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

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

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

the Company must publish on its website, a statement setting out any matter that such members propose to raise at the meeting relating to either the audit of the Company's accounts (including the Auditors' Report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with PricewaterhouseCoopers LLP ceasing to hold office since the last Annual General Meeting[1].

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

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

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

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

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

- in hard copy form to Norcros plc, Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU, marked for the attention of Nick Kelsall – the request must be signed by you; or
- by fax to 01625 549011 marked for the attention of Nick Kelsall.

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

[1] Please note that PricewaterhouseCoopers LLP have not ceased, nor has there been any suggestion of PricewaterhouseCoopers ceasing, to hold office since the last Annual General Meeting.

NOMINATED PERSONS

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

DOCUMENTS AVAILABLE FOR INSPECTION

14. Copies of the following documents are available for inspection at the registered office of the Company during usual business hours on any weekday (weekends and public holidays excluded) and will be available for inspection at the place of the Annual General Meeting from 10.45 am (at least 15 minutes prior to the meeting) until the conclusion of the meeting:

(a) a copy of the Company's existing Articles of Association and a copy marked to show the differences between those and the Articles of Association as proposed to be amended pursuant to resolution 11;

(b) a clean version of the Company's amended Articles of Association proposed to be adopted pursuant to resolution 11; and

(c) printed copies of this Notice and the 2008 Reports and Accounts.

notice of annual general meeting

NOTES: CONTINUED

ATTENDANCE AND RESULTS

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

16. The results of the meeting will be announced to the UK Listing Authority and will appear on our website, www.norcros.com on 18 July 2008.

CORPORATE REPRESENTATIVES

17. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that;

(a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

(b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate representatives who represent the same corporate shareholder are urged to follow these procedures as failure to do so will lead to their votes being treated as not having been exercised if multiple corporate representatives for the same shareholder vote in different ways.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators (ICSA) on proxies and corporate representatives on the ICSA website, www.icsa.org.uk for further details of this procedure.

financial calendar

Annual General Meeting	17 July 2008
Final dividend 2007	Payable 31 July 2008
Interim Results	Announcement November 2008
Interim Report	Available to shareholders November 2008
Interim dividend 2008	Payable January 2009

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