norcros

Annual report and accounts
2013

About Norcros

Focused on showers, taps, bathroom accessories, tiles and adhesives

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

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

Our divisions

UK

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

Vado
Vado is a leading manufacturer and global distributor of bathroom controls including taps, mixer showers, bathroom accessories and valves

Johnson Tiles
The UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles

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

Full review on pages **8 & 9**

South Africa

Tile Africa
Tile Africa is our South African retailer of tiles, adhesives, sanitaryware and bathroom fittings. The business operates from 35 showrooms located mainly in South Africa but also in Namibia and Botswana

Johnson Tiles
Johnson Tiles South Africa is the number two ceramic tile manufacturer in South Africa supplying the Tile Africa stores as well as other independent retailers, distributors and contractors

TAL
Our market leading adhesives business with manufacturing plants in Olifantsfontein, Durban and Cape Town. TAL not only supplies a wide range of product into the South African market, but also exports into sub-Saharan Africa

Full review on pages **10 & 11**

Rest of the world

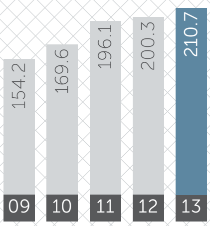
Johnson Tiles Australia
Our business is an importer and distributor of tiles sourced primarily from Asia and Europe, including product sourced from Johnson Tiles in the UK. It currently has outlets in Melbourne, Sydney and Tasmania, each offering a wide choice of tiles, adhesives and related products

Full review on pages **12 & 13**

Highlights

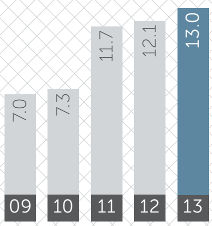
- Fourth consecutive year of revenue and underlying operating profit growth
- Group revenue increased by 5.2% to £210.7m (2012: £200.3m)
- Group underlying operating profit of £13.0m (2012: £12.1m) was 7.4% higher than the prior year
- South Africa returned to profit
- Vado acquisition on 31 March 2013 – first step in a faster and focused growth strategy
- The Board is recommending that the final dividend for the year be increased by 8.9% to 0.305p per share in addition to the interim dividend of 0.155p per share making a 9.5% increase on the previous year

Revenue
(£m)



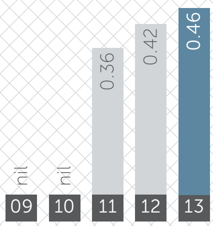
£210.7m
+5.2%

Underlying operating profit
(£m)



£13.0m
+7.4%

Dividends per share
(p)



0.46p
+9.5%

Contents

Overview

Our objectives and strategy

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

> “Pursue a faster and focused growth strategy to scale up the size of the Group organically and by acquisition.

Our strategy

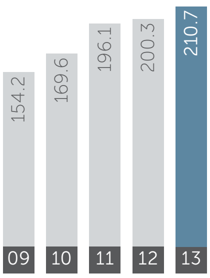
- Pursue a faster and focused growth strategy to scale up the size of the Group organically and by acquisition
- Maintain investment in our strong brands and new product development
- Leverage revenue synergies within our portfolio of complementary businesses
- Target acquisitions in complementary markets with attractive returns on capital
- Continue to ensure high standards of corporate governance and responsibility

Key strategic targets

- Double Group revenue by 2018
- Maintain approximately 50% of Group revenue derived outside the UK
- Achieve a sustainable underlying return on capital employed of 12–15%

Key performance indicators

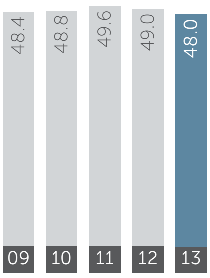
Revenue
(£m)



£210.7m

+5.2%

Group revenue outside the UK
(%)



48.0%

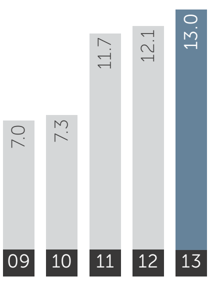
-1.0%

Acquisition of Vado

In March 2013 we completed the acquisition of 100% of the share capital of Eurobath International Ltd trading as Vado. Vado is a leading manufacturer and global distributor of bathroom controls including taps, mixer showers, bathroom accessories and valves, with strong brands and a product offering positioned at the mid to high end segment of its target markets. Whilst UK revenue represents 55% of total revenue, one of the key strengths of Vado is its global distribution network which contributes the remaining 45% of total revenue. Vado exports to over 60 countries, most notably in the Middle East and Africa where it has a particularly strong presence.

The Vado geo tap was selected for the Presidential Suite of the JW Marriott Marquis Hotel, Dubai, the world's tallest hotel

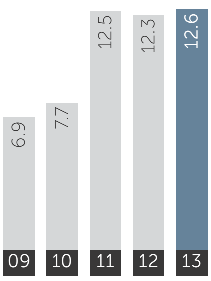
Underlying operating profit
(£m)



£13.0m

+7.4%

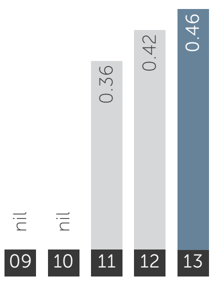
Underlying return on capital employed
(%)



12.6%

+0.3%

Dividends per share
(p)



0.46p

+9.5%

Overview
Chairman's statement

With our leading brands and market positions, high quality and innovative products, strong customer relationships, talented people and successful self-help initiatives, together with the acquisition of Vado, the Board is confident that the Group is well placed to make further progress.

Martin Towers Chairman

Summary

Fourth consecutive year of revenue and underlying operating profit growth

Group revenue increased by 5.2% to £210.7m (2012: £200.3m)

Group underlying operating profit of £13.0m (2012: £12.1m) was 7.4% higher than the prior year

South Africa returned to profit

Vado acquisition on 31 March 2013 – first step in a faster and focused growth strategy

The Board is recommending that the final dividend for the year be increased by 8.9% to 0.305p per share in addition to the interim dividend of 0.155p per share making a 9.5% increase on the previous year

> During the year the Board has reviewed the Group's strategy, and has concluded that a faster and focused growth strategy to scale up the size of the Group organically and by acquisition should be pursued.

In what has been a challenging year, I am pleased to report another strong performance by Norcros in the year to 31 March 2013. The Group has achieved its fourth consecutive year of growth in both revenue and underlying operating profit despite tough markets and significant energy cost increases, with South Africa having returned to profitability this year.

During the year the Board has developed its strategy for the Group, which is to continue to grow through organic means but also through targeted acquisitions that complement the Group's existing profitable brands, product portfolio, and markets. The acquisition of Eurobath International Ltd. ("Vado") in March 2013 is the first step in implementing this vision, and the Board believes Vado is an excellent fit with the Group and its strategy.

With clear strategic vision and continued progress, the Group is in a strong financial position as it enters a new and exciting phase of its development.

Results and financial position

Group revenue for the year increased by 5.2% to £210.7m (2012: £200.3m) representing a 10.2% increase on a constant currency basis.

Underlying operating profit of £13.0m (2012: £12.1m) was 7.4% higher than prior year, with operating margins also ahead at 6.2% (2012: 6.0%).

Underlying profit before taxation was 9.3% higher at £11.7m (2012: £10.7m) driven by higher underlying operating profits and lower financing costs.

An exceptional operating charge of £4.4m (2012: £nil) has been made in the year principally reflecting a £3.0m provision increase relating to our three remaining legacy property leases and Vado acquisition costs of £0.9m.

Profit before tax was 6.4% higher at £10.0m (2012: £9.4m), with higher underlying profit before tax and non-cash interest credits offset by an increased exceptional charge.

Basic underlying earnings per share were maintained at 1.9p (2012: 1.9p) with an increase in underlying profit before tax offset by an increased effective tax rate on underlying profit as the shelter from the Group's tax losses reduced in the year. Basic earnings per share as reported were also maintained at 1.6p (2012: 1.6p).

Net cash generated from operations was £6.6m (2012: £6.0m) and included a £7.7m increase in working capital primarily to support new business gained by Johnson Tiles UK with B&Q, whilst prior year net cash generated from operations was impacted by the £7.8m buyout of the Group's legacy property lease obligation at Springwood Drive in May 2011. Capital expenditure at £6.7m (2012: £6.7m) included new sorting, packaging and palletising equipment in Johnson Tiles South Africa, continued investment in tooling for new product in Triton Showers, and the freehold purchase of a new store at Klerksdorp together with other store upgrades as part of the normal store improvement programme in our South African retailer, Tile Africa. This ongoing store improvement programme also gave rise to disposal proceeds of £2.5m (2012: £nil) in the year following the sale of certain freehold sites in Tile Africa.

Closing net debt at £30.7m (2012: £17.8m) included the net cash outflow of £10.6m associated with the acquisition of Vado and increased working capital requirements in Johnson Tiles UK referred to earlier. Leverage as measured by net debt to EBITDA (including a full year of Vado EBITDA on a pro-forma basis) was 1.4 times, with all banking covenants met with appropriate headroom.

Strategy

During the year the Board has reviewed the Group's strategy and has concluded that a faster and focused growth strategy to scale up the size of the Group organically and by acquisition should be pursued. The Board believes the implementation of this strategy will enhance shareholder value as well as rebalance the value of the Group as against its pension scheme liability.

Organic growth will continue to be driven by capitalising on our leading market positions in the UK and South Africa. Our strategic initiatives will ensure we maintain the provision of innovative new product programmes, excellent customer service and investment in our brand portfolio. We will also reinforce our "designed and built in Britain" credentials as well as capture the growth opportunities in South Africa and sub-Saharan Africa, where medium term growth rates are likely to be higher than the more developed markets. We will continue to drive faster revenue growth in our existing export markets and develop new emerging export opportunities.

Overview
Chairman's statement continued

Strategy continued
The strengths and characteristics of our recently acquired Vado business perfectly dovetail with all these initiatives and we will seek to realise the exciting revenue synergies that Vado will bring to the Group.

Acquisitions will be targeted at complementary market and industry segments exhibiting attractive returns on capital which are likely to be bathroom and kitchen products with exposure to commercial and specification segments. The recent acquisition of Vado represents a first step in this approach.

The Board has set itself three strategic targets. These are to double Group revenue by 2018, to maintain revenue derived outside of the UK at approximately 50% of Group revenue, and to sustain an underlying return on capital employed of 12% to 15% over the economic cycle.

Acquisition
On 31 March 2013 the Group completed the acquisition of 100% of the share capital of Vado, a private family owned business, for an initial cash consideration of £11.0m plus debt and debt-like items assumed as part of the transaction of approximately £0.9m, and further payments of up to £4.1m in total depending upon the future financial performance of Vado. The Board expects the acquisition to be earnings enhancing immediately.

Vado is a leading UK-based manufacturer of taps, mixer showers, bathroom accessories and valves, with strong brands and a product offering positioned both in the UK and internationally at the mid to high end segment of its target markets. The acquisition is an important step in supporting and accelerating the Group's growth strategy and is an excellent fit with the Group's existing products and market positions.

For the year ended 31 December 2012, Vado's audited results showed revenue of £25.6m, EBITDA of £2.5m and profit before tax of £2.1m.

The acquisition was funded by a £19m increase to the Group's existing banking facility, taking the Group's overall committed credit facilities from £51m to £70m on existing terms.

Pension
The Group's UK defined benefit pension scheme was closed to future accrual on 31 March 2013 and replaced with a new auto enrolment compliant defined contribution scheme. Closure to future accrual is a key step in de-risking the pension scheme, preventing the build-up of future liabilities.

The UK defined benefit pension scheme deficit calculated under IAS19 increased to £30.0m (2012: £18.7m). Although asset values continued to increase, liabilities increased further driven by a significant reduction in the discount rate.

Surplus property
The Group is pleased to report that planning consent for the proposed development at Highgate Park, Tunstall has been obtained. The approved plans for the site include a food store and petrol station which as previously announced is subject to a conditional sale contract with Optimisation Developments Ltd., a subsidiary of WM Morrison Supermarkets plc, ("Morrisons") for gross proceeds of £8.25m and net proceeds of £2.6m. It is now expected that the sale contract with Morrisons will become unconditional by the end of August 2013. A further update will be provided at the appropriate time.

> Progress in our South African businesses has been encouraging, with both strong revenue growth and a return to overall profitability achieved in the year.

In addition to the food store and petrol station, the approved planning consent also includes a number of non-food retail and restaurant/leisure units, which the Group will now actively market to prospective tenants to generate incremental returns, although it is too early to comment on the likely proceeds and timing.

Dividend

The Board is recommending that the final dividend for the year be increased by 8.9% to 0.305p per share. When added to the interim dividend of 0.155p per share which was paid on 8 January 2013 this will make the total dividend for the year 0.46p per share, a 9.5% increase on the previous year. This final dividend, if approved at the Annual General Meeting, will be payable on 30 July 2013 to shareholders on the register on 28 June 2013. The shares will be quoted ex-dividend on 26 June 2013.

Board changes

As announced separately, John Brown, Senior Independent Director and Chairman of the Audit Committee, has notified the Board of his intention to retire at the AGM on 24 July 2013. David McKeith will join the Board as Senior Non-Executive Director and Chairman of the Audit Committee at the AGM.

David Hamilton, Executive Director and Company Secretary, has also notified the Board of his intention to retire from the Board at the same AGM. Richard Collins has been appointed Company Secretary as of 3 June 2013 although in line with best practice he will not be appointed to the Board as an Executive Director.

On behalf of the Board I wish both John and David well for the future, and I look forward to working with David and Richard in their new roles.

Employees

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

Summary and outlook

Whilst our South African and Australian businesses have traded in line with expectations in the first two months of the current year, demand in our UK markets has been weaker than expected reflecting the unseasonally cold weather and destocking by key customers. Early action has been taken to mitigate the impact of this and of higher energy costs and weaker exchange rates, including a cost reduction programme at Johnson Tiles UK which could involve up to 75 redundancies. It is expected that this will result in an exceptional charge in the region of £1.5m in the current year, with the resultant savings being more heavily weighted to the second half of the financial year.

The integration of the Vado business is progressing well. Although there is no contribution from Vado in these results, the business has maintained its strong momentum post acquisition largely reflecting outperformance in its export markets which historically have accounted for 45% of total revenue.

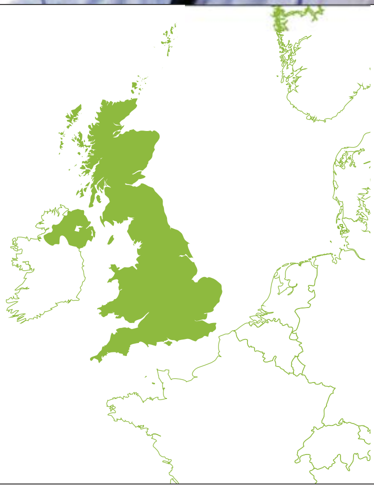
We have continued to invest in our businesses through this protracted economic downturn and succeeded in growing market share, revenue and profit. We will continue to apply this successful formula alongside an enhanced growth strategy including targeted acquisitions that complement the Group's current main businesses and markets. With our leading brands and market positions, high quality and innovative products, strong customer relationships, talented people and successful self-help initiatives, together with the acquisition of Vado which will provide further synergy opportunities, the Board is confident that the Group is well placed to make further progress.

M. Towers
Chairman
13 June 2013

United Kingdom

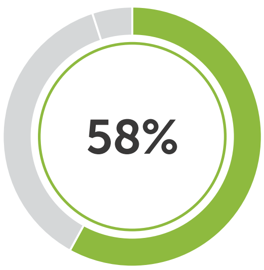
Strong revenue growth in Johnson Tiles was offset by lower revenue at the more profitable Triton Showers and, with continued energy cost increases, resulted in a 4.8% reduction in underlying operating profit to £11.9m (2012: £12.5m), a resilient performance given the challenging market conditions.

Nick Kelsall Group Chief Executive

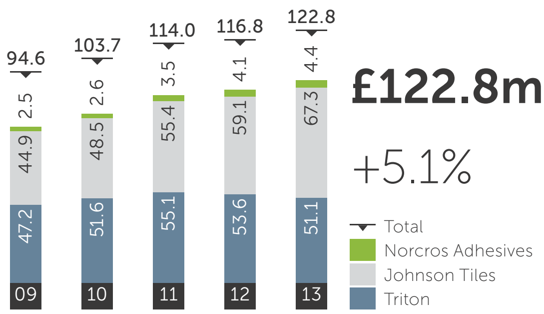


Summary

Share of Group revenue



UK revenue (£m)



£122.8m

+5.1%

> New product innovation is a continuing feature of the Triton business, and the new stylish Touch electric shower, which was launched to the trade in March 2013, has been very well received.

Revenue increased in the year by 5.1% to £122.8m (2012: £116.8m). Strong revenue growth in Johnson Tiles was offset by lower revenue at the more profitable Triton Showers and, with continued energy cost increases, resulted in a 4.8% reduction in underlying operating profit to £11.9m (2012: £12.5m). Although this represents a reduced margin of 9.7% (2012: 10.7%), it nevertheless was a resilient performance given the challenging market conditions.

Triton Showers

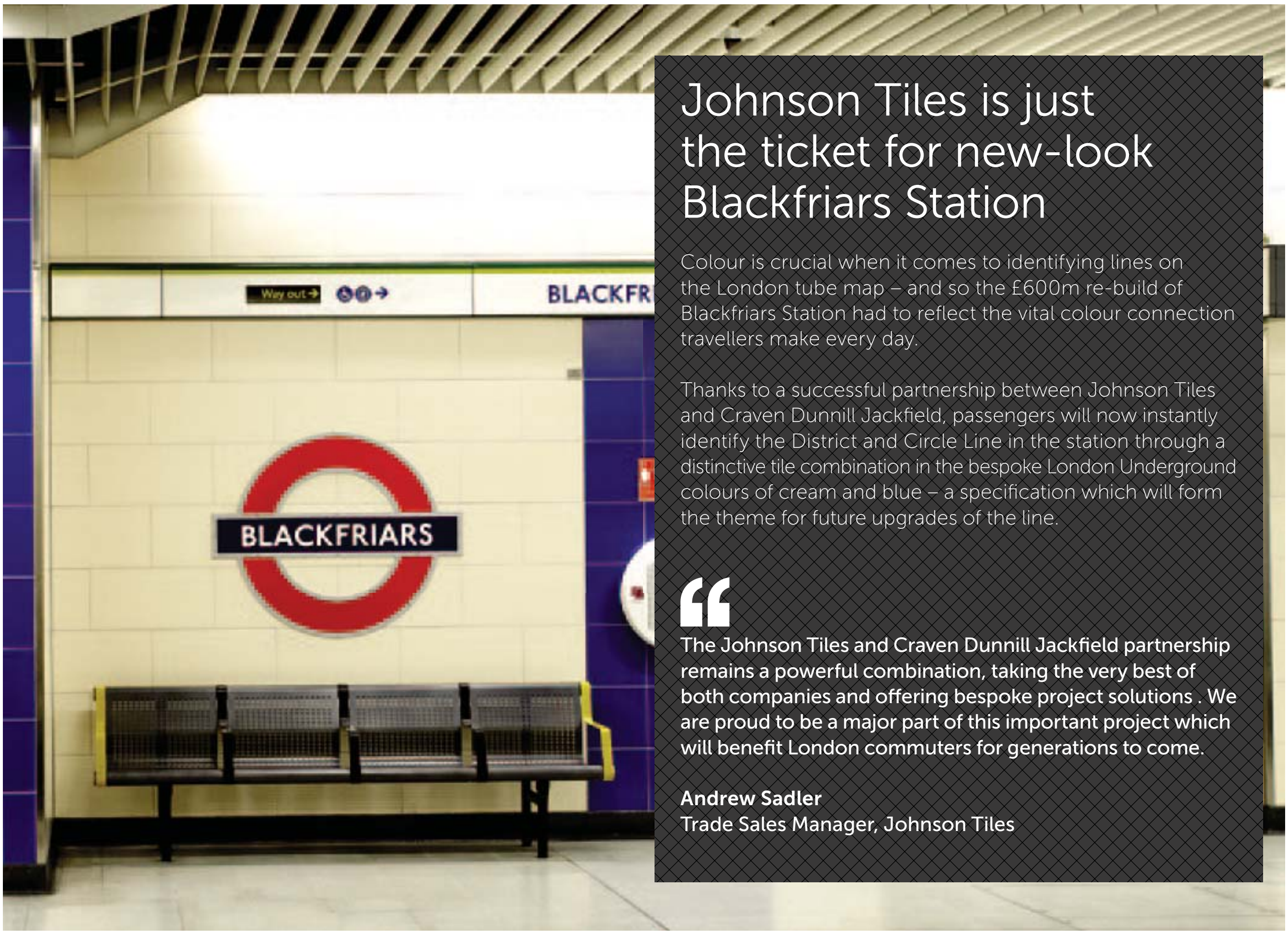
Triton, the UK market leading domestic shower business, continued to gain market share in the UK market, but with a declining UK market and continued tough conditions in the Irish market, revenue for the year was 4.6% lower at £51.1m (2012: £53.6m).

In the UK, revenue for the year was 3.5% lower than prior year but ahead of the market. This represented a much stronger second half performance with revenue only 0.7% lower despite a subdued February and March performance in the retail sector driven by the poor weather conditions impacting footfall in store. Both trade and retail sector revenues declined by similar amounts in the year, but market share gains were made in both segments.

Export revenue, which represents approximately 14% of overall revenue, was 10.9% lower compared to prior year but again represents a much stronger second half performance, being only 1.0% lower. The primary export market for Triton is Ireland and, although lower than last year, this is a respectable result given the general economic conditions in this market.

Performance of the Triton T80z Fast Fit range since its launch in the fourth quarter of the previous year has been pleasing having been extremely well received by installers and the trade sector. The range boasts a new "swivel fit" feature for water inlet and a "swing fit" feature for electrical connections which increases installation flexibility and reduces installation time. New product innovation is a continuing feature of the Triton business, and the new stylish Touch electric shower, which was launched to the trade in March 2013, has been very well received. As the name indicates the product uses touch control technology, a new feature for Triton electric showers.

With lower revenues in the year, underlying operating profits were also lower, although further cost reduction initiatives and tight overhead control helped maintain strong profitability and cash generation.



Johnson Tiles is just the ticket for new-look Blackfriars Station

Colour is crucial when it comes to identifying lines on the London tube map – and so the £600m re-build of Blackfriars Station had to reflect the vital colour connection travellers make every day.

Thanks to a successful partnership between Johnson Tiles and Craven Dunnill Jackfield, passengers will now instantly identify the District and Circle Line in the station through a distinctive tile combination in the bespoke London Underground colours of cream and blue – a specification which will form the theme for future upgrades of the line.

"The Johnson Tiles and Craven Dunnill Jackfield partnership remains a powerful combination, taking the very best of both companies and offering bespoke project solutions . We are proud to be a major part of this important project which will benefit London commuters for generations to come.

Andrew Sadler
Trade Sales Manager, Johnson Tiles

Johnson Tiles

Johnson Tiles, the UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, saw revenue increase by 13.8% to £67.3m (2012: £59.1m).

In the UK revenue grew by 16.8% with strong growth in the retail sector more than offsetting a decline in the trade sector. Market share gain in the DIY multiples sector was driven largely by B&Q which has implemented a major tile range review and introduced a new in-store tile shop. Implementation of this new concept involved us increasing our stockholding by £6.6m and delivering over 12 million boxes of tiles and 34,000 POS display boards in a three-month period. Our success in this project is testament to the excellent logistics capabilities and strong customer and supplier relationships the business has built. The UK social housing market has declined further in the year with Government spending cuts constraining activity, although we continue to hold our strong market share in this sector with significant projects completed in the period including the MOD in Tidworth, the Foreign Office, as well as Decent Homes programmes in Leeds, Edinburgh and South Wales.

Increased focus on growing our private sector specification business is continuing to progress well. Architects and interior designers recognise our strong product offer backed up by Material Lab, our London-based architects and designer centre, our highly knowledgeable sales team, and quality service. Notable successes in the year include further work with Marks and Spencer, Premier Inn, Costa Coffee, Radisson Edwardian Hotels and John Lewis.

Export revenue, which represents approximately 9% of overall revenue, declined 9.3%. Growth was seen in most regions during the year, but sales to the Middle East fell as a result of large projects in the prior year in Kuwait and Qatar not being repeated in the current year.

Manufacturing performance was significantly improved in the year, with the problems following installation of the new kiln in March 2011 fully resolved. However, energy prices rose a further 14% in the year and continue to constrain financial performance and, despite increased revenue, underlying operating profits were marginally lower than prior year.

Norcros Adhesives

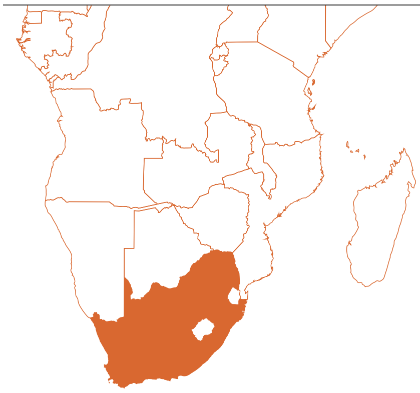
Norcros Adhesives, our manufacturer and supplier of tile and stone adhesives and ancillary products, saw revenue grow by 7.1% in the year to £4.4m (2012: £4.1m). Growth in the second half was stronger, helped in part by new business won following the exit of a competitor from the UK market.

New product introductions during the year include wet room wall boarding and floor profiles, together with a high performance two-part levelling screed. These latest additions to the range now enable Norcros Adhesives to offer the professional fixer one-stop sourcing of tile adhesives, screeds and ancillary products.

Investment in new products and continued investment in sales and marketing in order to drive further growth have left underlying operating profit at a similar level to last year.

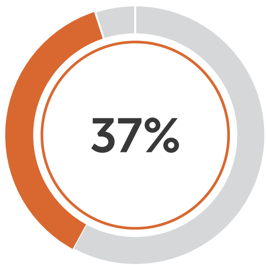
Business review
South Africa

All three businesses within the South African group recorded double-digit constant currency revenue growth. An overall underlying operating profit for the year of £1.0m (2012: £0.5m loss) marks the return to profit for our South African operations.

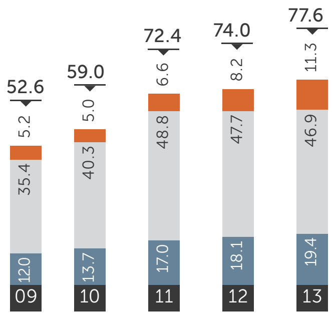


Summary

Share of Group revenue



South Africa revenue (£m)



£77.6m

+4.8%

TAL supplies adhesives to Soweto Theatre

TAL is proud to be associated with the Soweto Theatre in Jabulani for which it supplied various products to install almost 7000m² of glazed stoneware tiles.

The company issued a materials and methods specification for the facade cladding, which entailed fixing glazed stoneware tiles in a mosaic format.

> “We required guarantees on the tile adhesive, which TAL was able to provide as they supplied installation instructions and conducted regular site inspections.

Tatenda Mavunga
Architect, Afritects

> The operational improvements in Johnson Tiles South Africa noted last year have continued and further progress made this year with significantly better quality, higher throughput and reduced downtime leading to a 16.0% increase in production volumes.

Another strong year of growth in our South African business saw revenue 19.3% higher on a constant currency basis and 4.8% higher on a reported basis at £77.6m (2012: £74.0m). The average exchange rate for Sterling to Rand for the year was 14% weaker at SAR13.37 (2012: SAR11.77). All three businesses within the South African group recorded double-digit constant currency revenue growth, and Johnson Tiles South Africa has made significant operational improvements in the year, although a 26% rise in energy costs has limited some of the financial benefits of this improvement. Nonetheless, an overall underlying operating profit for the year of £1.0m (2012: loss of £0.5m) marks the return to profit for our South African operations.

Johnson Tiles South Africa

Johnson Tiles South Africa continued to benefit from a number of key successes in the retail sector with independent sector revenue increasing 56.9% on a constant currency basis and 37.7% on a reported basis to £11.3m (2012: £8.2m).

Further gains in the DIY sector have been achieved as we continue our successful strategy of importing ceramic tile products to complement our own manufactured product to create a "one-stop shop" for larger retailers, particularly Builders Warehouse.

The operational improvements in Johnson Tiles South Africa noted last year have continued and further progress made this year with significantly better quality, higher throughput and reduced downtime leading to a 16.0% increase in production volumes. New sorting, packaging and palletising equipment was successfully installed in September 2012, and further improvements to planned maintenance and operating practices yielded further efficiencies. Energy costs were, however, 26% higher than prior year and held back the financial benefit of this improved manufacturing performance. Notwithstanding this, the business recorded a significantly reduced loss in the year.

TAL Adhesives

TAL, our market leading adhesives business in South Africa, saw independent sector revenue grow 22.3% on a constant currency basis and 7.5% on a reported basis to £19.4m (2012: £18.1m), driven by continued market share growth both inside and outside of South Africa. This growth has helped mitigate margin pressure from competition which continues to be challenging, and in conjunction with continued cost control and formulation improvements, has helped TAL produce another profitable and cash generative year.

Within South Africa, the ability to offer a full tiling solution on a single truck to our major retail customers by combining tile and adhesive deliveries has helped drive improved sales and cost efficiencies. To further build on this "one-stop" strategy, Tilemate, a range of tile tools has been successfully launched in the period and further initiatives are underway to add to this portfolio of products.

Exports have again shown good growth off the back of new distribution agreements signed in the year in both Southern and Eastern Africa and have grown 39% in constant currency terms in the period, now representing nearly 10% of total independent sector revenue.

In November 2012, we sold the business and assets of Nortec, TAL's small but loss making industrial adhesives business, to Permoseal Pty Ltd. Nortec revenue for the year was £1.9m (2012: £3.9m) and an exceptional charge of £0.4m reflects the net loss on sale. Excluding Nortec, year on year constant currency growth in TAL was 41% compared to the 22.3% noted above.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesive, showers, sanitaryware and bathroom fittings, saw revenue increase 11.7% on a constant currency basis but reduce 1.8% on a reported basis to £46.9m (2012: £47.7m). Continued enhancement of the product offering and availability has driven revenue higher despite market conditions being challenging.

Tile Africa currently has 29 owned stores and six franchises. Continual assessment and focus on underperforming stores is a normal ongoing part of running any retail business successfully. Senior management identifies underperforming stores and then works proactively to improve performance, relocate, or close stores. In the past year we successfully relocated the Paarden Eiland store and are in the process of relocating our Klerksdorp store. Our Germiston store has now been completely refurbished in the year, leaving 21 of our owned stores fully refurbished, and this programme continues to be rolled out across most of the remaining store network. We have also closed two underperforming stores at Fourways and N1 City. These two closures as well as the Klerksdorp relocation involved the sale of freehold sites which generated a profit on disposal of £1.2m (2012: £0.4m).

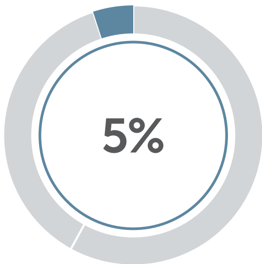
We expect to secure two new sites in the current year with the stores becoming operational in the next financial year. In line with our Group strategy of growing our geographical footprint, Tile Africa will look to use its strongly performing contracts division to spearhead this growth, with the opening of a contracts office being planned for East Africa in the year to March 2015.

Rest of the World

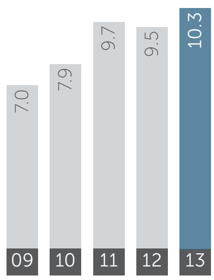
The Johnson Tiles Australia business was profitable in the year and remains in a strong position to capitalise on further opportunities in its markets.

Summary

Share of Group revenue



Rest of the World revenue
(£m)



£10.3m

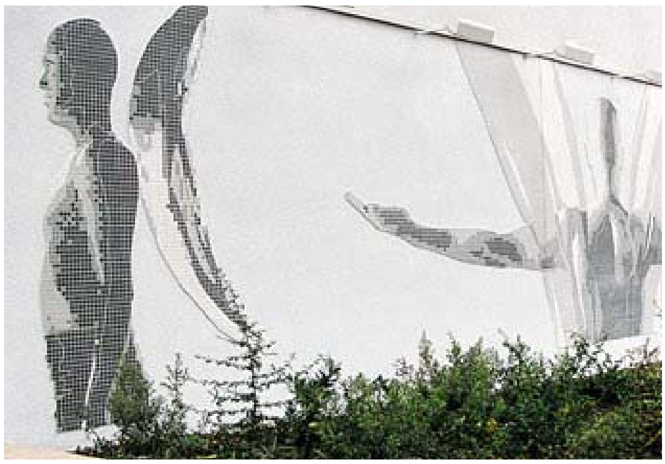
+8.8%

Rising Angels

Norcros Adhesives manufactures a comprehensive range of adhesives, grouts, surface preparation and aftercare products for fixing ceramic and porcelain tiles, mosaics, natural stone and marble. The extended open time of Norcros One Part Flexible White adhesive enabled the fixers at Rowles & Co to cope with the intricate design of the "Rising Angels" mosaic at Phoenix Court on Bond Street, Bristol, with minimal wastage. The high polymer content of both the adhesive and Stop Mould Flexible Grout makes both products perfect for external use and able to withstand the unpredictable British weather.

> **We are able to provide a tiling solution to suit most situations. Technical advice and site visits are available to all our customers together with a bespoke NBS M40 specification writing service. This ensures that the correct products are used on every installation, all covered by our lifetime guarantee.**

Mandy Searle
Head of Technical Services, Norcros Adhesives



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General conditions in the Australian economy have improved in the period, driven by the resources and mining sector, leading to a 12.8% increase in building approvals

Australia

Johnson Tiles Australia saw revenue in the year increase 8.8% to £10.3m (2012: £9.5m) or 9.3% higher on a constant currency basis. General conditions in the Australian economy have improved in the year, driven by the resources and mining sector, leading to a 12.8% increase in building approvals following reductions in the two previous years. Revenue also benefited from upgrades and new stores openings by Bunnings, a major Australian retail customer. Furthermore, in October 2012 a new contract to supply Bunnings New Zealand was won, with product being supplied to 22 stores.

In March 2013 the business and assets of One Stop Tiles Pty Ltd were acquired. One Stop Tiles has two retail stores in Tasmania and the acquisition of these assets should provide good growth opportunities in a market where we have been under-represented.

The Johnson Tiles Australia business was profitable in the year with underlying operating profit maintained at £0.1m (2012: £0.1m) and remains in a strong position to capitalise on further opportunities in its markets.

Financial review

Group underlying return on capital employed rose to 12.6% (2012: 12.3%) and continues to exceed our cost of capital.

Martin Payne Group Finance Director

Summary

Group revenue increased by 5.2% to £210.7m (2012: £200.3m)

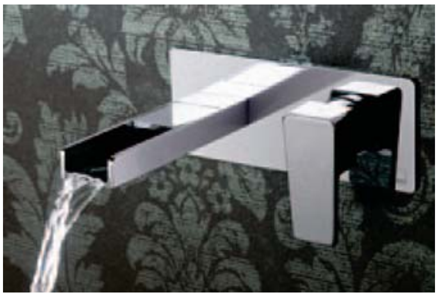
Group underlying operating profit of £13.0m (2012: 12.1m) was 7.4% ahead of the prior year

Group underlying return on capital employed was 12.6% (2012: 12.3%)

Working capital outflow increased to £7.7m (2012: £0.4m) to support new business gained with B&Q

Net debt was £30.7m (2012: £17.8m) including a £10.6m outflow on 31 March 2013 to acquire Vado

Revolving credit facility increased from £51.0m to £70.0m on the same commercial terms



> The Group recorded increases in revenue in its UK businesses of 5.1% and increases on a constant currency basis in South Africa of 19.3% and in Australia of 9.3%.

Key cash flow components and movement in Group net debt

	2013 £m	2012 £m
Cash flow from operations	**6.6**	6.0
Net interest paid	**(1.3)**	(1.6)
Taxation	**(1.0)**	(0.6)
Free cash flow available for investment	**4.3**	3.8
Issue of share capital	**0.3**	0.2
Capital expenditure	**(6.7)**	(6.7)
Disposal proceeds	**2.5**	–
Acquisitions	**(10.6)**	–
Dividends	**(2.5)**	(2.2)
Other items including foreign exchange and amortised financing costs	**(0.2)**	(2.3)
Movement in net debt	**(12.9)**	(7.2)
Opening net debt	**(17.8)**	(10.6)
Closing net debt	**(30.7)**	(17.8)

Revenue

Group revenue increased on a reported basis by 5.2% or by £10.4m to £210.7m (2012: £200.3m). The underlying increase on a constant currency basis was 10.2% reflecting the translation impact of the South African Rand and Australian Dollar against Sterling. The Group recorded increases in revenue in its UK businesses of 5.1% and increases on a constant currency basis in South Africa of 19.3% and in Australia of 9.3%.

Underlying operating profit

Underlying operating profit increased by 7.4% to £13.0m (2012: £12.1m). Our UK businesses delivered underlying operating profits of £11.9m against £12.5m with the benefit of revenue growth in Johnson Tiles being offset by lower revenue at the more profitable Triton Showers and higher energy costs. Our South African businesses returned to profitability with an underlying operating profit of £1.0m compared to a underlying operating loss of £0.5m last year. The benefit of operational improvements made over the last two years in Johnson Tiles South Africa has contributed to this result, although somewhat constrained by higher energy costs, but continued improvements in TAL and Tile Africa have also had an impact. In Australia trading profit of £0.1m is consistent with the performance in 2012. Group underlying operating profit margins improved to 6.2% (2012: 6.0%).

Exceptional items and operating profit

Exceptional items at £4.4m (2012: £nil) include a £3.0m increase in provisions for the Group's legacy property leases. The Group has three remaining legacy leasehold properties which are not actively used by Group operating businesses. The increased provision has been necessary in light of the Group's view of the likely costs (net of any future rental income) which will be incurred over the remainder of the lease tenure.

Financial review continued

Triton's new Touch shower.

> Underlying profit before tax was £11.7m (2012: £10.7m) reflecting the increased underlying operating profit and reduced finance costs

Exceptional items and operating profit continued

The remaining charge covers acquisition related expenses of £0.9m in respect of Vado, net costs of £0.3m resulting from the disposal of the small non-core Nortec business previously operated by the Group's South African adhesives business and £0.2m of other restructuring costs.

Operating profit for the year was £8.6m (2012: £12.1m).

Net finance costs

Net finance costs decreased to £0.8m (2012: £3.1m) driven by a £1.6m favourable variance in respect of the movement on fair value of derivatives and lower amortisation of costs of raising debt finance following the refinancing in September 2011. Bank interest payable of £1.3m (2012: £1.4m) was lower than prior year and reflects a full year of improved terms also following the September 2011 refinancing.

IAS19 finance income of £2.2m (2012: £1.6m) relates to the Group's UK defined benefit pension scheme and reflects the net of expected rates of return on pension scheme assets and expected interest pension scheme liabilities.

A charge of £1.2m for exceptional finance costs was made in 2012 relating to the immediate write-off of unamortised finance costs from the previous banking facility which was superseded by the September 2011 facility agreement.

Profit before tax

Underlying profit before tax was £11.7m (2012: £10.7m) reflecting the increased underlying operating profit and reduced finance costs noted above.

The Group reported profit before tax of £10.0m (2012: £9.4m).

Taxation

The taxation charge of £0.9m (2012: £nil) represents an effective tax rate of 9% (2012: nil) and is lower than the standard rate primarily because of the recognition in the year of certain South African deferred tax assets now that our South African businesses are firmly in profit. Details of the tax charged in the year are provided in note 7 to the financial statements.

Earnings per share

Underlying earnings per share amounted to 1.9p (2012: 1.9p). Basic earnings per share was 1.6p (2012: 1.6p).

Dividends

As previously announced it is the Board's intention to continue a progressive dividend policy subject to the Group's earnings, cash flow and balance sheet position. As such the Board is recommending a final dividend of 0.305p per share, which, together with the interim dividend of 0.155p, makes a total dividend of 0.46p in respect of the year ended 31 March 2013.

Pension schemes

The Group contributed £3.2m (2012: £2.2m) into its UK defined benefit pension scheme during the year. This included an additional contribution of £2.0m (2012: £1.0m) as part of the 2012 deficit recovery plan.

The total charge in respect of defined benefit schemes to operating expenses in the Consolidated Income Statement was £1.3m (2012: £1.5m).

Key performance indicators

	2013 £m	2012 £m	Change %
Revenue	**210.7**	200.3	+5.2%
Underlying operating profit*	**13.0**	12.1	+7.4%
Underlying profit before tax	**11.7**	10.7	+9.3%
Underlying diluted earnings per share – pence	**1.9p**	1.9p	–
Underlying return on capital employed**	**12.6%**	12.3%	+0.3%
Cash generated from operations	**6.6**	6.0	+10.0%
Net debt	**(30.7)**	(17.8)	+72.5%

Foreign currency translation

	Averare rate vs £		Closing rate vs £	
	2013	2012	**2013**	2012
South African Rand	**13.37**	11.77	**13.93**	12.26
Australian Dollar	**1.54**	1.53	**1.46**	1.54
Euro	**1.23**	1.16	**1.18**	1.20
US Dollar	**1.58**	1.60	**1.52**	1.60

The gross defined benefit pension scheme valuation on the UK scheme showed a deficit of £30.0m compared to a deficit of £18.7m last year. The higher deficit reflects increased liabilities due to a reduced discount rate of 4.20% (2012: 4.95%), although offset partially by higher assets driven by strong investment returns.

The UK defined benefit scheme's March 2012 triennial actuarial valuation process has now been largely completed and shows a deficit of £62.4m and represents an 85% funding level on this more prudent actuarial basis. The increased deficit is driven predominantly by the well documented historically low gilt yields resulting partly from the Government's use of quantitative easing during the banking crisis and subsequent stimulus packages. In light of this, a new deficit recovery payment schedule has been agreed with the Scheme Trustee, with a contribution of £2m per annum starting in March 2013, and increasing with CPI, payable over the next 15 years. This is subject to final regulatory clearance, and we are not aware of any reasons why this clearance will not be given.

The Group's contributions to its defined contribution pension schemes were £1.2m (2012: £1.1m).

Cash flow and financial position

Whilst cash flow from operations increased to £6.6m, the previous year included an outflow of £7.8m related to lease surrender costs to exit the legacy lease at Springwood Drive, Braintree. Excluding this, cash flow from operations was £7.2m lower than 2012 which principally relates to the increase in inventory at Johnson Tiles UK to support new business with B&Q. Net cash generated after tax and interest was £4.3m (2012: £3.8m).

The table on page 15 sets out the key cash flow components and the movement in Group net debt.

The Group's net interest payments have decreased as a result of benefitting from a full year of lower interest rates in respect of the financing facility agreed in September 2011.

The Group's working capital outflow was £7.7m (2012: outflow of £0.4m), chiefly to support new business gained by Johnson Tiles in the UK with B&Q.

Capital expenditure of £6.7m includes two new sorting lines at Johnson Tiles South Africa, the freehold purchase of a new store at Klerksdorp and continued Tile Africa store improvements and new product development at Triton Showers, particularly in respect of the new single control and touch screen showers.

The Group acquired Eurobath International Limited trading as Vado on 31 March 2013 for initial consideration of £10.6m, net of cash acquired of £0.4m. Full details of the acquisition are provided in note 27 to the financial statements.

Bank funding

Following a re-financing in September 2011 the Group agreed an amendment in March 2013 in order to finance the acquisition of Vado. This increased the revolving credit facility from £51.0m to £70.0m on the same commercial terms. As a result of this amendment the headroom on facilities was £28.6m at 31 March 2013. This facility expires in October 2015 and is currently subject to a margin of 1.75% above LIBOR.

Foreign currency translation

Pre-tax profits from our overseas operations are translated at the average exchange rate for the year and balance sheets of these operations translated at the closing rate of exchange. The table above sets out the relevant exchange rates used.

The movement in average exchange rates compared to 2012 had the effect of reducing 2012 reported Group revenue by £9.0m but had no material effect on Group underlying operating profit.

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 2013 and 2012 are shown above.

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director

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

** Underlying return on capital employed is defined as underlying operating profit divided by the average of opening and closing underlying capital employed. Underlying capital employed is defined as Group net assets excluding net debt and the UK pension deficit (net of deferred tax), as adjusted for translational foreign exchange differences to enable overseas net assets to be stated on a constant currency basis.

Operational risk management

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

Key:
▲ Risk increased
▼ Risk reduced
▬ No change in risk

Key commercial relationships

Whilst the Group has a diverse range of customers there are nevertheless certain key customers who account for high levels of revenue.

Potential effects

Many of the contractual arrangements with customers are short term in nature (as is common in our markets) and there exists some risk that the current performance of a business may not be maintained if such contracts were not renewed or extended, or were maintained at lower volumes due to a decline in economic activity.

Mitigating actions

The importance of relationships with key customers is recognised and managed by senior personnel within the Group who have direct and regular access to their counterparts at the highest levels of management.

Rebate schemes and incentive programmes help maintain these key relationships in a competitive market situation.

The Group stresses key selling points such as continuity of supply, financial strength of the Group and level of customer service to help maintain relationships. As well as an excellent product offering the Group is also able to take care of customers' sourcing, storage and logistics requirements.

The existence of a flexible cost base helps alleviate this potential risk in certain of the Group's businesses.

Change from prior year: ▬

Competition

The Group operates within a highly competitive environment in all its markets.

Potential effects

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.

Mitigating actions

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

Change from prior year: ▬

Pension scheme management

The UK companies in the Group participate in a defined benefit pension scheme.

Potential effects

The Group's financial results show an aggregate deficit in this scheme, as at 31 March 2013 of £30.0m (2012: £18.7m) 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.

Mitigating actions

The scheme was closed to new members and future accrual with effect from 1 April 2013 and replaced by an auto-enrolment compliant defined contribution scheme. Risks from rising costs of providing a final salary pension scheme have therefore been materially reduced. 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.

Change from prior year: ▼

Energy price risk

Energy costs are a significant proportion of the Group's manufacturing costs, especially in its tile manufacturing businesses.

Potential effects

Sustained increases in energy costs could significantly affect the Group's profitability.

Mitigating actions

Prices are monitored on a regular basis and, where believed to be appropriate, a proportion of energy costs are hedged.

Energy costs tend to increase worldwide at similar rates, therefore competitors will generally face the same pressures of any sustained increase.

Change from prior year: ▬

Additional capital requirements to fund ongoing operations

Potential effects

The Group must ensure it has adequate funding to meet capital demands within its current available facilities.

Mitigating actions

The Group's current and forecast performance against its banking facilities in monitored regularly by the Executive Directors. This has historically shown there are ample facilities available to meet the current and future needs of the existing Group.

The Group refinanced its facilities in 2011 and successfully increased the facility in the current year by a further £19m on the same commercial terms to finance the acquisition of Vado. This facility remains in place until October 2015.

Change from prior year: ▼

Performance against banking covenants

The Group is subject to key banking covenants including interest cover and debt cover. Whilst leverage has increased in view of the acquisition of Vado, the Group is still well within the required targets.

Potential effects

Failure to meet these covenants could result in the Group being in default of its banking facilities.

Mitigating actions

Performance against banking covenants is regularly and closely monitored and is a key element of the forecasting and budgeting process.

Change from prior year: ▬

Reliance on production facilities

The Group has a small number of fully automated manufacturing facilities for the manufacture of tiles and adhesives.

Potential effects

If any of these facilities (including technology used to operate them) were to fail, the effect on the Group could be significant.

Mitigating actions

The Group has a well established ongoing preventative maintenance programme as well as a comprehensive "annual shutdown" programme throughout its manufacturing operations.

Furthermore the Group has developed an experienced globally co-ordinated product sourcing function which could mitigate the risk of failure.

Finished inventory holdings across the operations acts as a limited buffer in the event of operational failure.

A business interruption insurance policy is maintained to mitigate losses caused by a serious event affecting manufacturing capability.

Change from prior year:

Staff retention and recruitment

The Group employs over 1600 people worldwide.

Potential effects

The Group's ability to grow and increase its market share depends significantly on its continuing ability to recruit and retain highly skilled employees in each area of its activities. Future growth plans may be restricted or delayed by difficulties experienced in recruiting and retaining appropriate staff.

Mitigating actions

Group policy is to remunerate its personnel in line with market rates and practice. In addition to competitive salaries there are annual bonus schemes, share options and other benefits offered.

Executives and key management are now incentivised via an Approved Performance Share Plan (APSP) which was approved at the 2011 AGM. A second grant of options under the APSP took place in 2012.

Succession planning is an agenda item at Group Board level.

The Group is able to offer capable employees appropriate training and opportunities for advancement and has a demonstrable track record of internal promotion.

Change from prior year:

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). Sterling has become weaker relative to the major currencies on the back of poor UK economic data.

Potential effects

The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates.

Mitigating actions

The Group typically seeks to hedge its foreign exchange transactional flows for up to twelve months forward.

The Group may, where it is considered appropriate, denominate some of its borrowings in other currencies to hedge translational profit and asset risk although this is not considered necessary at present given the level of earnings made by its overseas businesses at present compared to the Group as a whole.

Change from prior year:

Interest rate risk

The Group paid interest and other facility fees based on current base rates and LIBOR rates.

Potential effects

A significant increase in interest rates would affect the Group's profitability and cash flow.

Mitigating actions

Given the current low interest rates negotiated as part of the refinancing of bank debts in 2011, it is not considered advantageous to enter into hedging arrangements for the time being. The Group's interest rate risk is reviewed regularly by Executive Management and at least annually as part of the Group budget process.

Change from prior year:

Many of the products the Group sells are subject to changing consumer preferences

Potential effects

The Group's revenues and profits can be sensitive to these changing preferences. Failure to anticipate, identify or react swiftly to changes in consumer preferences could result in lower sales, higher mark-downs to reduce excess inventories and lower profits. Conversely, failure to anticipate increased consumer demand for its products may lead to inventory shortages, negatively impacting customer goodwill, brand image and profitability.

Mitigating actions

The Group invests significantly in sales and marketing including design, new product development and market research. All these are discussed at each operating divisional Board meeting and are regular agenda items. Each divisional Board has appropriate sales and marketing representation. This ensures the Group is aware of changes in the marketplace and can adapt resources accordingly.

Change from prior year:

South African operations

Approximately a third of the Group's activities are conducted in South Africa.

Potential effects

The Group may be exposed to risks outside of its control including political, social and economic instability, unexpected changes in the regulatory environment, exposure to different legal standards or employment relations and potentially adverse tax consequences.

In addition, the geographical spread of the Group's operations means management co-ordination of effort and communications with employees are subject to certain challenges.

Mitigating actions

The Group Executives and Head Office finance staff are in regular contact with their South African counterparts via electronic communication. In addition Group Executives make regular visits to the Group's SA operations and specific internal audit visits are made annually.

Change from prior year:

Management of property estate

The Group has several leasehold interests in properties which are no longer used by the Group.

Potential effects

In a number of cases the rent paid by the Group exceeds the rents received from sub-letting these properties.

Mitigating actions

The Groups maintains a leasehold provision specifically to cover these rental shortfalls. This was reviewed at the year end and a further £3.0m provision was recognised.

The property portfolio is managed on a day to day basis by a property consultant who is engaged by the Group.

The Group seeks to enter long term leases with tenants to give it as much security over future revenues as possible and minimise rent free periods and voids.

Change from prior year:

Vado acquisition risk

The Group acquired Vado at the end of the year.

Potential effects

Business performance may not reach expectations impacting Group profitability and cash flows.

Mitigating actions

Key management have been incentivised to remain with the business. They will participate with Executive Directors at regular divisional Board meetings to monitor business performance.

The Vado Managing Director reports directly to the Group Chief Executive and there is regular dialogue between Vado management and Head Office staff.

The terms of purchase provided that a significant proportion of the consideration is deferred and contingent upon future business performance over the next three years.

Change from prior year: New in year

REVIEW OF THE YEAR
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS

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

The environment

The Board recognises the Group's activities do have an impact on the environment. Norcros is committed to minimising this impact by continually improving its efficiency in terms of energy, water and material consumption.

For example, approximately a quarter of the body of a tile manufactured by Johnson Tiles UK is recycled ceramic waste from both its own manufacturing process and also from other ceramic manufacturers in the local area. This not only saves the company money, but avoids waste landfill and reduces the need for excavation of new materials. This and their successful energy efficiency programme has seen the business awarded the EEF National Energy Efficiency Award in January 2012 as well as being named in The Sunday Times Top 60 Best Green Companies every year since 2008. The business also won Silver "Best Eco Product" prize at the awards of top consumer interiors magazine House Beautiful, for its stunning "Tones" range of tiles, and the top "Environmental and Social Impact" award at the 2012 MIXOLOGY North Awards.

Johnson Tiles' environmental policy and brochure can be viewed on their website at www.johnson-tiles.com.

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

The newly acquired Vado business has recognised that saving water is increasingly becoming a focus for its customers and accordingly it has a range of products which

CSI Childline Christmas party

Childline services began in KwaZulu-Natal in 1986 in response to the very high levels of child sexual abuse which characterise South Africa.

Norcros South Africa have aligned themselves with Childline from 2009 as part of our Corporate Social Investment initiative by the Corporate Citizenship Committee.

We annually sponsor and, when possible, send staff volunteers to the Childline Christmas party that is quickly becoming a company tradition. This was the third year running that we not only provided funding for the party but also had staff attending the party.

> The necessity for, and importance of, good relations with all employees is well recognised and accepted throughout the Group.

specifically meet this objective. More details on the H2ECO product range can be found on its website www.vado-uk.com.

Ethics

The Group aims to act with integrity towards all stakeholders in its businesses and respects the laws, regulations and customs in all the counties within which it operates. The Group makes every effort to ensure its employees are aware of, and comply with, the relevant business' ethical code.

The Group has implemented an anti-bribery policy to comply with the Bribery Act 2010. Appropriate procedures are in place at each location to mitigate the risk of any employee committing an offence under this act.

Social

Companies in the Group are encouraged to become involved in and support local initiatives where possible.

Employees

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

Norcros also recognises the need to train their staff in order to give them the necessary skills to perform their duties to the high standards required. The Group's businesses invest in a range of development activities, for example Tile Africa is committed to invest at least 1% of its annual payroll in training and development initiatives, ranging from management development to adult literacy programmes.

In addition all our business units run training programmes and local projects to help support our employees and their local communities.

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

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

Warwickshire Young Carers

Triton Showers sponsors the Warwickshire Young Carers' Project which supports children and young adults from the age of six upwards, in their caring role at home, and encourages wider recognition of their contribution to society. Financial support from Triton Showers will allow the project staff to organise additional group activities, workshops, days out and short breaks for the young carers.

Directors and officers

Martin Towers
Chairman
Joined the Board in July 2011 and was appointed Chairman in November 2012. He is also a Non-Executive director of RPC Group plc, KCOM Group plc and Tyman plc. He was formerly chief executive officer of Spice plc and prior to that group finance director of Kelda Group plc, Spring Ram Corporation plc and McCarthy and Stone plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Nick Kelsall
Group Chief Executive
Joined Norcros as Finance Director of H&R Johnson Tiles Limited in 1993. Formerly, Nick had held a number of senior financial management positions with Touche Ross, Manchester and, immediately prior to joining Norcros, with Waterford Wedgwood Group plc. Nick was appointed as Group Chief Executive on 1 April 2011 having previously served as Group Finance Director since October 1996. He is a member of the Institute of Chartered Accountants in England and Wales.

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

John Brown
Non-Executive Director
Appointed to the Board as Chairman on admission of Norcros plc to the London Stock Exchange on 16 July 2007, John stood down from that role in November 2012 and is now Senior Non-Executive Director and Chairman of the Audit Committee. He was formerly the chief executive of Speedy Hire plc which he founded in 1977. He is chairman of Henry Boot plc and a Non-Executive director of Lookers plc, both London Stock Exchange listed companies. He also holds a number of other unlisted directorships. John will resign from the Board at the Annual General Meeting on 24 July 2013.

Jo Hallas
Non-Executive Director
Appointed to the Board in September 2012, Jo also serves as Chairman of the Remuneration Committee. She is currently General Manager of the Invensys Heating Controls business and prior to that held a number of senior management positions with Bosch and Procter & Gamble both in the UK and overseas. Jo is a Chartered Engineer.

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

David Hamilton
Director
Appointed to the Board in April 1996 having previously been appointed Company Secretary in 1989. He joined Norcros plc as Group Legal Adviser in 1973 following positions as legal adviser and legal assistant respectively with Automotive Products Associated Limited and Pfizer Limited. David will resign from the Board at the Annual General Meeting on 24 July 2013.

Richard Collins
Company Secretary
Richard joined the Company in June 2013 as Company Secretary and Group Counsel. He qualified as a solicitor in 1988 and was previously company secretary and director of risk and compliance at Vertex Financial Services. Prior to that, Richard held a number of company secretarial and legal positions with Tribal Group plc, Blick plc and Aggregate Industries plc.

Advisers and company information

Company website
www.norcros.com

Listing details

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

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

Registered number
3691883
Registered in England

Principal bankers
Lloyds TSB Bank plc
8th Floor
40 Spring Gardens
Manchester M2 1EN

Barclays Bank plc
3 Hardman Street
Spinningfields
Manchester M3 3HF

Svenska Handelsbanken AB (pupl)
1st Floor, Unit 8
Acorn Business Park
Heaton Lane
Stockport SK9 1AS

Solicitors
Addleshaw Goddard LLP
100 Barbirolli Square
Lower Mosley Street
Manchester M2 3AB

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Stockbrokers
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Financial PR
Hudson Sandler
29 Cloth Fair
London EC1A 7NN

Independent auditors
PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Financial calendar

Annual General Meeting	24 July 2013
Final dividend	Payable 30 July 2013
Interim results	Announcement November 2013
Interim Report	Available to shareholders November 2013

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2013.

Principal activities

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

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

Results and dividends

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects, is included in the Chairman's Statement and the Business Review on pages 4 to 17. Key performance indicators are shown on pages 2 and 3.

The Directors recommend a final dividend for the year ended 31 March 2013 of 0.305p (2012: 0.28p). This follows the decision to pay an interim dividend earlier in the year of 0.155p (2012: 0.14p).

Directors

Biographical details of the present Directors are set out on pages 22 and 23. The Directors who served during the year and to the date of this report are set out below:

Martin Towers	Chairman
John Brown	Non-Executive Director
Jo Hallas	Non-Executive Director (appointed 27 September 2012)
Vijay Aggarwal	Non-Executive Director
Girija Patnaik	Alternate Non-Executive Director to Vijay Aggarwal
Nick Kelsall	Group Chief Executive
Martin Payne	Group Finance Director
David Hamilton	Director
Les Tench	Non-Executive Director (resigned 26 July 2012)

The interest of the Directors in the shares of the Company at 31 March 2013 and 31 March 2012 are shown in the Remuneration Report.

Directors' and officers' liability insurance and indemnities

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

Purchase of own shares

In 2007 the Company formed the Norcros Employee Benefit Trust (the "Trust"). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust purchased no ordinary shares during the year (2012: nil). At the Company's 2012 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 57,983,260 ordinary shares. At the forthcoming Annual General Meeting, shareholders will be asked to renew the authority to purchase its own shares for another year. Details are contained in the Notice of Meeting.

Substantial shareholding

As at 21 May 2013 the Company had received notification that the following were interested in 3% or more of the Company's issued share capital:

	Percentage of issued share capital
Lifestyle Investments PVT Limited	24.97
Aviva Investors	11.37
Artemis Fund Managers	10.05
Crystal Amber Asset Management (Guernsey)	8.16
SVM Asset Management	4.88
Standard Life Investments	3.56
Hargreave Hale	3.44
Legal & General Investment Management	3.14

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.

Employees continued

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

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

Charitable donations

The Group made donations for charitable purposes of £16,000 during the year (2012: £10,000). There were no political donations (2012: £nil).

Creditor payment policy

Group policy requires all operating units to apply appropriate controls to working capital management, whilst developing relationships with suppliers. In view of the international nature of the Group's activities, no universal code or standard on payment policy is followed but subsidiary companies are expected to establish payment terms consistent with the above policy, local procedures, customs and practice. Group trade payables amounting to £31.5m (2012: £30.9m) reported in note 17 to the accounts represent 74 days (2012: 77 days) of average daily purchases. The Parent Company has no trade creditors (2012: £nil).

Research and development

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

Corporate governance

Details of the Group's corporate governance is contained on pages 26 to 29. This Corporate Governance Report forms part of the Directors' Report and is incorporated into it by cross reference.

Financial risk management

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

Interest rate risk

The Group has the ability to secure a substantial proportion of its bank loans at fixed rates via interest rate swaps. However, due to the current low level of debt and historically low UK LIBOR rates, the Group has decided not to take out any such swaps at the present time. This position is regularly reassessed.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Group maintains a credit insurance policy for all its operations which covers a substantial portion of the Group's trade debtors. For banks and financial institutions only independently rated parties with a strong rating are accepted.

Liquidity risk

The Group's banking facilities are designed to ensure there are sufficient funds available for the current operations and the Group's further development plans.

Exchange rate risk

Through its centralised treasury function the Group seeks to hedge its UK-based transactional foreign exchange risk on a rolling annual basis through the use of forward exchange contracts and similar hedging instruments. The Group's principal UK-based foreign currency exposures are largely hedged until at least March 2014 based on current forecasts. In the overseas businesses the policy is to hedge the local transactional risk to the extent this is permitted and not cost prohibitive.

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

Energy price risk

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

Takeover directive

The Company has only one class of shares, being ordinary shares, which have equal voting rights. The holdings of individual Directors are disclosed on page 32.

There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company, except for the banking facilities dated 22 September 2011 (as amended on 28 March 2013) in respect of the £70.0m term facilities which contain mandatory prepayment provisions on a change of control.

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

Statement of disclosure of information to auditors

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

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

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

Independent 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 11.00am on 24 July 2013 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. The Notice convening that meeting, together with the resolutions to be proposed, appears on pages 71 to 73 of this document. The Directors recommend that all shareholders vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

RH Collins

R. H. Collins
Company Secretary
13 June 2013

Corporate governance

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc and is accountable to the Company's shareholders for good corporate governance. Its policy is to manage the affairs of the Company in accordance with the principles of the UK Corporate Governance Code referred to in the Listing Rules of the UK Listing Authority. For the year under review, the Company has complied with the UK Corporate Governance Code issued in 2010 ("the Code") in all respects save for those mentioned within this statement. The following sections of this statement describe the Board's approach to corporate governance and how the principles of the Code are applied.

Board balance and independence

The Board currently comprises a Non-Executive Chairman, three Non-Executive Directors and three Executive Directors, who are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this report and their biographical details are given on pages 22 and 23.

Taking into account the provisions of the Code, the Chairman and two Non-executive Directors (being John Brown and Jo Hallas) are considered by the Board to be independent of the Company's Executive Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The terms and conditions of appointment of the Chairman and the Non-Executive Directors are available for inspection at the registered office of the Company. The letters of appointment set out the expected time commitment. Other significant commitments of the Chairman and Non-Executive Directors are disclosed to the Board on a regular basis throughout the year. The Board is satisfied that the Chairman's other significant commitments do not prevent him from devoting sufficient time to the Company.

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

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

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

Chairman and Group Chief Executive

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

Appraisals and evaluation

The performance of the Board is appraised by the Chairman. The Non-Executive Directors are appraised individually by the Chairman. The Board, led by the Senior Independent Non-Executive Director, appraises the Chairman. The Non-Executive Directors appraise the performance of each of the Executive Directors. Appraisals are conducted periodically and they are organised to fit in with Board priorities and succession planning activity. Accordingly, there was no formal evaluation in the year under review as the scheduled programme of board changes was underway. As this is now complete, a formal and rigorous evaluation process will take place in the current financial year. The Chairman is responsible for the review of each Director's development and ongoing training requirements to ensure that the performance of each Director continues to be effective.

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 provides direction to the management of the Company, and it is ultimately accountable for the performance of the Group.

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

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

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

Directors' roles

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

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

The Board has suitable procedures in place for ensuring that its powers to authorise conflict situations are operated effectively. Such powers are operated in accordance with the Company's Articles of Association by means of each Director having a responsibility to notify the Board of any conflict situation and for the Board to deal with that situation as appropriate.

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. The Chairman also periodically assesses the training and development needs of all Directors and ensures that any suitable training and updates are provided to Directors.

Attendance by individual Directors at meetings of the Board and its committees

The attendance of Directors at the Board and principal Board Committee meetings during the year is detailed in the table below:

	Main Board 9 meetings	Audit Committee 3 meetings	Remuneration Committee 3 meetings	Nominations Committee 3 meetings
M. Towers, Chairman	9/9	3/3	3/3	3/3
L. Tench (resigned 26 July 2012)	3/3	1/1	2/2	1/1
J. E. Brown	9/9	3/3	3/3	3/3
V. Aggarwal	4/9	2/3	1/3	2/3
G. Patnaik (as alternate to V. Aggarwal)	5/9	1/3	2/3	1/3
J. Hallas (appointed 27 September 2012)	6/6	2/2	1/1	3/3
N. P. Kelsall	9/9	—	—	—
M. K. Payne	9/9	—	—	—
D. W. Hamilton	9/9	—	—	—

Retirement by rotation

Each of the Directors is subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter, in accordance with the Company's Articles of Association, 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. However, the Board has decided that every Director should, where appropriate, offer themselves for re-election at each Annual General Meeting. Accordingly, each continuing Director will seek re-election at the next Annual General Meeting. Biographical details of all of the Directors are set out on pages 22 and 23.

John Brown and David Hamilton have both informed the Board that they intend to retire as Directors at the conclusion of the next Annual General Meeting after 6 and 17 years of service respectively as Directors, and neither will be seeking re-election.

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, diversity 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. The Committee utilises external search and selection consultants as appropriate.

If a new Director is selected, the Nominations Committee will use the appropriate selection process. In the case of the appointment of Martin Towers as Chairman during the year under review, he was selected as successor to the retiring Chairman pursuant to the Board's succession plans for the role.

Audit Committee

The Audit Committee consists of all the Non-Executive Directors including the Chairman. The Board is satisfied that John Brown, 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 main work of the Audit Committee in discharging its functions is described in this section.

The Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor. The Committee keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditor. The last review of the external auditor was undertaken in 2011 and it led to the continued appointment of PricewaterhouseCoopers LLP. 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 auditor's objectivity and independence and the issue is discussed by the Committee and periodically with the audit engagement leader 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 Group has a formal whistleblowing procedure which is regularly monitored.

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

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

Remuneration Committee

The Remuneration Committee is chaired by Jo Hallas. It operates under written terms of reference, which are consistent with current best practice. These terms of reference are available upon written request to the Company and on the Company's website at www.norcros.com. The Committee comprises only Non-Executive Directors. Vijay Aggarwal sits on the Remuneration Committee. As he represents a significant shareholder he is not regarded as being independent under the Code but the Board is of the opinion that he is able to carry out his role on Committees of the Board effectively as that significant shareholder is not represented by any other Director on the Board and he does not participate in the consideration or decision-making regarding matters where this would be inappropriate. The Committee's report is set out on pages 30 to 35.

The Remuneration Committee used the services of Deloitte LLP as remuneration consultants during the year under review. Deloitte LLP has assisted the Company with various remuneration-related matters but otherwise has no connection with the Company.

Financial reporting

When releasing the annual and interim financial statements the Directors aim to present a balanced and understandable assessment of the Group's results and prospects. The Directors have a collective responsibility for the preparation of the Annual Report and Accounts which is more fully explained in the Statement of Directors' Responsibilities on page 36.

Relations with shareholders

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

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

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

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

Relations with shareholders continued

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

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

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

Accountability and audit

The respective responsibilities of the Directors and auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 36 and the Auditor's Report on page 37. The Directors ensure the independence of the auditors by requesting annual confirmation of independence which includes the disclosure of all non-audit fees.

Risk management and internal control

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

The Board has identified and evaluated what it considers to be the significant risks faced by the Group and has also assessed the adequacy of the actions taken to manage these risks. This has been disclosed on pages 18 and 19.

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

Operational structure, review and compliance

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

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

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

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

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

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

Takeover directive

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

Going concern

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

Approved by the Board of Directors on 13 June 2013 and signed on its behalf by:

M. G. Towers
Chairman

Directors' remuneration report

Year ended 31 March 2013

Dear Shareholder

Following my appointment as Remuneration Committee Chairman and on behalf of the Board, I am pleased to present the Remuneration Committee's report for the year ended 31 March 2013. We will be seeking approval from shareholders for this report at our Annual General Meeting.

The Remuneration Committee's overall approach remains unchanged. We are focused on ensuring the Group's remuneration policy is aligned with shareholders' interests while also enabling us to attract, retain and motivate our executive leadership.

In making remuneration decisions, the Committee considers the Group's overall performance against its long-term goals. For the year to 31 March 2013, Norcros has delivered another strong set of results as described in both the Chairman's statement and Business Review. Particular highlights include:

- Revenue growth up 5.2% (10.2% on constant currency basis) to £210.7m
- Underlying operating profit up 7.4% to £13.0m
- The return to profitability of the South African business
- The acquisition of Vado, supporting the strategic growth objectives of the Group
- Significant progress in addressing legacy pension and property issues

During the year the Committee also undertook a benchmarking review of our executive remuneration packages and concluded that these are in line with market norms in terms of both structure and level, also meeting the preference for simplicity outlined in recent institutional guidance. As a result, for the year ahead, the remuneration policy remains largely unchanged but will be kept under review. The detail of the Directors' remuneration is contained in the report that follows, but in summary:

Base salary

Following a review of Directors' base salary, the Remuneration Committee considered it appropriate to award salary increases of 3% for the year to 31 March 2014 for the Group Chief Executive and Group Finance Director. This increase is in line with the majority of the Group's UK employees and inflation.

Annual bonus

Performance against the underlying operating profit targets for the annual bonus was carefully assessed by the Remuneration Committee and annual bonuses of 50% of base salary have been proposed for the year ended 31 March 2013, to be delivered half in cash and half in the form of nil cost options under the 2011 Deferred Share Bonus Plan. For the year to 31 March 2014, the maximum opportunity of the annual bonus will remain at 100% of base salary and the Remuneration Committee has determined that underlying operating profit continues to provide the best measure of short-term performance.

Long term incentive

The Remuneration Committee considers that the current long-term incentive based on achieving aggregate diluted underlying earnings per share targets over a three-year performance period (Aggregate EPS) continues to provide an effective alignment between the Directors and the long-term interests of all of our shareholders. Awards equal to 100% of base salary were made in the year.

We have followed the widespread debate on executive reward and welcome the proposals for improved remuneration reporting to ensure clear and transparent information for our shareholders. During this year we will continue with our preparations to implement the forthcoming regulations on Directors' remuneration reporting for the year to 31 March 2014.

On behalf of the Board, I would like to thank shareholders for their continued support.

Jo Hallas
Chairman of the Remuneration Committee

Directors' remuneration policy

The Company's policy on remuneration of Directors is to provide packages sufficient 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, the remuneration of our Directors is intended to be competitive and comprises a mix of fixed and performance related remuneration designed to incentivise Directors and align their interests with those of shareholders whilst also reflecting good corporate governance practice.

When setting Directors' packages and reviewing potential increases to base salary, consideration is given to pay in the rest of the Company.

Base Salary

In April 2013 annual salary increases for Nick Kelsall and Martin Payne of 3% were agreed by the Remuneration Committee. The level of increase is consistent with that awarded to the majority of the Group's UK employees and is broadly in accord with the rate of inflation in the UK during the period. These increases took effect from 1 April 2013.

Annual Bonus

Nick Kelsall and Martin Payne participated in the Company's annual bonus scheme during the year. The scheme allows for maximum annual bonus opportunities of up to 100% of base salary, determined wholly in terms of Group underlying operating profit. The targets are considered to be commercially sensitive and are not disclosed.

For the year to 31 March 2013, the Committee determined that total bonuses of £133,250 and £92,250 would be awarded to Nick Kelsall and Martin Payne respectively, with 50% paid in cash as reflected in the Directors' emoluments table below and 50% in the form of nil cost options under the 2011 Deferred Share Bonus Plan (DSBP). The number of options granted is calculated by dividing the amount of bonus to be deferred by the share price at the relevant time. The options become exercisable on the third anniversary of grant, but lapse in the event of resignation from the Company, unless the Committee exercises its discretion otherwise.

The Committee feels that this approach provides an appropriate balance between annual performance measures and longer term alignment with shareholder interests. The proportion of bonus deferred will be kept under review each year.

Details of bonuses earned are provided in the audited information below.

Long Term Incentive

Nick Kelsall and Martin Payne were awarded nil cost share options under the 2011 Approved Performance Share Plan (APSP) in 2011 and 2012. The options will be capable of exercise after three years subject to achieving aggregate diluted underlying earnings per share targets over a three year performance period (Aggregate EPS) .

The Committee considers that Aggregate EPS is a transparent, objective and effective measure of performance which is in the long term interests of all of our shareholders and that a three year period is appropriate over which to measure long-term earnings growth.

In the event that a Director resigns, the awards will lapse, unless the Committee exercises its discretion otherwise. In any year the value of the shares notionally awarded to a Director under this scheme will not exceed 150% of base salary.

If the Aggregate EPS target is met, thereby allowing 100% of his options under the scheme to vest, the percentage composition of each Director's remuneration (based on his remuneration to 31 March 2013) will be as follows:

	Non-performance related	Performance related
N. P. Kelsall	53%	47%
M. K. Payne	53%	47%
D. W. Hamilton	100%	–

Of the total performance related proportion, 23% is in respect of the APSP and the remaining 24% in respect of the annual bonus scheme.

Directors' service contracts

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

	Contract date	Notice period
N. P. Kelsall	1 April 2011	12 months
M. K. Payne	18 March 2011	12 months
D. W. Hamilton	1 April 2011	12 months
J. E. Brown	16 July 2007	1 month
J. C. Hallas	27 September 2012	1 month
M. G. Towers	28 July 2011	1 month
V. Aggarwal	8 October 2009	1 month

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

John Brown, Jo Hallas, Martin Towers and Vijay Aggarwal are on contracts which specify an initial term of at least three years although these contracts may be terminated at one month's notice by either the Company or Director.

Year ended 31 March 2013 continued

Directors' remuneration policy continued

Directors' service contracts continued

The Company's Articles of Association contain provisions for the retirement and re-election of Directors by rotation. However, the Board has decided that every Director should, where appropriate, offer themselves for re-election at each Annual General Meeting. Accordingly, each continuing Director will seek re-election at the next Annual General Meeting. Biographical details of all of the Directors are set out on pages 22 and 23.

Interest in shares

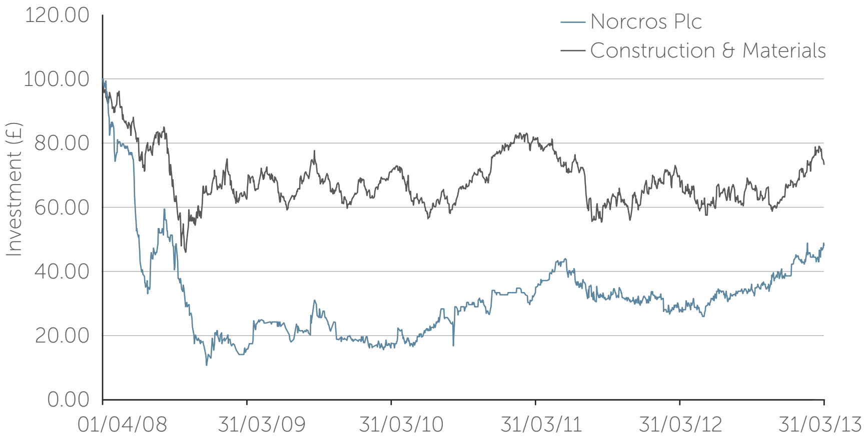
The interests of the Directors in the shares of the Company and other Group members were:

	31 March 2013 Ordinary shares	31 March 2012 Ordinary shares
N. P. Kelsall	7,865,143	7,865,143
M. K. Payne	300,000	–
D. W. Hamilton	12,247,960	12,247,960
J. E. Brown	778,387	778,387
M. G. Towers	713,635	500,000

All Directors' interests are beneficially held. There has been no change in the interests set out above between 31 March 2013 and 13 June 2013.

Performance graph

The following graph demonstrates how £100 invested in Norcros plc has changed over a five year period beginning on 1 April 2008 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 performance of Norcros plc should be measured because it is an index of companies in the same industrial sector as Norcros plc.

Remuneration Committee

The members of the Remuneration Committee during the year were:

Jo Hallas (Chairman) (appointed 27 September 2012)
John Brown
Martin Towers
Vijay Aggarwal
Les Tench (former Chairman) (resigned 26 July 2012)

Compliance of the Remuneration Committee to Corporate Governance requirements and best practice is discussed on page 28.

The Remuneration Committee is responsible for setting all aspects of Executive Directors' remuneration, with its terms of reference being published on the Company's website at www.norcros.com. The fees for the Non-Executive Directors are determined by the Chairman and Executive members of the Board.

The Committee met formally three times during the year. Details of attendance at the meetings are shown in the attendance table on page 27. Girija Patnaik attended two of the meetings as Alternate Non-Executive Director to Vijay Aggarwal. David Hamilton, Executive Director and Company Secretary, attended meetings as Secretary to the Committee. In addition, Nick Kelsall, the Chief Executive, was invited to attend some of the meetings, but was not present when his own remuneration was discussed.

Remuneration Committee continued

The Committee took advice from Deloitte LLP. Deloitte LLP is a member of the Remuneration Consultants Group and is committed to the Group's voluntary code of practice for remuneration consultants in the UK. Deloitte LLP did not provide the Company with advice in relation to any other matters during the year.

The key matters discussed by the Remuneration Committee during the year included:

— review of overall remuneration structure and levels for both Executive Directors and key members of the senior management team;

— salary increases for Executive Directors;

— performance conditions for 2012 APSP awards and the annual bonus plan for the year to 31 March 2013 for Executive Directors; and

— operation of the Deferred Share Bonus Plan.

Directors' emoluments and interests in shares and share option plans

Audited information

The remainder of the Remuneration Report is audited information.

Director	Salary and fees £000	Cash bonuses £000	Benefits in kind £000	Expense allowances (including car allowance) £000	Pension related payments £000	2013 Total £000	2012 Total (restated) £000
N. P. Kelsall	267	67	1	29	70	434	365
M. K. Payne	185	46	1	20	44	296	246
D. W. Hamilton	103	—	6	20	—	129	126
J. E. Brown	63	—	—	—	—	63	80
M. G. Towers	57	—	—	—	—	57	27
V. Aggarwal	15	—	—	—	—	15	15
L. Tench*	13	—	—	—	—	13	40
J. C. Hallas**	20	—	—	—	—	20	—
J. Matthews*	—	—	—	—	—	—	127
J. R. Stevenson*	—	—	—	—	—	—	13
	723	113	8	69	114	1,027	1,039

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

Les Tench resigned from the Board on 26 July 2012. Jo Hallas was appointed Non-Executive Director on 27 September 2012.

In addition to the above cash bonuses, which represent 50% of the total bonuses in respect of the year to 31 March 2013, awards will be made under the DSBP scheme to Nick Kelsall and Martin Payne of £66,625 (2012: £nil) and £46,125 (2012: £nil), respectively. For further details please see the section entitled Deferred Share Bonus Plan (DSBP) in this report.

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

As part of their remuneration arrangements Nick Kelsall and Martin Payne are entitled to receive pension contributions from the Company. Under these arrangements, they can elect for those contributions to be paid in the form of taxable pension allowance, or direct payments into a personal pension plan or the Group's UK defined contribution scheme. If a payment is made in the form of taxable pension allowance, the amount payable is reduced to allow for employment taxes so that the total cost to the Company is the same as it would have been if the contribution had been made directly into a pension plan. During the year Nick Kelsall elected to take taxable pension allowance of £70,255 (2012: £23,000) with no amounts paid directly into a pension scheme (2012: £52,000 paid into the UK defined contribution scheme). Martin Payne elected to take taxable pension allowance of £13,510 (2012: £7,000) with £30,750 paid into a personal pension plan (2012: £37,500). The total of these amounts has been included as pension related payments in the table above, and, in order to effect fair comparison, the figures for 2012 have been restated to take into account the total value of pension related payments.

There were no annual increases to remuneration levels for Non-Executive Directors. Following John Brown's resignation as Chairman on 1 November 2012, his salary reduced from £80,000 to £40,000 per annum. Martin Towers, who replaced John Brown as Chairman on the same date, received an increase from £40,000 to £80,000 per annum. Therefore in aggregate the remuneration of Non-Executive Directors was the same as in 2012.

Share schemes

Savings Related Share Option Scheme (SAYE)

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

	Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 April 2012	Granted in year	Exercised in year	Number at 31 March 2013
N. P. Kelsall	23 December 2011	1 March 2015	31 August 2015	10.1p	89,108	—	—	89,108
D. W. Hamilton	23 December 2011	1 March 2015	31 August 2015	10.1p	89,108	—	—	89,108

Directors' emoluments and interests in shares and share option plans continued

Approved Performance Share Plan (APSP)

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

A further grant under the APSP was made in September 2012 to Nick Kelsall, Martin Payne and selected senior management, again subject to achieving Aggregate EPS targets. 100% of the shares would vest if the Group achieved Aggregate EPS of over 6.39p. 25% of the shares vest if the Group achieved Aggregate EPS of 5.39p and shares would vest on a straight line basis for a performance in between these targets. No shares would vest if the Aggregate EPS performance was below 5.39p.

Directors' interests in the APSP

	Award date	Number at 1 April 2012	Granted in year	Number at 31 March 2013
N. P. Kelsall	1 September 2011	2,122,449	–	2,122,449
	22 October 2012	–	2,507,056	2,507,056
M. K. Payne	1 September 2011	1,469,388	–	1,469,388
	22 October 2012	–	1,735,654	1,735,654

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 16.50p and the range of market prices during the year was between 9.25p and 16.75p.

Deferred Share Bonus Plan (DSBP)

The grant of options under the DSBP in respect of the year to 31 March 2013 has not yet been made. As a result of this, the precise number of options to be granted in respect of the year to 31 March 2013 cannot yet be calculated, though the proposed monetary value of the bonus earned is known. Accordingly, Nick Kelsall and Martin Payne will receive a number of nil cost options calculated by dividing the proposed value of £66,625 and £46,125 respectively by the share price at the date of grant.

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 2013 £	Transfer value at 31 March 2012 £	Increase in transfer value less Directors' contributions £
N. P. Kelsall	28,514	15,970	284,596	236,008	48,588
M. K. Payne	3,488	10,696	150,709	142,505	8,204

	Increase in accrued pension for the year less CPI inflation £	Increase in accrued pension for the year £
N. P. Kelsall	1,198	1,600
M. K. Payne	–	248

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

Directors' emoluments and interests in shares and share option plans continued

Directors' pension entitlement continued

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 provider 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.

Information related to other pension payments made is disclosed in the section on Directors' emoluments on page 33.

This report was approved by the Board and signed on its behalf by:

J. C. Hallas
Chairman of the Remuneration Committee
13 June 2013

Statement of directors' responsibilities

In respect of the Directors' Remuneration Report and the financial statements

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

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

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

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

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

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

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

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director

Independent auditors' report
To the members of Norcros plc

We have audited the Group financial statements of Norcros plc for the year ended 31 March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Statement set out on page 29 with respect to internal control and risk management systems and about share capital structures is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 29, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Norcros plc for the year ended 31 March 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

M A Heath

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
13 June 2013

Consolidated income statement
Year ended 31 March 2013

	Notes	2013 £m	2012 £m
Continuing operations			
Revenue	2	210.7	200.3
Operating profit	3	8.6	12.1
Underlying* operating profit		13.0	12.1
Exceptional operating items	5	(4.4)	—
Operating profit		8.6	12.1
Finance costs	6	(1.7)	(3.1)
Exceptional finance costs	5	—	(1.2)
Total finance costs		(1.7)	(4.3)
Finance income	6	0.9	—
IAS 19 finance income	22	2.2	1.6
Profit before taxation		10.0	9.4
Taxation	7	(0.9)	—
Profit for the year		9.1	9.4
Earnings per share attributable to equity holders of the Company			
From continuing operations:			
Basic earnings per share	9	1.6p	1.6p
Diluted earnings per share	9	1.6p	1.6p
Weighted average number of shares for basic earnings per share (millions)	9	580.0	577.2
Non-GAAP measures:			
Underlying* profit before taxation (£m)	8	11.7	10.7
Underlying* earnings (£m)	8	11.0	11.1
Basic underlying* earnings per share	9	1.9p	1.9p
Diluted underlying* earnings per share	9	1.9p	1.9p

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

Consolidated statement of comprehensive income and expense
Year ended 31 March 2013

	Notes	2013 £m	2012 £m
Profit for the year		9.1	9.4
Other comprehensive expense:			
Items that may be subsequently be reclassified to the income statement			
Actuarial losses on retirement benefit obligations	22	(12.3)	(10.6)
Foreign currency translation adjustments		(4.8)	(5.3)
Other comprehensive expense for the year		(17.1)	(15.9)
Total comprehensive expense for the year		(8.0)	(6.5)

Items in the statement are disclosed net of tax.

Consolidated balance sheet
At 31 March 2013

	Notes	2013 £m	2012 £m
Non-current assets			
Goodwill	11	27.6	23.4
Property, plant and equipment	12	43.5	44.8
Investment properties	13	5.4	5.4
Deferred tax assets	20	10.2	6.4
		86.7	80.0
Current assets			
Inventories	14	52.8	45.5
Trade and other receivables	15	44.0	40.7
Derivative financial instruments	19	0.9	–
Pension scheme asset	22	0.1	0.6
Cash and cash equivalents	16	6.8	2.9
		104.6	89.7
Current liabilities			
Trade and other payables	17	(51.7)	(50.6)
Derivative financial instruments	19	–	(0.4)
Current tax liabilities		(1.8)	(1.1)
Financial liabilities – borrowings	18	(0.5)	(0.4)
		(54.0)	(52.5)
Net current assets		50.6	37.2
Total assets less current liabilities		137.3	117.2
Non-current liabilities			
Financial liabilities – borrowings	18	(37.0)	(20.3)
Pension scheme liability	22	(30.0)	(18.7)
Other non-current liabilities		(2.2)	(1.7)
Provisions	21	(6.5)	(5.4)
		(75.7)	(46.1)
Net assets		61.6	71.1
Financed by:			
Share capital	23	5.8	5.8
Share premium		0.5	0.2
Retained earnings and other reserves		55.3	65.1
Total equity		61.6	71.1

The financial statements on pages 38 to 65 were approved on 13 June 2013 and signed on behalf of the Board by:

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director

Consolidated cash flow statement
Year ended 31 March 2013

	Notes	2013 £m	2012 £m
Cash generated from operations	24	**6.6**	6.0
Income taxes paid		**(1.0)**	(0.6)
Interest paid		**(1.3)**	(1.6)
Net cash generated from operating activities		**4.3**	3.8
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2.5**	—
Purchase of property, plant and equipment		**(6.7)**	(6.7)
Acquisition of subsidiary undertakings net of cash acquired	27	**(10.6)**	—
Net cash used in investing activities		**(14.8)**	(6.7)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**0.3**	0.2
Repayment of borrowings		**—**	(17.0)
Capitalised finance costs		**(0.1)**	(0.8)
Drawdown of borrowings		**16.8**	21.0
Dividends paid to the Company's shareholders	25	**(2.5)**	(2.2)
Net cash generated from financing activities		**14.5**	1.2
Net increase/(decrease) in cash at bank and in hand and bank overdrafts		**4.0**	(1.7)
Cash at bank and in hand and bank overdrafts at beginning of the year		**2.5**	4.6
Exchange movements on cash and bank overdrafts		**(0.1)**	(0.4)
Cash at bank and in hand and bank overdrafts at end of the year	16	**6.4**	2.5

Consolidated statement of changes in equity

Year ended 31 March 2013

	Ordinary share capital £m	Capital redemption reserve £m	Share premium £m	Translation reserve £m	Retained (losses)/ earnings £m	Total £m
At 1 April 2011	19.2	–	86.8	11.1	(37.7)	79.4
Comprehensive income:						
Profit for the year	–	–	–	–	9.4	9.4
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	–	–	–	–	(10.6)	(10.6)
Foreign currency translation adjustments	–	–	–	(5.3)	–	(5.3)
Total other comprehensive expense	–	–	–	(5.3)	(10.6)	(15.9)
Transactions with owners:						
Purchase of own shares	(13.4)	13.4	–	–	–	–
Capital re-organisation	–	(13.4)	(86.8)	–	100.2	–
Shares issued	–	–	0.2	–	–	0.2
Dividends paid	–	–	–	–	(2.2)	(2.2)
Share option schemes and warrants	–	–	–	–	0.2	0.2
At 31 March 2012	5.8	–	0.2	5.8	59.3	71.1
Comprehensive income:						
Profit for the year	–	–	–	–	9.1	9.1
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	–	–	–	–	(12.3)	(12.3)
Foreign currency translation adjustments	–	–	–	(4.8)	–	(4.8)
Total other comprehensive expense	–	–	–	(4.8)	(12.3)	(17.1)
Transactions with owners:						
Shares issued	–	–	0.3	–	–	0.3
Dividends paid	–	–	–	–	(2.5)	(2.5)
Share option schemes and warrants	–	–	–	–	0.7	0.7
At 31 March 2013	**5.8**	**–**	**0.5**	**1.0**	**54.3**	**61.6**

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

Notes to the group accounts
Year ended 31 March 2013

1. Group accounting policies

General information

Norcros plc (the "Company"), which is the ultimate Parent Company of the Norcros Group, is incorporated in England as a public company limited by shares. The shares of the Company are listed on the London Stock Exchange market of listed securities. The consolidated financial statements of the Group were approved by the Board on 13 June 2013.

Basis of preparation

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

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

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

Standards, amendments and interpretations effective in 2013

The Group has adopted the following new IFRS amendments as of 1 April 2012:

— Amendments to IFRS 7, 'Financial instruments: Disclosures' on transfers of assets' – These amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

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

The adoption of the above amendments did not have a material impact on the financial statements.

Standards, amendments and interpretations that are not effective and have not been early adopted by the Group:

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

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

— Amendment to IAS 19, 'Employee benefits'

— IFRS 10, 'Consolidated financial statements'

— IFRS 11, 'Joint arrangements'

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

— Amendments to IFRS 10, 11 and 12 on transition guidance

— IFRS 13, 'Fair value measurement'

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

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

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

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

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

— Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities

— IFRS 9 'Financial instruments' on classification and measurement of financial assets and liabilities

— Annual improvements 2011

The above amendments are not expected to have a material impact on the Group's financial statements with the exception of the amendment to IAS19, 'Employee benefits'. Under IAS 19, 'Employee benefits', the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, will be replaced with a net interest charge based on the net defined benefit liability using the discount rate measured at the beginning of the year. Additionally, costs in relation to the administration of the pension scheme will need to be reflected within the income statement rather that the statement of comprehensive income and expense. Adoption of this standard likely to result in a higher charge in the income statement, the precise quantum of which is currently being reviewed.

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1. Group accounting policies continued

Summary of significant accounting policies

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

Basis of consolidation

Subsidiaries

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

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

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

Critical estimates

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

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

Critical judgements have been made in the following areas:

- estimated impairment of goodwill, long life assets and property, plant and equipment – the Group tests annually whether these assets have suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates, both in arriving at the expected future cash flows and the application of a suitable discount rate in order to calculate the present value of these flows. These calculations have been carried out using the assumptions in note 11;
- retirement benefit obligations – the present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions include the discount rate. Any changes in these assumptions can impact the carrying amount of retirement benefit obligations (see note 22);
- property provisions – where a property leased by the Group is vacated, but an ongoing lease commitment remains, provision is made for the onerous element of the lease. Key assumptions are the extent to which properties are let and rentals are achieved. Any changes in these assumptions can affect the quantum of the provisions;
- deferred tax – deferred tax assets are recognised on losses and capital allowances carried forward only to the extent that it is probable they will be available for use against future profits and that there will be sufficient future taxable profit available against which the temporary difference can be utilised. In arriving at a judgement in relation to the recognition of deferred tax assets, management considers the regulations applicable to taxation and whether there are sufficient future taxable profits. Future taxable profits may be higher or lower than estimates made when determining whether it is necessary to record a tax asset and the amount to be recorded. Furthermore changes to the legislative framework or application of tax law may result in a management reassessment of the level of recognition of deferred tax assets; and
- fair value measurement of contingent consideration – a proportion of the deferred consideration payable in respect of the Group's acquisition of Vado on 31 March 2013 is contingent upon the continued employment of certain vendors within a specified timeframe. This element falls to be treated as remuneration in accordance with IFRS 3 (revised). This will be assessed at fair value and charged to the income statement in the period over which the Group receives the benefit of the employment services of these vendors. The determination of this fair value will be based on an estimate of the future performance of Vado over a specified timeframe, and is therefore subject to uncertainty.

Notes to the group accounts
Year ended 31 March 2013 continued

1. Group accounting policies continued

Revenue recognition

Revenue comprises the consideration received or receivable for the sale of goods and services provided alongside the supply of goods in the ordinary course of the Group's activities, and is shown net of value added and other sales-based taxes, customer volume rebates, discounts and promotional support.

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

Revenue received in respect of extended warranties is recognised over the period of the warranty.

Segmental reporting

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

Goodwill

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

Impairment of long life assets

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

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

Property, plant and equipment

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

The estimated useful lives of Group assets are as follows:

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

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

Investment property

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

Inventories

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

1. Group accounting policies continued

Taxation

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

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

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

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

Operating leases

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

Provisions

Warranty provisions – provision is made for the estimated liability on products under warranty. Liability is recognised upon the sale of a product and is estimated using historical data.

Restructuring provisions – provision is made for costs of restructuring activities to carried out by 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, which is net of any expected future sub-lease income.

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

Retirement benefit obligations

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

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

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

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

Curtailment gains are recognised in the Income Statement.

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

Exceptional items

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

1. Group accounting policies continued

Financial assets and liabilities

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

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

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

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

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

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

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

Fair value estimation

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

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

Research and development

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

1. Group accounting policies continued

Share capital

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

Share-based payments

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

2. Segmental reporting

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

Continuing operations — year ended 31 March 2013

	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue	122.8	77.6	10.3	210.7
Underlying operating profit	11.9	1.0	0.1	13.0
Exceptional operating items	(4.1)	(0.3)	—	(4.4)
Operating profit	7.8	0.7	0.1	8.6
Finance costs				(1.7)
Finance income				0.9
IAS 19 finance income				2.2
Profit before taxation				10.0
Taxation				(0.9)
Profit from continuing operations				9.1
Net debt				(30.7)
Segmental assets	128.1	54.7	8.5	191.3
Segmental liabilities	(113.5)	(14.8)	(1.4)	(129.7)
Additions to property, plant and equipment	2.5	4.0	0.2	6.7
Proceeds from disposals of property, plant and equipment	—	2.5	—	2.5
Profit on disposal of property, plant and equipment	—	1.2	—	1.2
Depreciation	3.8	2.3	0.1	6.2

Revenues of £49.6m (2012: £32.9m) are derived from a single customer. These revenues are attributable to the UK segment.

2. Segmental reporting continued

Continuing operations — year ended 31 March 2012

	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue	116.8	74.0	9.5	200.3
Underlying operating profit/(loss)	12.5	(0.5)	0.1	12.1
Exceptional operating items	—	(0.5)	0.5	—
Operating profit/(loss)	12.5	(1.0)	0.6	12.1
Finance costs				(3.1)
Exceptional finance costs				(1.2)
IAS 19 finance income				1.6
Profit before taxation				9.4
Taxation				—
Profit from continuing operations				9.4
Net debt				(17.8)
Segmental assets	104.4	57.1	8.2	169.7
Segmental liabilities	(82.2)	(15.0)	(1.4)	(98.6)
Additions to property, plant and equipment	2.7	2.7	—	5.4
Profit on disposal of property, plant and equipment	—	0.4	—	0.4
Depreciation	3.9	2.3	0.1	6.3

3. Operating profit

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

	2013 £m	2012 £m
Staff costs (see note 4)	41.3	41.2
Depreciation of property, plant and equipment (all owned assets)	6.2	6.2
Depreciation of investment properties	—	0.1
Other operating lease rentals payable:		
– plant and machinery	1.6	1.6
– other	2.7	3.1
Research and development expenditure	2.2	2.2
Profit on disposal of property, plant and equipment	(1.2)	(0.4)

Auditor's remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2013 £m	2012 £m
Audit of the Parent Company and consolidated financial statements	0.1	0.1
Audit of the Company's subsidiaries	0.1	0.1
Tax services	0.1	0.1
Other services – due diligence services	0.1	—
	0.4	0.3

4. Employees

	2013 £m	2012 £m
Staff costs:		
– wages and salaries	36.3	36.3
– social security costs	2.5	2.3
– pension costs:		
– defined benefit	1.3	1.5
– defined contributions	1.2	1.1
	41.3	41.2

Included in wages and salaries for 2012 were £0.3m of redundancy costs which were classified as exceptional items in the income statement. There are no redundancy costs in 2013.

	2013 Number	2012 Number
Average monthly numbers employed:		
– UK	815	827
– overseas	793	803
	1,608	1,630

Owing to the fact that the acquisition of Vado took place on 31 March 2013, the above table does not include any Vado employees. At 31 March 2013 Vado employed 144 staff.

Directors' emoluments

	2013 £m	2012 £m
Salaries and short-term employee benefits	0.9	0.9
Post employment benefits	0.1	0.1
	1.0	1.0

Further information about the Directors' remuneration may be found in the Directors' Remuneration Report on pages 30 to 35.

Highest paid Director

	2013 £m	2012 £m
Salaries and short-term employee benefits	0.3	0.3
Post employment benefits	0.1	0.1
	0.4	0.4

Key management compensation

	2013 £m	2012 £m
Salaries and short-term employee benefits	1.6	1.6
Post employment benefits	0.1	0.1
	1.7	1.7

Key management is defined as the Directors of Norcros plc together the Managing Directors of the Group's significant divisions.

5. Exceptional items

Exceptional operating items	2013 £m	2012 £m
Property provisions[1]	3.0	–
Equity related acquisition fees[2]	0.9	–
Restructuring costs[3]	0.5	0.5
Impairment of associate's carrying value and related costs[4]	–	(0.5)
	4.4	–
Exceptional finance costs		
Write-off of capitalised costs of raising debt finance[5]	–	1.2

1 The provision to cover the Group's onerous property leases was increased by £3.0m during the year, following a reappraisal of the future cash flows arising from these leases.

2 The fees arose as a result of the Group's acquisition of Vado (see note 27).

3 Restructuring costs related to redundancies, asset write-downs and consultancy costs following the implementation of a programme of restructuring initiatives throughout the Group's business units. In 2013 this included a loss of £0.3m on the sale of the small non-core South African Nortec adhesives business.

4 In 2009 the carrying value of the Group's Greek associate was fully impaired together with associated costs including the mark to market value of the related cross currency swap. This swap matured in 2012 and other associated costs were paid. The cost of settling the cross currency swap was £0.5m lower than initially estimated.

5 Following the refinancing of the Group's banking facilities in September 2011, £1.2m of costs relating to the previous banking arrangements were written off.

Year ended 31 March 2013 continued

6. Finance income and costs

	2013 £m	2012 £m
Finance costs		
Interest payable on bank borrowings	1.3	1.4
Amortisation of costs of raising debt finance	0.2	0.7
Movement on fair value of derivatives	—	0.7
Discount on property lease provisions	0.2	0.3
Total finance costs	1.7	3.1
Finance income		
Movement on fair value of derivative financial instruments	(0.9)	—
Total finance income	(0.9)	—
Net finance costs	0.8	3.1

7. Taxation

Taxation comprises:

	2013 £m	2012 £m
Current		
UK taxation	1.3	0.8
Deferred		
Origination and reversal of temporary differences	(0.4)	(0.8)
Taxation	0.9	—

The tax for the year is different from the standard rate of corporation tax in the UK (24% throughout the period). The differences are explained below:

	2013 £m	2012 £m
Profit before tax	10.0	9.4
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 24% (2012: 26%)	(2.4)	(2.4)
Effects of:		
– over provision in prior years	—	0.3
– income/expenses not chargeable/deductible for tax purposes	(0.9)	1.0
– recognition of overseas tax losses	2.0	—
– overseas tax losses for which no deferred tax asset was recognised	—	(0.9)
– recognition of UK losses and capital allowances	0.3	1.7
– origination and timing differences	0.1	0.3
Total tax charge	(0.9)	—

8. Non-GAAP measures

	2013 £m	2012 £m
Profit before taxation	10.0	9.4
Adjusted for:		
– exceptional operating items	4.4	—
– amortisation of costs of raising finance	0.2	1.9
– net movement on fair value of derivative financial instruments	(0.9)	0.7
– discount on property lease provisions	0.2	0.3
– IAS 19 finance income	(2.2)	(1.6)
Underlying profit before taxation	11.7	10.7
Taxation attributable to underlying profit before taxation	(0.7)	0.4
Underlying earnings	11.0	11.1

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

9. Earnings per share

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

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. At 31 March 2013 the potential dilutive ordinary shares amounted to 8,895,196 (2012: 2,383,527) as calculated in accordance with IAS 33.

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

	2013 £m	2012 £m
Basic and diluted:		
– earnings for the year	9.1	9.4
– underlying earnings for the year (see note 8)	11.0	11.1

	2013 Number	2012 Number
Weighted average number of shares for basic earnings per share	580,021,666	577,231,925
Share options and warrants	8,895,196	2,383,527
Weighted average number of shares for diluted earnings per share	588,916,862	579,615,452

	2013	2012
Basic earnings per share	1.6p	1.6p
Diluted earnings per share	1.6p	1.6p
Basic underlying earnings per share	1.9p	1.9p
Diluted underlying earnings per share	1.9p	1.9p

10. Share-based payments

	Price per share	1 April 2012	Granted	Exercised	Lapsed	31 March 2013	Date from which exercisable	Expiry date
Approved Performance Share Plan 2011 (APSP)	0.0p	7,045,037	—	—	—	7,045,037	30.06.14	01.09.21
Approved Performance Share Plan 2012 (APSP)	0.0p	—	12,520,560	—	—	12,520,560	30.06.15	22.10.22
Save As You Earn Scheme (2) (SAYE)	9.3p	1,483,480	—	(556,308)	(927,172)	—	01.03.12	31.08.12
Save As You Earn Scheme (3) (SAYE)	9.4p	1,525,367	—	—	(127,146)	1,398,221	01.03.14	31.08.14
Save As You Earn Scheme (4) (SAYE)	10.1p	2,894,563	—	—	(139,006)	2,755,557	01.03.15	31.08.15
Save As You Earn Scheme (5) (SAYE)	11.8p	—	1,229,469	—	—	1,229,469	01.03.16	31.08.16

Details of the terms of the APSP and SAYE scheme are disclosed in the Directors' Remuneration report.

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period on the Group's estimate of shares that will eventually vest. A charge of £0.7m was recognised in respect of share options in the period (2012: £0.2m). The Group uses a Black-Scholes pricing model to determine the annual charge for its share-based payments. The assumptions used in this model for each share-based payment are as follows:

	SAYE (2)	SAYE (3)	SAYE (4)	SAYE (5)
Date of grant	22.12.08	20.12.10	20.12.11	20.12.12
Initial exercise price	10.0p	9.4p	10.1p	11.8p
Revised exercise price after capital raising adjustment	9.3p	N/A	N/A	N/A
Number of shares granted initially	4,325,760	1,864,296	3,001,492	1,229,469
Revised number of shares after capital raising adjustment	4,642,065	1,864,296	3,001,492	1,229,469
Expected volatility	69.95%	67.39%	59.53%	44.23%
Expected option life	3 years	3 years	3 years	3 years
Risk free rate	4.6%	2.1%	2.0%	2.1%
Expected dividend yield	3%	3%	3%	3%

10. Share-based payments continued

	APSP 2011	APSP 2012
Date of grant	01.09.11	22.10.12
Initial exercise price	0.0p	0.0p
Revised exercise price after capital raising adjustment	N/A	N/A
Number of shares granted initially	7,045,037	12,520,560
Revised number of shares after capital raising adjustment	7,045,037	12,520,560
Expected volatility	65.67%	44.23%
Expected option life	3 years	3 years
Risk free rate	2.0%	2.1%
Expected dividend yield	3%	3%

The share price at 31 March 2013 was 16.50p. The average price during the year was 12.50p. Expected volatility is based on historical volatility over either the last three years of the construction and materials sector, or the previous three years' data for the Company.

11. Goodwill

	2013 £m	2012 £m
At beginning of the year	23.4	23.9
Additions	4.8	—
Exchange differences	(0.6)	(0.5)
	27.6	23.4

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

	2013 £m	2012 £m
Triton Showers	19.1	19.1
Tile Africa Group	3.7	4.3
Vado	4.7	—
One Stop Tiles	0.1	—
	27.6	23.4

Additions of £4.8m in the year relate to the acquisitions of Vado and One Stop Tiles and are disclosed in note 27.

The recoverable amount of a CGU is determined by a value-in-use calculation. These calculations use cash flow projections based on financial forecasts approved by management covering a two-year period with growth rates of 2% in the UK and 3% in South Africa applied in future periods. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates, future gross margin improvements and cash flows. Pre-tax discount rates of 9.0% (2012: 9.0%) in the UK and 11.05% (2012: 11.7%) in South Africa have been applied depending on the region in which the CGU operates. The discount rate is based upon the risk free rate for Government bonds adjusted for a risk premium to reflect the increased risk of investing in equities and investing in the Group's specific sectors and regions. No impairment review has been carried out in respect of the goodwill relating to Vado and One Stop Tiles, on the grounds that the goodwill recognised is provisional and likely to change when the fair value exercise is completed.

The following sensitivity analysis has been performed:

- increase each CGU discount rate by 1%; and
- reduce future growth rate by 30%.

In each of these scenarios the estimated recoverable value comfortably exceeds the carrying value for the CGU and accordingly no impairment was identified.

Having assessed the future anticipated cash flows, management believes that any reasonably possible changes in key assumptions would not result in an impairment of goodwill.

12. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2011	35.8	77.5	113.3
Exchange differences	(1.7)	(3.1)	(4.8)
Additions	0.5	4.9	5.4
Disposals	(0.9)	(0.5)	(1.4)
At 31 March 2012	33.7	78.8	112.5
Exchange differences	(1.3)	(3.1)	(4.4)
Additions	1.4	5.3	6.7
Acquisitions (see note 27)	1.3	0.7	2.0
Disposals	(1.3)	(1.2)	(2.5)
At 31 March 2013	**33.8**	**80.5**	**114.3**
Accumulated depreciation			
At 1 April 2011	10.2	54.0	64.2
Exchange differences	(0.2)	(2.0)	(2.2)
Charge for the year	1.0	5.2	6.2
Disposals	(0.1)	(0.4)	(0.5)
At 31 March 2012	10.9	56.8	67.7
Exchange differences	(0.1)	(2.0)	(2.1)
Charge for the year	1.0	5.2	6.2
Disposals	(0.2)	(0.8)	(1.0)
At 31 March 2013	**11.6**	**59.2**	**70.8**
Net book amount at 31 March 2012	22.8	22.0	44.8
Net book amount at 31 March 2013	**22.2**	**21.3**	**43.5**

Plant and equipment includes motor vehicles, computer equipment and plant and machinery. The Group acquired assets under finance leases with a net book value of £0.1m as part of the acquisition of Vado (see note 27).

13. Investment properties

	Investment property £m
Cost	
At 31 March 2011, 31 March 2012 and **31 March 2013**	**6.3**
Accumulated depreciation	
At 1 April 2011	0.8
Charge for the year	0.1
At 31 March 2012	0.9
Charge for the year	–
At 31 March 2013	**0.9**
Net book amount at 31 March 2012	5.4
Net book amount at 31 March 2013	**5.4**

Investment properties are held at cost and depreciated over 50 years with the exception of land which is not depreciated. The Directors are of the opinion that the fair value of the investment properties is not significantly different from their carrying value. Rental income receivable in the year was £0.5m (2012: £0.5m).

14. Inventories

	2013 £m	2012 £m
Raw materials	9.0	9.9
Work in progress	0.8	0.7
Finished goods	43.0	34.9
	52.8	45.5

Included within inventories is £4.3m in respect of Vado (see note 27).

Provisions held against inventories totalled £3.4m (2012: £2.9m), of which £0.5m related to the newly acquired Vado business.

The cost of inventories recognised as an expense within cost of sales in the income statement amounted to £104.9m (2012: £110.9m).

During the year the Group charged £0.5m (2012: £0.3m) of inventory write-downs to the income statement within cost of sales.

15. Trade and other receivables

	2013 £m	2012 £m
Trade receivables	36.7	33.8
Less: provision for impairment of trade receivables	(0.4)	(0.3)
Trade receivables – net	36.3	33.5
Other receivables	4.9	4.3
Prepayments and accrued income	2.8	2.9
	44.0	40.7

Included within trade and other receivables is £5.2m in respect of Vado (see note 27).

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

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

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

	2013 £m	2012 £m
Sterling	33.0	30.1
South African Rand	9.6	9.3
Australian Dollar	1.4	1.3
	44.0	40.7

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

	2013 £m	2012 £m
At beginning of year	0.3	0.4
Provision for receivables impairment	0.1	0.2
Receivables written off during the year as uncollectible	(0.1)	(0.3)
Provisions arising from the acquisition of Vado (see note 27)	0.1	–
At end of year	0.4	0.3

As at 31 March 2013, trade receivables of £31.9m (2012: £29.6m) were fully performing.

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

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

15. Trade and other receivables continued

As of 31 March 2013, trade receivables of £0.4m (2012: £0.3m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2012: 100%). The ageing of these receivables is as follows:

	2013 £m	2012 £m
Less than three months	—	0.1
Greater than three months	0.4	0.2
	0.4	0.3

At 31 March 2013 trade receivables of £4.4m (2012: £3.9m) were past due but not impaired, which includes £0.3m in respect of the newly acquired business, Vado. 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:

	2013 £m	2012 £m
Up to one month	3.0	2.7
One to two months	0.6	0.5
Two to three months	0.4	0.1
Greater than three months	0.4	0.6
	4.4	3.9

The Group maintains a credit insurance policy which significantly limits its exposure to credit risk. The Group does not hold any collateral as security.

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

16. Cash and cash equivalents

	2013 £m	2012 £m
Cash at bank and in hand	6.8	2.9

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

	2013 £m	2012 £m
Cash and cash equivalents as above	6.8	2.9
Less: bank overdrafts (see note 18)	(0.4)	(0.4)
	6.4	2.5

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

17. Trade and other payables

	2013 £m	2012 £m
Trade payables	31.5	30.9
Other tax and social security payables	2.5	2.1
Other payables	1.3	3.5
Accruals and deferred income	16.4	14.1
	51.7	50.6

Included in trade and other payables is £4.7m in respect of Vado (see note 27).

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

Year ended 31 March 2013 continued

18. Borrowings

	2013 £m	2012 £m
Non-current		
Bank borrowings (secured):		
– bank loans	37.7	21.0
– less: costs of raising finance	(0.8)	(0.7)
	36.9	20.3
Finance leases and hire purchase contracts	0.1	–
Total non-current	37.0	20.3
Current		
Bank borrowings (secured):		
– bank overdrafts (see note 16)	0.4	0.4
Finance leases and hire purchase contracts	0.1	–
Total current	0.5	0.4
Total borrowings	37.5	20.7

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

The repayment terms of borrowings are as follows:

	2013 £m	2012 £m
Not later than one year	0.5	0.4
After more than one year:		
– between one and two years	0.1	–
– between two and five years	37.7	21.0
– costs of raising finance	(0.8)	(0.7)
	37.0	20.3
Total borrowings	37.5	20.7

Capital risk management

The Group has available a £70.0m committed banking facility which expires in October 2015. This was increased from £51.0m on the same terms during the year, principally in order to finance the acquisition of Vado. The facility provides the Group with a sound financial structure for the medium term with £28.6m of headroom being available at 31 March 2013, after taking into account net debt and ancillary facilities in use of £9.9m. Under this facility bank borrowings are secured by the Group's UK assets. The Group has been in compliance with all banking covenants during the year.

Interest rate profile

The effective interest rates at the Balance Sheet dates were as follows:

	2013 %	2012 %
Bank loans	2.2	2.2
Overdraft	2.2	2.0

At 31 March 2013 the bank loans carried interest based on LIBOR plus a margin of 1.75% (2012: 1.50%). Overdrafts carry interest at base rate plus a margin of 1.75% (2012: 1.50%).

Currency profile of net debt

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

	2013 £m	2012 £m
Sterling	33.8	19.9
Euro	–	0.3
South African Rand	(2.1)	(1.3)
Australian Dollar	(1.0)	(1.1)
	30.7	17.8

19. Derivative financial instruments

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

— financial instruments relating to the operations, financing and risks of the Group's operations; and

— financial instruments relating to the financing and risks of the Group's bank debt.

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

Derivative financial instruments carried at fair value through the income statement

	2013 £m Assets	2013 £m Liabilities	2012 £m Assets	2012 £m Liabilities
Forward foreign exchange contracts	0.9	—	—	(0.4)

Forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2013 were €7.1m and US$45.6m (2012: €16.6m and US$24.7m).

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 15 months. Gains and losses recognised on forward exchange contracts to date have been taken to the Consolidated Income Statement.

Sensitivity analysis

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

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

As the Group has net debt of £31.5m (excluding amortised finance costs) the effect of a 1% change in market interest rates would be a change in the net finance costs of approximately £0.3m per annum.

(B) 5% strengthening or weakening in major currencies

A number of the Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening of Sterling across all currencies would lead to a £2.2m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £2.4m increase in net assets.

The Group's profits and losses are exposed to both translational and transactional risk of fluctuations in foreign currency risk. The Group seeks to hedge the majority of its transactional risk using forward foreign exchange contracts. After taking these hedges into account the effect of a 5% strengthening in both Sterling and South African Rand against all other currencies would be an increase in profits of £1.4m. Likewise a 5% weakening in both these currencies would lead to a £1.5m reduction in profits.

20. Deferred tax

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

The main rate of UK corporation tax was reduced from 26% to 24% with effect from 1 April 2012. A further announcement was made that the rate would reduce to 23% with effect from 1 April 2013. This rate reduction was substantively enacted on 7 July 2012 and the deferred tax asset at 31 March 2013 has been re-measured accordingly.

In the 2013 Annual Budget Statement on 20 March 2013 it was announced that the main rate of corporation tax would fall further to 20% with effect from 1 April 2015. However, as this change had not been substantively enacted at the balance sheet date it has not been recognised in these financial statements.

The overall effect of the further reductions from 23% to 20%, if these applied to the deferred tax balances at 31 March 2013, would be to reduce the deferred tax asset by £1.1m.

20. Deferred tax continued

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

	2013 £m	2012 £m
Deferred tax asset at the beginning of the year	6.4	2.2
Credited to the income statement	0.4	0.8
Credited to the Statement of Comprehensive Income	3.4	3.4
Deferred tax asset at the end of the year	10.2	6.4

	2013 £m	2012 £m
Accelerated capital allowances	0.5	0.6
Tax losses	2.6	1.1
Other timing differences	0.2	0.2
Deferred tax asset relating to pension deficit	6.9	4.5
	10.2	6.4

The full potential asset for deferred tax is as follows:

	2013 £m	2012 £m
Accelerated capital allowances	1.2	1.6
Other timing differences	1.5	1.4
Net deferred tax asset relating to net pension deficit	6.9	4.3
Tax losses	16.1	18.1
Advanced corporation tax asset	—	5.0
	25.7	30.4

The balance in respect of advanced corporation tax which stood at £5.0m in 2012 is no longer considered to be readily accessible and therefore is no longer included in the analysis of potential deferred tax assets.

21. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	South Africa property provision £m	Total £m
At 1 April 2011	1.1	0.7	13.1	0.4	15.3
Charged to the income statement	1.3	0.8	—	—	2.1
Amortisation of discount	—	—	0.3	—	0.3
Utilisation	(1.1)	(1.2)	(9.7)	(0.3)	(12.3)
At 31 March 2012	1.3	0.3	3.7	0.1	5.4
Acquisitions (see note 27)	0.2	—	—	—	0.2
Charged to the income statement	1.2	—	3.0	0.4	4.6
Amortisation of discount	—	—	0.2	—	0.2
Utilisation	(1.3)	—	(2.1)	(0.5)	(3.9)
At 31 March 2013	**1.4**	**0.3**	**4.8**	**—**	**6.5**

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

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

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

22. Retirement benefit obligations

(a) Pension costs

Norcros Security Plan

The Norcros Security Plan, the principal UK pension scheme of Norcros plc subsidiaries, is funded by a separate trust fund. It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits. Norcros plc itself has no employees and so has no liabilities in respect of these pension schemes. The scheme closed to new members and future accrual with effect from 1 April 2013. As a result of the closure a new defined contribution pension scheme has been implemented to replace the Norcros Security Plan from the same date.

South Africa defined benefit schemes

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

Defined contribution pension schemes

Contributions made to these schemes amounted to £1.2m (2012: £1.1m).

(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 2012 and updated by Mercer, a firm of qualified actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 March 2013. Scheme assets are stated at their market value at 31 March 2013.

South Africa defined benefit schemes

The actuarial valuations of the Group's South African defined benefit pension schemes, carried out in March 2005, have been updated by Alexander Forbes Financial Services to take account of the requirements of IAS 19. The schemes were closed during the financial year 2007/08 and replaced with defined contribution schemes. Following the agreement of the allocation of surplus assets, the surplus was partially recovered in 2012 with the remaining £0.1m surplus due to be recovered in the forthcoming years.

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

	2013 Projected unit	2012 Projected unit
Discount rate	4.20%	4.95%
Inflation rate (RPI)	3.20%	3.20%
Inflation rate (CPI)	2.20%	2.20%
Increase to deferred benefits during deferment (non-GMP liabilities)	3.05%	3.20%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	3.05%	3.20%
Salary increases	3.45%	3.45%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2013 at age 65 will on average live for a further 21.3 years (2012: 20.4 years) after retirement if they are male and 23.7 years (2012: 23.2 years) if they are female.

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

	2013 £m	2011 £m
Included in operating profit:		
Current service cost	1.3	1.5
Included in IAS 19 finance income:		
Interest cost	18.6	19.8
Expected return on plan assets	(20.8)	(21.4)
	(2.2)	(1.6)
Total amounts recognised in the income statement	(0.9)	(0.1)

22. Retirement benefit obligations continued

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

(iii) The amounts recognised in the Balance Sheet are determined as follows:

		Long-term rate of return expected at 31 March 2013 %	Value at 31 March 2013 £m	Long-term rate of return expected at 31 March 2012 %	Value at 31 March 2012 £m
Equities	– Norcros Security Plan	7.25%	81.0	7.25%	77.1
Absolute return funds	– Norcros Security Plan	7.25%	153.2	7.25%	142.0
Bonds	– Norcros Security Plan	4.20%	151.7	4.95%	99.0
Cash and gilts	– Norcros Security Plan	2.55%	3.6	3.10%	49.5
	– other	—	0.1	—	0.6
Total market value of scheme assets			389.6		368.2
Present value of scheme liabilities			(419.5)		(386.3)
Pension deficit			(29.9)		(18.1)
Comprising:					
– Norcros Security Plan			(30.0)		(18.7)
– other			0.1		0.6
Deficit in schemes			(29.9)		(18.1)

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

	2013 £m	2012 £m
Deficit at the beginning of the year	(18.1)	(5.6)
Employer contributions – normal contributions	1.2	1.2
– deficit recovery plan	2.0	1.0
Pension holiday taken on South African defined contribution scheme	(0.2)	(0.6)
Currency translation adjustments	—	(0.2)
Current service cost	(1.3)	(1.5)
Interest cost	(18.6)	(19.8)
Expected return on scheme assets	20.8	21.4
Actuarial loss	(15.7)	(14.0)
Deficit at the end of the year	(29.9)	(18.1)

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

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

	2013 £m	2012 £m
Opening fair value of scheme assets	368.2	363.3
Employer contributions – normal contributions	1.2	1.2
– deficit recovery plan	2.0	1.0
Employee contributions	0.8	0.8
Pension holiday taken on South African defined contribution scheme	(0.2)	(0.6)
Expected return on scheme assets	20.8	21.4
Benefits paid	(22.7)	(21.8)
Actuarial gain on scheme assets	19.5	3.1
Currency translation	—	(0.2)
Closing fair value of scheme assets	389.6	368.2

22. Retirement benefit obligations continued

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

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

	2013 £m	2012 £m
Opening scheme liabilities	(386.3)	(368.9)
Current service cost	(1.3)	(1.5)
Employee contributions	(0.8)	(0.8)
Interest cost	(18.6)	(19.8)
Actuarial loss	(35.2)	(17.1)
Benefits paid	22.7	21.8
Closing fair value of scheme liabilities	(419.5)	(386.3)

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of scheme assets	389.6	368.2	363.3	354.8	300.2
Present value of defined benefit obligations	(419.5)	(386.3)	(368.9)	(362.9)	(298.4)
(Deficit)/surplus in the scheme	(29.9)	(18.1)	(5.6)	(8.1)	1.8
Experience adjustment on scheme assets	19.5	3.1	5.0	57.1	(79.6)
Experience gain/(loss) on scheme liabilities	10.5	—	—	(5.9)	—

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

	2013 £m	2012 £m
Actuarial loss	(15.7)	(14.0)
Deferred tax	3.4	3.4
	(12.3)	(10.6)

23. Called up share capital

	2013 £000	2012 £000
Issued and fully paid		
583,488,584 (2012: 579,832,604) ordinary shares of 1p each	5,835	5,798

The Company issued 556,308 1p ordinary shares to members of an SAYE scheme whose options became exercisable during the year (see note 10).

Warrant instruments

In 2009 the Company executed a warrant instrument in favour of its principal banks of the day over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. One of the warrant holders exercised their warrant instrument in full during the year and acquired 3,099,672 shares at the exercise price of 8.97p per share.

Taking into account the capital raising in 2010 the remaining warrants now represent 6,199,344 ordinary shares (1.07% of the issued ordinary share capital) at 31 March 2013. The warrants are exercisable at 8.97p per share at any time up to July 2017.

24. Consolidated cash flow statements

(a) Cash generated from operations

	2013 £m	2012 £m
Profit before taxation	10.0	9.4
Adjustments for:		
– exceptional items included in the income statement	4.4	–
– cash flows from exceptional costs	(2.2)	(11.1)
– depreciation	6.2	6.3
– difference between pension charge and cash contributions	(2.2)	(0.7)
– profit on disposal of property, plant and equipment	(1.2)	(0.4)
– finance costs	1.7	4.3
– finance income	(0.9)	–
– other finance income	(2.2)	(1.6)
– share-based payments	0.7	0.2
Operating cash flows before movement in working capital	14.3	6.4
Changes in working capital:		
– increase in inventories	(5.6)	(5.9)
– decrease in trade and other receivables	1.9	2.1
– (decrease)/increase in trade and other payables	(4.0)	3.4
Cash generated from operations	6.6	6.0

(b) Outflow related to exceptional items

This includes expenditure charged to exceptional provisions relating to onerous lease costs, acquisition fees and other business rationalisation and restructuring costs.

(c) Analysis of net debt

	Net cash £m	Net debt £m	Total £m
At 1 April 2011	4.6	(15.2)	(10.6)
Cash flow	(1.7)	(4.0)	(5.7)
Other non-cash movements	–	(1.1)	(1.1)
Exchange movement	(0.4)	–	(0.4)
At 31 March 2012	2.5	(20.3)	(17.8)
Cash flow	4.0	(16.8)	(12.8)
Acquisitions	–	(0.2)	(0.2)
Other non-cash movements	–	0.2	0.2
Exchange movement	(0.1)	–	(0.1)
At 31 March 2013	6.4	(37.1)	(30.7)

Other non-cash movements relates to additional financing costs incurred following the increase in the financing facilities in March 2013, less amortisation charged for the year.

25. Dividends

A final dividend in respect of the year ended 31 March 2012 of £1.6m (0.28p per share) was paid in July 2012 and an interim dividend of £0.9m (0.155p per share) was paid in January 2013. A final dividend in respect of the year ended 31 March 2013 of £1.8m (0.305p per share) is to be proposed at the Annual General Meeting on 24 July 2013. These financial statements do not reflect this final dividend.

26. Capital and other financial commitments

(a) Capital commitments

	2013 £m	2012 £m
Contracts placed for future capital expenditure not provided in the financial statements	0.3	1.4

(b) Operating lease commitments

	2013 £m	2012 £m
Total commitments under operating leases:		
– not later than one year	6.3	6.5
– later than one year and not later than five years	16.1	17.6
– later than five years	18.2	20.9
	40.6	45.0

Total future sub-lease payments receivable relating to the above operating leases amounted to £0.7m (2012: £1.6m).

The above operating lease commitments are analysed as:

	2013 £m	2012 £m
Equipment:		
– not later than one year	1.5	1.3
– later than one year and not later than five years	2.9	2.5
– later than five years	0.1	0.2
Land and buildings:		
– not later than one year	4.8	5.2
– later than one year and not later than five years	13.2	15.1
– later than five years	18.1	20.7
	40.6	45.0

(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:

	2013 £m	2012 £m
Total commitments under operating leases:		
– not later than one year	0.6	0.7
– later than one year and not later than five years	2.2	3.0
– later than five years	0.1	1.4
	2.9	5.1

Notes to the group accounts
Year ended 31 March 2013 continued

27. Business combinations

On 31 March 2013, the Group acquired 100% of the ordinary share capital of Eurobath International Limited, known principally under its trading name Vado, a leading manufacturer and global distributor of bathroom controls including taps, mixer showers, bathroom accessories and valves. Vado is an excellent strategic fit for the group as it builds on the Group's existing product portfolio and secures strong positions in complementary segments. Additionally, the Group intends to leverage the combined platform of Vado and the Group's market leading Triton shower business to drive increased demand for its products utilising the enlarged customer base, broader product offering, dual branding, and extended geographical scope. Vado is incorporated in England and is based in Cheddar, Somerset.

The following table summarises the consideration paid for Vado and the provisional fair value of the assets acquired and the liabilities assumed:

	£m
Consideration	
Cash	11.0
Contingent consideration	0.4
	11.4

	£m
Recognised amounts of identifiable assets and liabilities	
Property, plant and equipment	2.0
Deferred tax asset	0.1
Inventories	4.3
Trade and other receivables	5.2
Derivative financial instruments	0.4
Cash	3.1
Trade and other payables	(4.7)
Current tax liabilities	(0.6)
Borrowings – loans	(2.7)
Borrowings – hire purchase contracts	(0.2)
Provisions	(0.2)
Total identifiable net assets	6.7
Goodwill	4.7
Total	11.4

Due to the fact that the acquisition took place on the last day of the accounting period it has not been possible for the Group to finalise the fair values of Vado's assets and liabilities. Accordingly, the amounts stated in the table above reflect the reported balances of Vado, as adjusted where possible to comply with the accounting policies of the Group. The provisional fair value adjustments reflect the recognition of derivative financial instruments of £0.4m, provisions for inventory, trade receivables and warranty obligations totalling £0.7m, trade and other payables of £0.2m and a deferred tax asset of £0.1m. A full review of the fair values of the identifiable assets and liabilities will take place over the coming months with the expectation that a revised position will be presented in the Group's interim statement for the six months ended 30 September 2013. It is not expected at this stage that any residual goodwill which remains after this review will be deductible for tax purposes.

Acquisition related costs of £0.9m have been charged to exceptional operating items for the year ended 31 March 2013 (see note 5).

The contingent consideration of £0.4m reflects the maximum amount and current best estimate of amounts to be paid to a number of former minority shareholders of Vado over the next three years, subject to Vado achieving certain financial performance targets over the same period. The former majority shareholders of Vado also participate in this arrangement, but in view of the fact that payment of this amount is contingent upon the continued employment of one of these individuals, no contingent consideration has been recognised in accordance with IFRS 3 (revised). The amounts payable will instead fall to be treated as remuneration and accordingly they will be expensed to the profit and loss account over the next three years should the performance targets be achieved. The maximum amount and current expectation is that future payments over this period to the former majority shareholders will total £3.7m.

As the transaction took place on the last day of the financial year, the acquisition of Vado had no impact on the Consolidated Income Statement or the Consolidated Statement of Comprehensive Income and Expense, other than the acquisition related costs of £0.9m disclosed in note 5. Had Vado been consolidated from 1 April 2012, the Consolidated Income Statement would contain pro-forma revenue of £25.8m and a pro-forma profit after tax of £1.6m.

The net cash outflow from the transaction was as follows:

	£m
Cash consideration	11.0
Loan borrowings repaid at acquisition	2.7
Cash acquired	(3.1)
Net cash outflow reported in the Consolidated Cash Flow Statement	10.6

On 20 February 2013 the Group acquired the trade and assets of One Stop Tiles (Pty) Limited, a supplier of tiles and adhesives in Tasmania, Australia, for consideration of £0.1m. Goodwill of £0.1m was recognised in respect of this transaction. There was no cash effect of this transaction in the year.

28. Related party transactions

The following transactions were carried out with related parties:

(a) Purchases of goods and services

	2013 £m	2012 £m
Purchases of goods:		
– Prism Cement Limited	1.2	1.5

Goods are purchased on normal commercial terms and conditions.

Dividends of £0.8m (2012: £0.7m) were paid to Lifestyle Investments PVT Limited which owns 24.97% of the Company's issued share capital (as of 21 May 2013). This company is owned by Prism Cement Limited, a company of which Vijay Aggarwal is a director.

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

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

	2013 £m	2012 £m
Payables to related parties (note 17):		
– Prism Cement Limited	(0.3)	(0.3)

29. Contingent liabilities

The Company's material UK subsidiaries (with the exception of Vado) 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. Vado acceded to the guarantee and debenture on 13 May 2013.

30. Principal subsidiaries

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

UK

- Norcros Group (Holdings) Limited
- Eurobath International Limited* trading as Vado

Overseas

- Johnson Tiles (Pty) Limited* (incorporated in Australia)
- Norcros SA (Pty) Limited* trading as Johnson Tiles (Pty) Limited, TAL and TAF (incorporated in South Africa)

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

Notes

Unless otherwise stated, all companies are 100% owned and all UK companies are incorporated and operate in Great Britain and are registered in England. Overseas companies operate in the countries in which they are incorporated.

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

Independent auditors' report

To the members of Norcros plc

We have audited the Parent Company financial statements of Norcros plc for the year ended 31 March 2013 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of Norcros plc for the year ended 31 March 2013.

M A Heath

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
13 June 2013

Parent company balance sheet
At 31 March 2013

	Notes	2013 £m	2012 £m
Fixed assets			
Investments	3	177.3	177.3
Deferred tax asset	7	0.2	–
		177.5	177.3
Debtors			
Amounts owed by Group undertakings	4	7.8	–
Creditors: amounts falling due within one year			
Other	6	(1.1)	(6.5)
Net current assets/(liabilities)		6.7	(6.5)
Total assets less current liabilities		184.2	170.8
Creditors: amounts falling due after more than one year			
Borrowings – bank and other loans	5	(36.9)	(20.3)
Net assets		147.3	150.5
Financed by:			
Share capital	8	5.8	5.8
Share premium account	9	0.5	0.2
Profit and loss account	9	141.0	144.5
Total shareholders' funds	9	147.3	150.5

The financial statements on pages 67 to 70 were approved on 13 June 2013 and signed on behalf of the Board by:

N. P. Kelsall
Group Chief Executive

M. K. Payne
Group Finance Director

Notes to the parent company accounts
Year ended 31 March 2013

1. Statement of accounting polices

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

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

Investments in subsidiaries
Investments held as fixed assets are stated at cost, less any provision for impairment. The Directors believe the carrying value of investments is supported by their underlying assets. Dividends received from investments are included within turnover and recognised on receipt of the dividend.

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

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

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

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

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

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

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

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

Related parties
Related party disclosures are made in the Group accounts under note 28.

2. Other information

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

Auditor's remuneration of £3,000 (2012: £3,000) is borne by the Company's subsidiary, without recharge.

3. Investments

	Shares in subsidiaries £m
At 1 April 2012 and 31 March 2013	177.3

The Company owns 100% of the share capital of Norcros Group (Holdings) Limited, a company incorporated in England and Wales. The principal activities of the subsidiary are to act as an intermediate holding company and a manufacturer and distributor of showers, tiles and adhesives.

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

4. Debtors

	2013 £m	2012 £m
Amounts owed by Group undertakings	7.8	—

Amounts owed by Group undertakings were unsecured, interest free and repayable on demand.

5. Borrowings

	2013 £m	2012 £m
Loans and bank overdrafts – secured	37.7	21.0
Costs of raising finance	(0.8)	(0.7)
	36.9	20.3
Repayable after more than one year:		
– between two and five years	37.7	21.0
– costs of raising finance	(0.8)	(0.7)
	36.9	20.3

Loans and bank overdrafts are secured on the Group's UK assets and principally carry interest based on LIBOR. Bank loans are repayable on expiry of the current banking arrangements in October 2015.

6. Creditors – amounts falling due within one year

	2013 £m	2012 £m
Amounts owed to Group undertakings	—	5.9
Other creditors and accruals	1.1	0.6
	1.1	6.5

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

7. Deferred tax

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

	2013 £m	2012 £m
Deferred tax asset at the beginning of the year	—	—
Credited to the income statement	0.2	—
Deferred tax asset at the end of the year	0.2	—

	2013 £m	2012 £m
Other timing differences	0.2	—

The full potential asset for deferred tax is as follows:

	2013 £m	2012 £m
Other timing differences	0.3	—
Tax losses	6.0	6.3
	6.3	6.3

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

8. Called up share capital

	2013 £m	2012 £m
Issued and fully paid		
583,488,584 (2012: 579,832,604) ordinary shares of 1p each	**5,835**	5,798

The Company issued 556,308 1p ordinary shares to members of a SAYE scheme whose options became exercisable during the year (see note 10 of the Group accounts).

Warrant instruments

In 2009 the Company executed a warrant instrument in favour of its principal banks of the day over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. One of the warrant holders exercised their warrant instrument in full during the year and acquired 3,099,672 shares at the exercise price of 8.97p per share.

Taking into account the capital raising in 2010 the remaining warrants now represent 6,199,344 ordinary shares (1.07% of the issued ordinary share capital) at 31 March 2013. The warrants are exercisable at 8.97p per share at any time up to July 2017.

9. Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
At beginning of year	5.8	0.2	144.5	150.5
Shares issued in the year	—	0.3	—	0.3
Loss for the year	—	—	(1.7)	(1.7)
Share option schemes	—	—	0.7	0.7
Dividends paid	—	—	(2.5)	(2.5)
At end of year	**5.8**	**0.5**	**141.0**	**147.3**

10. Dividends

A final dividend in respect of the year ended 31 March 2012 of £1.6m (0.28p per share) was paid in July 2012 and an interim dividend of £0.9m (0.155p per share) was paid in January 2013. A final dividend in respect of the year ended 31 March 2013 of £1.8m (0.305p per share) is to be proposed at the Annual General Meeting on 24 July 2013. These financial statements do not reflect this final dividend.

11. 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.

12. Financial risk management objectives and policies

A description of the Group's financial risk management policies are provided in the Directors' Report on page 25. These objectives and policies also apply to the Company.

13. Share-based payments

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

Notice is given that the 2013 Annual General Meeting of Norcros plc ("the Company") will be held at 11.00 am on 24 July 2013 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 1 to 11 (inclusive) below will be proposed as ordinary resolutions and resolutions 12 to 14 (inclusive) below will be proposed as special resolutions.

1. To receive and adopt the audited accounts and the auditors' and Directors' reports for the year ended 31 March 2013.
2. To approve the Board's remuneration report for the year ended 31 March 2013.
3. To declare a final dividend of 0.305p per ordinary share.
4. To elect Jo Hallas as a Director.
5. To re-elect Martin Towers as a Director.
6. To re-elect Vijay Aggarwal as a Director.
7. To re-elect Nick Kelsall as a Director.
8. To re-elect Martin Payne as a Director.
9. To re-appoint PricewaterhouseCoopers LLP as auditors.
10. To authorise the Directors to determine the auditors' remuneration.
11. That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that:
    (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £3,889,923 of which:
        (i) one half may be allotted or made the subject of Allotment Rights in any circumstances; and
        (ii) the other half may be allotted or made the subject of Allotment Rights pursuant to any rights issue (as referred to in the Financial Conduct Authority's listing rules) or pursuant to any arrangements made for the placing or underwriting or other allocation of any shares or other securities included in, but not taken up under, such rights issue;
    (b) this authority shall expire 18 months after the passing of this resolution or, if earlier, on the conclusion of the Company's next Annual General Meeting;
    (c) the Company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and
    (d) all authorities vested in the Directors on the date of the Notice of this Annual General Meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this Meeting are revoked.
12. That the Directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities, as defined in Section 560 of that Act, pursuant to the authority conferred on them by resolution 11 in the Notice of this Annual General Meeting or by way of a sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power is limited to:
    (a) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Conduct Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the Directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange; and
    (b) the allotment of equity securities (other than pursuant to paragraph (a) above) with an aggregate nominal value of £291,744,

    and shall expire when the authority conferred on the Directors by resolution 11 in the Notice of this Annual General Meeting expires, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry.

13. That the Company is generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of that Act) of ordinary shares of 1p each in its capital, provided that:
    (a) the maximum aggregate number of such shares that may be acquired under this authority is 58,348,858;
    (b) the minimum price (exclusive of expenses) that may be paid for such a share is its nominal value;
    (c) the maximum price (exclusive of expenses) that may be paid for such a share is the maximum price permitted under the Financial Conduct Authority's listing rules or, in the case of a tender offer (as referred to in those rules), five per cent above the average of the middle market quotations for an ordinary share (as derived from the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the date on which the terms of the tender offer are announced;
    (d) this authority shall expire 18 months after the passing of this resolution or, if earlier, on the conclusion of the Company's next Annual General Meeting; and
    (e) before such expiry, the Company may enter into a contract to purchase shares that would or might require a purchase to be completed after such expiry.
14. That any general meeting of the Company that is not an Annual General Meeting may be convened by not less than 14 clear days' notice.

By order of the Board

R. H. Collins
Company Secretary
13 June 2013

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

Notes
1. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.
2. The right of a member of the Company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares of 1p each ("ordinary shares") by 6pm on 22 July 2013 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.
3. A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with Section 323 of the Companies Act 2006, as amended. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this Notice of Annual General Meeting. To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then be delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Capita Registrars, PXS at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by 11am on 22 July 2013. Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.capitashareportal.com. If you have not previously registered to use this facility you will require your investor code which can be located on the enclosed proxy form. In order to be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by the same time. Members who hold their shares in uncertificated form may also use the CREST voting service to appoint a proxy electronically, as explained below. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.

Notes continued

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

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

6. As at 11 June 2013 (being the latest practicable date prior to the printing of this document), (i) the Company's issued share capital consisted of 583,488,584 ordinary shares carrying one vote each and (ii) the total voting rights in the Company were 583,488,584.

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

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

9. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in the CREST voting service section of the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a "CREST proxy appointment instruction") must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited ("Euroclear") and must contain all the relevant information required by the CREST manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Capita Registrars (ID RA10), as the Company's "issuer's agent", by 11am on 22 July 2013. After this time, any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) Capita Registrars is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should take into account the provisions of the CREST manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances, the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST manual, treat a CREST proxy appointment instruction as invalid.

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

11. Copies of Directors' service contracts and letters of appointment will be available for inspection at the registered office of the Company during normal business hours each business day and at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

12. Information regarding this meeting, including information required by Section 311A of the Companies Act 2006, is available at www.norcros.com.

Explanatory notes

The Annual General Meeting of the Company will take place at 11am on 24 July 2013 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. The Notice convening that meeting, together with the resolutions to be proposed, appears on pages 71 to 73 of this document. The Directors recommend all shareholders to vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

Explanatory notes in relation to the resolutions appear below:

Resolution 1

Report and accounts

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

Resolution 2

Approval of the Remuneration Report

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

The Directors' Remuneration Report for the year ended 31 March 2013 is set out in full on pages 30 to 35 of this document. Any shareholder who would like a copy of the Annual Report and Accounts 2013 can obtain one by contacting our registrar on 0871 664 0300. Alternatively, the Annual Report and Accounts 2013 can be viewed on our website at www.norcros.com.

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

Resolution 3

Dividend

The payment of the final dividend requires the approval of shareholders at a general meeting. If the meeting approves resolution 3, the final dividend of 0.305p per ordinary share will be paid on 30 July 2013 to ordinary shareholders who are on the register of members on 28 June 2013 in respect of the year ended 31 March 2013.

Resolution 4

Election of Jo Hallas

It is proposed that Jo Hallas be elected as a Director.

Biographical details of Jo can be found on page 22. Jo was appointed to the Board in September 2012 and is therefore seeking election at the first Annual General Meeting following this. The other Directors believe that she is performing her role effectively and possesses the necessary experience and knowledge and they unanimously recommend that Jo be elected as a Director. The Chairman confirms that her performance has been evaluated as effective and demonstrating commitment to the role.

Resolution 5

Re-election of Martin Towers

It is proposed that Martin Towers be re-elected as a Director.

Biographical details of Martin can be found on page 22. The other Directors believe that he is performing his role effectively, possesses the necessary experience and knowledge and he has demonstrated commitment to the role. They therefore unanimously recommend that Martin be re-elected as a Director.

Resolution 6

Re-election of Vijay Aggarwal

It is proposed that Vijay Aggarwal be re-elected as a Director.

Biographical details of Vijay can be found on page 22. The other Directors believe that he is performing his role effectively and possesses the necessary experience and knowledge and they therefore unanimously recommend that Vijay be re-elected as a Director. The Chairman confirms that his performance has been evaluated as effective and demonstrating commitment to the role.

Resolution 7

Re-election of Nick Kelsall

It is proposed that Nick Kelsall be re-elected as a Director.

Biographical details of Nick can be found on page 22. The other Directors believe that he is performing his role effectively and possesses the necessary experience and knowledge. They therefore unanimously recommend that Nick be re-elected as a Director.

Resolution 8

Re-election of Martin Payne

It is proposed that Martin Payne be re-elected as a Director.

Biographical details of Martin can be found on page 22. The other Directors believe that he is performing his role effectively and possesses the necessary experience and knowledge. They therefore unanimously recommend that Martin be re-elected as a Director.

Resolution 9

Re-appointment of auditors

The Company is required to appoint an auditor at each general meeting before which accounts are laid, to hold office until the end of the next such meeting. PricewaterhouseCoopers LLP has indicated that it is willing to continue as the Company's auditor for another year. You are therefore asked to re-appoint PricewaterhouseCoopers LLP. The Directors recommend the re-appointment of PricewaterhouseCoopers LLP.

Resolution 10

Remuneration of auditors

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

Resolution 11

Power to allot shares

Most listed companies renew their directors' authority to issue shares at each Annual General Meeting. Such an authority was granted at last year's Annual General Meeting and is due to expire on 25 January 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company. In accordance with best practice, this resolution seeks to renew the Directors' authority to allot shares.

Resolution 11, if passed, will renew the Directors' authority to allot shares in the capital of the Company up to a maximum aggregate nominal value of £3,889,923 (representing 388,992,389 ordinary shares). This represents the Association of British Insurers' (ABI) guideline limit of approximately two thirds of the Company's issued ordinary share capital as at 11 June 2013 (being the latest practicable date prior to the publication of this document). Of this amount, ordinary shares to an aggregate nominal value of £1,944,961 (representing 194,496,194 ordinary shares which is approximately one third of the Company's issued ordinary share capital as at 11 June 2013 (being the latest practicable date prior to the publication of this document)) can only be allotted pursuant to a rights issue.

As at 11 June 2013 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in the Company in treasury. The renewed authority will remain in force until 18 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2014.

The Directors have no present intention of exercising this authority (save in connection with any obligation to issue shares under the Company's share option schemes). 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 12

Disapplication of pre-emption rights

The Directors are currently authorised, subject to certain limitations, to issue securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That authority will expire on 25 January 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company and, in accordance with best practice, this resolution (which will be proposed as a special resolution) seeks to renew the Directors' authority to disapply pre-emption rights.

Other than in connection with a rights or other similar issue or where, for example, 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 £291,744, which represents 29,174,429 ordinary shares and is approximately five per cent of the Company's issued ordinary share capital as at 11 June 2013 (being the latest practicable date prior to the publication of this document). The renewed authority will remain in force until 18 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2014.

In accordance with the Statement of Principles on disapplying pre-emption rights issued by the Pre-Emption Group (which is supported by the ABI, 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.

Explanatory notes
continued

Resolution 13

Authority to purchase own shares

This resolution, which will be proposed as a special resolution, is a resolution which the Company proposes to seek on an annual basis, in line with other listed companies in the UK, to give the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to an aggregate maximum of 58,348,858 ordinary shares which have an aggregate nominal value of £583,488 (representing approximately 10% of the aggregate nominal value of the issued ordinary share capital of the Company as at 11 June 2013 (being the latest practicable date prior to the publication of this document)) and sets minimum and maximum prices. The renewed authority will remain in force until 18 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2014.

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 and be in the best interests of its shareholders generally. To the extent that any shares so purchased are held in treasury (see below), earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury.

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

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

As at 11 June 2013 (being the latest practicable date prior to the publication of this document), there were warrants and options over 31,152,663 ordinary shares in the capital of the Company, which represent, in aggregate, approximately 5.3% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options and warrants would represent approximately 5.9% of the Company's issued ordinary share capital. As at 11 June 2013 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in treasury.

Resolution 14

Notice of general meeting

This special resolution is required in order to preserve the ability of the Company to convene general meetings (other than Annual General Meetings) of the Company on not less than 14 clear days' notice, rather than on not less than the 21 days' notice which would otherwise be required. In order to preserve this ability, the Company's shareholders must have approved the calling of such meetings on not less than 14 clear days' notice. Resolution 14 seeks such approval.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of the shareholders as a whole.

The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic proxy submission under the Companies (Shareholders' Rights) Regulations 2009 before it can call a general meeting on such notice.

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