

norcros

Annual report
and accounts 2015



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

We have four complementary UK businesses: Triton Showers, Vado, Johnson Tiles and Norcros Adhesives, and three complementary businesses in South Africa: Johnson Tiles South Africa, TAL and Tile Africa.

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 aim to use our strong brands, our innovative products and our leading market positions to drive investment returns and shareholder value.



JOHNSON-TILES



Overview

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Strategy and objectives

HIGHLIGHTS

Sixth consecutive year of growth

Strong cash generation – underlying operating cash flow 12.8% higher at £22.9m

Significant improvement in South African performance

Good progress on legacy issues

Net debt reduced to £14.2m from £26.9m

Underlying ROCE at 16.3% – ahead of strategic target

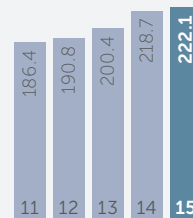
Full year dividend increased by 9.8%

FINANCIAL HIGHLIGHTS

Total revenue

£222.1m

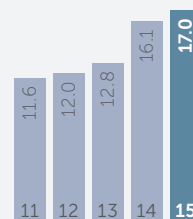
+1.5%



Underlying operating profit

£17.0m

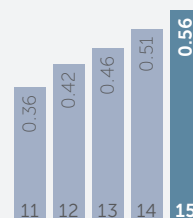
+5.8%



Dividends per share

0.56p

+9.8%



02 Chairman's statement



NORCROS HAS RECORDED ANOTHER YEAR OF REVENUE AND UNDERLYING OPERATING PROFIT GROWTH, A FEAT THAT THE GROUP HAS NOW ACHIEVED FOR SIX CONSECUTIVE YEARS."

Martin Towers
Chairman

SUMMARY

- Sixth consecutive year of growth
- Strong cash generation – underlying operating cash flow 12.8% higher at £22.9m
- Significant improvement in South African performance
- Good progress on legacy issues
- Net debt reduced to £14.2m from £26.9m
- Underlying ROCE at 16.3% – ahead of strategic target
- Full year dividend increased by 9.8%

Overview

I am delighted to announce that Norcros has recorded another year of revenue and underlying operating profit growth, a feat that the Group has now achieved for six consecutive years. Group revenue from continuing operations grew by 1.5% on a reported basis and 5.0% on a constant currency basis to £222.1m. Underlying operating profit at £17.0m, was 5.8% higher than prior year driven by a strong performance from our South African businesses, the highlight of which was the significant improvement in performance of Johnson Tiles South Africa. Also pleasing was the strong cash management demonstrated across the Group with underlying operating cash flow increasing to £22.9m (2014: £20.3m).

Significant progress has been made during the year with the resolution of a number of our legacy issues. The disposal of Johnson Tiles Australia completed in May 2014 for £3.8m allowed the Group to focus on its strategic geographies of UK, South Africa and the Middle East. In the second half of the year we bought out our lease commitments on the surplus property at Orgreave Drive, Sheffield, and acquired the freehold for £3.4m, subsequently disposing of this freehold along with our remaining surplus freehold properties for £6.5m. These actions together with the

recent resolution of our contractual dispute with Morrisons and the expiry of another onerous lease, means that the Group's legacy property issues are now resolved in all material respects.

As a result of the strong operating cash generation, and the proceeds from the disposals of the surplus property and Johnson Tiles Australia, net debt reduced to £14.2m (2014: £26.9m), representing leverage of just 0.6 x EBITDA (2014: 1.2 x EBITDA).

In July 2014 we took advantage of favourable market conditions and agreed a new unsecured £70m banking facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The agreement also includes a £30m accordion facility which gives us further scope to fund growth through acquisition.

Dividend

The Board is recommending a final dividend for the year of 0.375p (2014: 0.34p) per share. When added to the interim dividend of 0.185p (2014: 0.17p) per share which was paid on 7 January 2015, this will make a total dividend for the year of 0.56p (2014: 0.51p) per share, a 9.8% increase on the previous year.



Governance

As Chairman, one of my primary responsibilities is to ensure that the Group operates to the highest standards in all aspects of governance and risk management. Our aim within Norcros is to manage a growing business effectively, while ensuring that proper operating procedures and internal controls are maintained at all times. Transparency is central to this objective and you will find more detail about our approach and progress over the last year in the Corporate Governance section of this report.

People

The people who work for the Group are undoubtedly our key asset and I am certain that the existing opportunities for long-term growth will ensure that our employees find Norcros a place where they will continue to enjoy rewarding careers. On behalf of the Board I congratulate them all for delivering another year of strong progress.

Summary

Notwithstanding the challenges in our markets, Norcros has continued to deliver a creditable year on year improvement in its trading performance in line with market expectations. At the same time excellent progress has been made on the legacy issues combined with strong cash generation resulting in a strengthening in the Group's financial position.

As well as continuing to drive organic revenue growth we have committed additional resource to progress suitable acquisitions in support of our strategy of doubling revenue to £420m by 2018. Whilst no further transactions have been concluded at the date of this report, I remain confident that we are making good progress towards this particular strategic target and that we will be able to respond swiftly to realise opportunities as they arise.

I am especially pleased that we have achieved an underlying ROCE of 16.3% in the year, ahead of our strategic target of 12–15%, reflecting continued improvements in our operational performance, and the benefit of disposing of our non-core assets.

I believe the Group is very well placed to build on the excellent progress achieved this year, and underpinned by our strong brands and leading market positions, I look forward to the future with optimism.

M. G. Towers
Chairman
18 June 2015



Johnson Tiles South Africa's Fusion, Crete and Nostalgia ranges.

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Business model

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Business review

Group Chief Executive's statement



I AM PARTICULARLY PLEASED TO REPORT A SIGNIFICANTLY IMPROVED PERFORMANCE IN OUR SOUTH AFRICAN BUSINESS WHERE REVENUE WAS 15.1% HIGHER ON A CONSTANT CURRENCY BASIS AND 3.2% HIGHER ON A REPORTED BASIS. UNDERLYING OPERATING PROFIT FOR THE YEAR IN SOUTH AFRICA INCREASED BY 68.7% TO £3.2M (2014: £1.9M)."

Nick Kelsall
Group Chief Executive

Overview

Group revenue for the year increased by 1.5% to £222.1m (2014: £218.7m) and by 5.0% on a constant currency basis.

The UK market has remained challenging, with continued growth in the trade sector driven by continued improvements in new house build and housing transactions, but with only limited improvements in the retail sector impacted by sluggish consumer confidence particularly at the lower and middle income groups. UK revenue for the year at £149.1m (2014: £148.0m) was 0.7% ahead of the prior year, with higher revenue at Triton, Vado and Norcros Adhesives offsetting lower revenue at Johnson Tiles. UK underlying operating profit for the year was marginally lower at £13.8m (2014: £14.2m) with operating margins also slightly lower at 9.2% (2014: 9.6%). Vado and Norcros Adhesives showed good profit progression in the year, and Triton maintained its strong profitability despite increasing revenue investment in order to develop new export markets. Johnson Tiles performance was impacted by lower revenue as well as production inefficiencies during part of the year which are now resolved.

I am particularly pleased to report a significantly improved performance in our South African business where revenue was 15.1% higher on a constant currency basis and 3.2% higher on a reported basis. Underlying operating profit for the year in South Africa increased by 68.7% to £3.2m (2014: £1.9m) despite a weaker Rand, and operating margins improved from 2.7% to 4.4%. All three businesses contributed to the improvement, with the benefits of the self-help initiatives and new investment beginning to be realised. In Johnson Tiles South Africa, exciting new product ranges have gained good market acceptance following the successful installation of our second inkjet printer, and together with continued manufacturing efficiency improvements, enabled the business to break even in the year, a significant improvement

on last year. In TAL, strong revenue growth and the benefits of investment in new mixing and packaging equipment helped drive an improved performance, and in Tile Africa, although we are still in the initial phase of our roll-out programme, our exciting new CX store format is driving a much improved retail performance.

Group underlying operating profit at £17.0m (2014: £16.1m) was 5.8% higher than prior year, with Group underlying operating margins also ahead at 7.6% (2014: 7.3%).

Strong cash conversion in our businesses combined with the proceeds from the disposal of surplus property and Johnson Tiles Australia resulted in closing net debt at £14.2m (2014: £26.9 m), and leverage of 0.6 times EBITDA (2014: 1.2 times).

With a new banking facility agreed in the year the Group is well placed to capitalise on opportunities as they arise.

Strategy

As reported in March 2013, the Board set itself three strategic targets. These are to double Group revenue to £420m by 2018, to maintain revenue derived outside of the UK at approximately 50% of Group revenue, and to sustain a pre-tax return on capital employed of 12% to 15% over the economic cycle. We remain committed to these targets and have made further progress towards achieving them.

The Group has continued to explore potential acquisitions and to further support this activity we have hired an experienced senior executive to solely focus on this key strategic initiative. Concurrently, continued investment in new product development programmes in our businesses is both generating organic revenue growth and driving Group synergies. For example, the first Vado branded electric shower range was recently launched into the specialist bathroom boutique channel and a new brassware range sourced directly from one of Vado's Chinese suppliers was recently

launched in our Tile Africa business in South Africa.

As announced last year, we completed the sale of our Australian tiles business to Kim Hin Industries Berhad on 30 May 2014 which resulted in a net cash inflow of £3.8m. We also completed the lease exit and freehold acquisition of the property in Sheffield for £3.4m, subsequently selling it and other surplus property to Clowes Developments (UK) Ltd on 2 March 2015, which resulted in proceeds after costs of £6.1m. The disposal of these non-core assets is an excellent outcome for shareholders, reducing leverage and allowing executive management to fully focus on its target geographies of the UK, Africa and the Middle East.

Summary and outlook

Increasing UK commercial and domestic construction activity has driven growth in the UK trade and specification markets and we continue to grow strongly in this sector. The UK retail sector has been very mixed but improving trends in consumer confidence and forecast growth in RMI expenditure are both encouraging. Notwithstanding the short term challenges, the medium-term outlook in South Africa remains positive and the strong revenue and self-help momentum in our South African businesses should ensure we will make further progress in this year. With our strong brands, leading market positions, continued new product investment and self-help initiatives focused on market share gain, the Board remains confident that the Group should continue to make further progress for the year to 31 March 2016.

N. P. Kelsall
Group Chief Executive
18 June 2015



GARSFONTEIN CASE STUDY

THE NEW CX
STORE CONCEPT

Revenue growth (Nov–Mar)

78.2%

Increase in footfall

82.2%

Growth in bathroom ware and taps (Nov–Mar)

331.8%

Project aims:

To move the Tile Africa customer experience in store, not in line with, but well ahead of the competition.

To make the store easier to sell from, enabling the staff to improve customer service

To bring a welcoming 'wow' factor into the overall look, while increasing an exciting retail buzz

To improve sales of bathroom ware and taps

Some of the new innovations
incorporated into the store as a result
of comprehensive customer research:

The creation of an 'Ideas Hub' where customers can spread out floor plans, mix and match tiles and décor, and see tiles under different lighting conditions

The creation of a 'store within a store' for bathroom ware, taps and accessories, featuring bathroom sets put together according to style and price by group

Moving the popular lifestyle settings from the perimeter of the store to centrally placed groups of four

Creating easily visible colour coded category signs to guide customers in store

Laying out the tile displays intuitively, according to design type

CASE STUDY

STANTON MANOR CARE HOME

The Challenge

Stanton Manor Care Home in Derbyshire needed to find an all inclusive showering solution for their new downstairs bathroom that would suit the majority of their residents and yet allow Stanton Manor to future proof their personal care facilities.

Stanton Manor is a beautiful 20th century building so it was also important to the owners that the new extension was also stylish and homely.

The Solution

When Stanton Manor contacted Triton with their requirements for their new downstairs bathroom, it was clear the Safeguard+ was the perfect fit for them. Mindful of the ever-changing needs of care home residents who need every possible safety assurance without compromising the appearance of their bathroom, the inclusive design of the Safeguard+ was ideal. For additional assurance and functionality, we also recommend that we fitted the Safeguard+ with the Grab Riser Kit which provides a grab bar in the showering area tested up to 150kg if accidentally or intentionally grabbed.

The Result

Priya Soni, director at Stanton Manor Care Home, commented: "Since installing the new shower, we've been able to offer all our residents safer showering than before, which is thanks to the variety of features offered by the product. We have a responsibility to ensure the products we use comply with quality and safety standards while being easy to use for residents and staff and the Safeguard+ certainly ticks all the boxes."

Features such as the Grab Riser kit and automatic setting of the duration of shower have already increased the independence of the residents, which in turn is better for their own personal well-being.



Strategic report

To the members of Norcros plc

The Strategic Report provides a review of the business for the financial year and describes how we manage risks.

The report outlines the developments and performance of the Group during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future.

Key performance indicators are published to show the performance and position of the Group. Also provided is an outline of the Group's strategy and objectives, along with the business model.

Approval

The Group Strategic Report on pages 7 to 29 of Norcros plc was approved by the Board and signed on its behalf by:



N.P. Kelsall

Group Chief Executive
18 June 2015

Strategy and objectives

A focused growth strategy and strong results

OUR STRATEGY:

- | | |
|--|---|
| <p>01 Pursue a faster and focused growth strategy to scale up the size of the Group organically and by acquisition</p> | <p>02 Maintain investment in our strong brands and new product development</p> |
| <p>03 Leverage revenue synergies within our portfolio of complementary businesses</p> | <p>04 Target acquisitions in complementary markets with attractive returns on capital</p> |
| <p>05 Continue to ensure high standards of corporate governance and responsibility</p> | |

OUR STRATEGIC TARGETS:

- | | | |
|---|--|---|
| <p>01 Grow Group revenue to £420m by 2018</p> | <p>02 Maintain approximately 50% of Group revenue derived outside the UK</p> | <p>03 Achieve a sustainable underlying return on capital employed of 12–15%</p> |
|---|--|---|

About our strategy

The Board believes the implementation of this strategy will enhance shareholder value.

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, sub-Saharan Africa and the Middle East, 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.

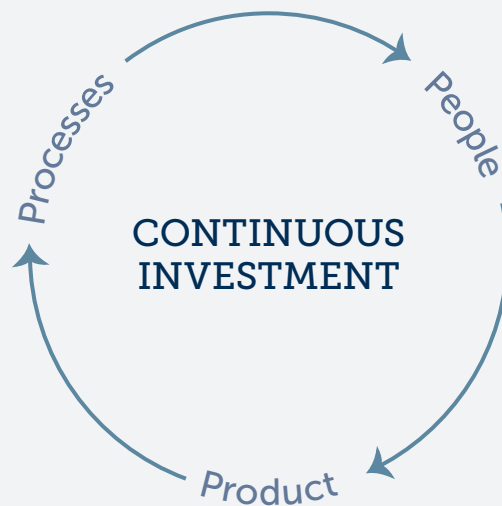
Acquisitions will be targeted at complementary market and industry segments exhibiting attractive returns on capital which are likely to be bathroom and kitchen products with exposure to commercial and specification segments. The acquisition of Vado in 2013 represented a first step in this approach.

Business model

Consistent standards. Considerable resources.

We have a long, successful track record of serving consumers, architects, designers, retailers and wholesalers. Our emphasis is on innovation, quality and service. We base our business on understanding our customers' needs. Norcros is a substantial group with consistent, high quality standards and considerable resources. We invest significantly and continuously in our people, product development and processes and we aim to develop our business in both the quality of our products and the scale of our activities.

Maximising shareholder value through continuous investment



We serve consumers, architects, designers, retailers and wholesalers across the globe

Wide product range

We offer a "one-stop shop" of showering, bathroom controls, tiles and fixing solutions

Strong brands

Operating in the UK and South Africa, many of our brands are household names and hold market-leading positions



Trusted quality

Leveraging our established positions, we have a reputation for innovation and leading edge technical capability

Outstanding service

We offer outstanding customer service, bespoke solutions and unrivalled technical support

Our portfolio of brands is well-established, with leading market positions.

UK

In the UK we offer a wide range of quality bathroom and kitchen products both for domestic and commercial applications. Our portfolio of businesses is well established, services a broad customer base and benefits from leading market positions and strong brands.

SOUTH AFRICA

Our complementary businesses in South Africa operate principally from a shared manufacturing and administrative site near Johannesburg, allowing them to maximise operational, revenue and cost synergies.

Triton



Manufacturer and distributor of electric and mixer showers and accessories

Providing high quality and innovative electric and mixer showers to a wide range of retail and trade customers, assembled in the UK using parts sourced from Europe and the Far East

Johnson Tiles South Africa

JOHNSON-TILES

Manufacturer and distributor of ceramic wall and floor tiles

A well invested plant and technological know-how has positioned JTSA as the number two ceramic tile manufacturer in South Africa

Vado



Manufacturer and distributor of taps, mixer showers, bathroom accessories and valves

Providing a wide range of high end brassware and accessories to retail and trade customers, assembled in the UK using parts sourced from Europe and the Far East

TAL



Leading manufacturer of tile adhesives, pourable floor coverings and tiling tools

Offering a range of products and accessories to be a "one-stop shop" for tile fixing solutions

Johnson Tiles

JOHNSON-TILES

Manufacturer and distributor of ceramic wall and floor tiles

Offering a mixture of own manufactured wall tile from our plant in Stoke on Trent, and wall and floor tile sourced from around the world, it is a "one-stop shop" for all customers' ceramic tile needs, from high volume floor tiles all the way to bespoke individual projects

Tile Africa



Leading retailer of local and international tiles and associated bathroom and kitchen products

A network of 33 showrooms throughout South Africa and sub-Saharan Africa selling both own manufactured tiles and adhesives from its sister companies and sourced products

Norcross Adhesives



Manufacturer of tile and stone adhesives and ancillary products

From our state-of-the-art manufacturing facility in Stoke on Trent, we supply ceramic tile adhesives and self-levelling compounds as well as backing boards and other requirements for wet rooms to both retail and trade customers

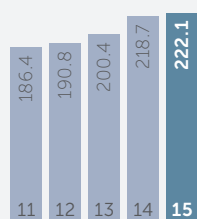
10 Measuring our progress

We use the following key performance indicators (KPIs) to measure our progress against our strategic priorities.

Total revenue (£m)

£222.1m

+1.5%



Definition

Reported Group revenue for the year which excludes discontinued operations.

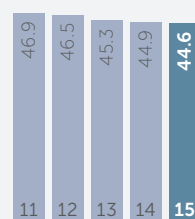
Performance

Total revenue for the year increased by £3.4m (1.5%) or 5.0% on a constant currency basis. UK revenues increased by 0.7% and South African revenues rose by 3.2%. The increase in sales in our South African business was 15.1% on a constant currency basis.

Group revenue outside the UK (%)

44.6%

-0.3%



Definition

Revenue from the Group's South African operating segment plus export revenue from the Group's UK operating segment.

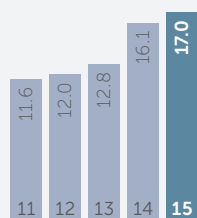
Performance

Group revenue outside the UK fell slightly to 44.6% which was mainly due to the adverse translation impact of the weaker South African Rand coupled with challenging conditions in some export markets of our UK businesses.

Underlying operating profit (£m)

£17.0m

+5.8%



Definition

Reported operating profit as adjusted for IAS 19R administrative expenses, acquisition related costs and exceptional operating items, as defined in note 8 to the financial statements.

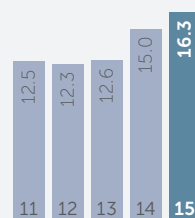
Performance

Underlying operating profit increased by £0.9m (5.8%) principally reflecting an improved performance in the Group's South African operating segment.

Underlying return on capital employed (%)

16.3%

+1.3%



Definition

Underlying operating profit expressed as a percentage of the average of opening and closing underlying capital employed (as defined in note 8 to the financial statements).

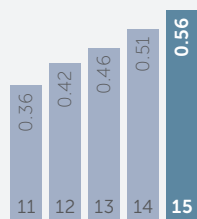
Performance

Underlying ROCE increased to 16.3% in the year from 15.0%, due to improved profitability, strong cash generation and the disposal of the legacy surplus freehold property.

Dividends per share (p)

0.56p

+9.8%



Definition

The total of the interim dividend and the proposed final dividend for the financial year.

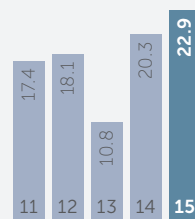
Performance

In line with the Board's progressive dividend policy the dividend per share increased 9.8% to 0.56p per share from 0.51p per share.

Underlying operating cash flow (£m)

£22.9m

+12.8%



Definition

Cash generated from continuing operations as adjusted for cash flows from exceptional items and pension fund deficit recovery contributions, as defined in note 8 to the financial statements.

Performance

Underlying operating cash generation increased by £2.6m due to increased profits and continued strong working capital management.

Business performance

Norcros has made significant progress during the year, recording a sixth consecutive year of revenue and underlying operating profit growth. A summary of our key financials can be found below.

	2015 £m	2014 £m
Revenue	222.1	218.7
Operating profit	10.6	12.8
IAS 19R administrative expenses	1.7	1.4
Acquisition related costs	2.2	0.7
Exceptional operating items	2.5	1.2
Underlying operating profit	17.0	16.1
	2015 £m	2014 £m
Revenue – UK	149.1	148.0
Revenue – South Africa	73.0	70.7
Revenue – Group	222.1	218.7
Underlying operating profit – UK	13.8	14.2
Underlying operating profit – South Africa	3.2	1.9
Underlying operating profit – Group	17.0	16.1
Underlying operating profit margin – UK	9.2%	9.6%
Underlying operating profit margin – South Africa	4.4%	2.7%
Underlying operating profit margin – Group	7.6%	7.3%
	2015 £m	2014 £m
Underlying operating profit	17.0	16.1
Depreciation	6.0	5.9
Underlying EBITDA	23.0	22.0
Net working capital movement	(1.5)	(2.6)
Share-based payments	1.3	0.9
Other non-cash items	0.1	—
Underlying operating cash flow	22.9	20.3

Business review

Continued good progress in Triton Showers and Vado and a particularly strong performance in Norcros Adhesives were partly offset by lower revenue in Johnson Tiles.

In the UK, revenue increased in the year by 0.7% to £149.1m (2014: £148.0m). Continued good progress in Triton Showers and Vado and a particularly strong performance in Norcros Adhesives were partly offset by lower revenue in Johnson Tiles. Underlying operating profit was lower at £13.8m (2014: £14.2m) with margins also slightly lower at 9.2% (2014: 9.6%). This performance reflects the mixed market conditions which have prevailed, with gains in trade and specification markets offset by more challenging retail and export environments.

Triton Showers

Triton Showers, our market leading UK domestic shower business, grew revenue by 0.4% to £52.1m (2014: £51.9m). The UK shower market remained challenging during the last year, although Triton's main export market, Ireland, showed good growth.

UK revenue was 2.1% lower than the prior year. Despite some good progress in specification sales, trade sector revenue was 4.7% lower than prior year, driven by specific destocking in a small number of key accounts. Retail sector revenue was in line with last year, which given the contraction in the retail market in the year was testament to Triton's leading position, the strength of its consumer franchise and its reputation for quality, service and innovation.

Triton's new Safeguard+ range of thermostatic electric showers, which have been designed principally for the care market, have been very well received during the year and are the subject of case study on page 6.

Export revenue, which represents approximately 15% of overall revenue, was 17.3% higher compared to prior year. Triton's primary export market is Ireland and our strong performance here reflects the recovery in the Irish economy which

is beginning to drive increased activity in both the domestic and commercial construction sectors. Increased revenue investment in the year has been focused on developing a range of electric showers that operate in a low pressure, high ambient temperature environment. Testing is progressing well, and when completed, the products will allow us to realise opportunities in new export markets in the coming year.

Triton has again delivered a strong underlying operating profit performance as well as excellent cash conversion.

After 23 years in the business, Lorna Fellowes will step down from her role as Managing Director of Triton on 30 June 2015. Lorna will take up a Group role with particular focus on business development and acquisitions. David Tutton, Business Development Director at Triton for the last twelve months, will become Managing Director, and his experience in this role will ensure that the success of Triton achieved during Lorna's tenure will continue.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves recorded revenue of £30.5m for the period (2014: £29.1m), 4.7% higher than prior year. During the year Vado continued its successful penetration of the UK market although challenging conditions in its major export markets resulted in revenue lower than the prior year.

UK revenue was 19.8% higher than the prior year with strong performances in both the retail and trade sectors. UK retail revenue was 20.9% higher, as a result of the continuing success of the Vado Partnership Programme and growth with national buying groups. During the year Vado has not only increased revenue through established relationships with existing customers, but also achieved preferred supplier status with new buying

groups. UK trade sales also grew considerably by 18.5% against the prior year, similarly through growth via its existing customer base and also winning new accounts, such as Avant Homes and Lovell.

Performance in our export markets was disappointing with a 15.8% reduction in revenues against the previous year. This predominantly reflected key customer destocking in the early part of the year together with a number of construction projects being delayed in the Middle East. However, additional sales resource has been deployed in this area and new channels have been opened in India, South America and the Far East which we expect to benefit from in the coming year.

During the year, a new ERP system was successfully implemented in order to provide the business with a strong platform to support its continued growth. The new system is already yielding operational improvements and enhanced business information.

In addition, we continue to make solid progress with a number of Group wide synergy initiatives. These include the launch of the first range of Vado electric showers into the specialist bathroom boutique channel which has already gained good momentum and a joint project with Tile Africa, our leading specialist retailer in South Africa, where we have recently introduced a new own label range of brassware sourced from Vado's specialist supply base. In the coming year, we plan to launch a range of high end Vado branded brassware to complement our existing offer.

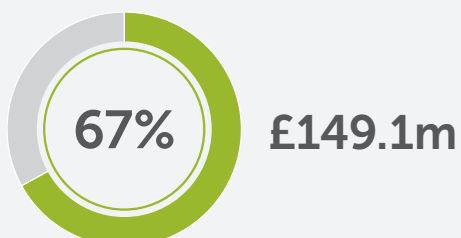
Underlying operating profit was in line with expectations and ahead of last year with good cash generation.



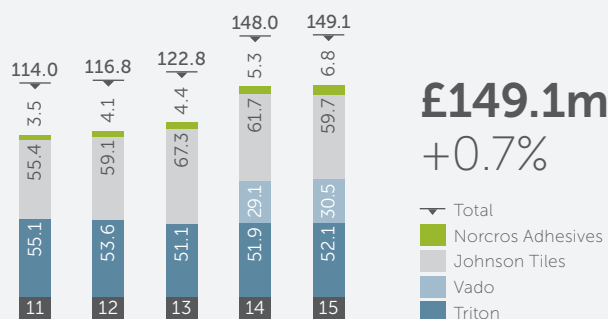
UK

The performance in the year reflects the mixed market conditions which have prevailed, with gains in trade and specification markets offset by more challenging retail and export environments.

Share of Group revenue



UK revenue (£m)



Our divisions

Triton

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

Vado

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

Norcross Adhesives

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

14 Business review continued

During the year, the business was very proud to be involved in the supply of ceramic poppies for the "Blood Swept Lands and Seas of Red" art and charity fund raising installation at the Tower of London to commemorate the beginning of World War I.

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 decrease by 3.2% to £59.7m (2014: £61.7m).

UK revenue was 2.8% lower overall, although there were marked differences in sector performance with a 9.6% increase in trade revenue offset by an 11.9% reduction in retail revenue.

The trade sector has grown in the year as a result of increased construction activity and additional specification business, the latter aided by a reconfiguration of our product range in the year and the introduction of new "on trend" colours. During the year, the business was very proud to be involved in the supply of ceramic poppies for the "Blood Swept Lands and Seas of Red" art and charity fund-raising installation at the Tower of London to commemorate the beginning of World War I. A bespoke hand crafted manufacturing cell was created for this project in the space of three weeks, and the success of this project is testament to the skills and commitment of our workforce.

The disappointing retail performance mainly reflects range reviews at a number of our key customers which resulted in the number of stocked lines being reduced. We have however made good progress at other accounts such as Topps Tiles, introducing the Minton Hollins range during the year which has been well received.

Export revenue, which represents approximately 13% of overall revenue, returned to growth in the second half of the year albeit was 5.5% lower for the full year overall. The year's performance reflected both lower revenue in the Middle East and the fact that the prior year included the benefit of a number of large commercial specifications such as the Waikiki Beach Hilton Hotel mural. The second half performance also benefited from the restructuring of our Middle East sales operation and the closure of our US warehouse.

Manufacturing process improvements which reduced wastage over the past two years eventually necessitated a change to our body recipe to reduce the amount of recycled waste ceramic material used. This change in recipe was implemented in July, but despite significant off line testing, it resulted in significant disruption and a reduction in production output in the year. Manufacturing performance improved and returned to normal levels of efficiency in the last two months of the year which has been maintained in this financial year. This, coupled with the challenging retail conditions, resulted in a small operating loss being recorded in the year.

Norcros Adhesives

Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, achieved another year of very strong momentum gaining market share as revenue increased by 28.4% to £6.8m (2014: £5.3m).

The increase in share reflects further penetration into the DIY multiples channel and increased sales resource targeted at the specification sector. Tailored sales, marketing and promotional initiatives targeted at each segment and our multi brand strategy supported by our technical advice and excellent customer service have proved highly successful.

Investment in new product development remains central to the business and has continued with the launch of a range of new adhesives and colour matched silicone which has received a good initial response from the market. These products will further support our position in the specification market. The reinforced polymer technology used in these products is new to the market and provides a degree of differentiation.

To support the growth of the business we have also invested in both new plant and human resources with improvements in our operational efficiency.

Another year of strong revenue growth and improved operational efficiencies has resulted in underlying operating profits higher than last year.



CASE STUDY

POPPIES BLOOM AT TOWER OF LONDON

The Challenge

The Tunstall-based company Johnson Tiles was approached by project artist Paul Cummins to help meet the target of creating 888,246 poppies to fill the moat at the Tower of London, with each ceramic flower representing a person who died in the war.

The Solution

Johnson Tiles recruited a team of specialist ceramic artists, who worked at the factory over the spring/summer, individually making and decorating every poppy by hand. Around 8,000 poppies a day were made by the team at the factory in Tunstall, Stoke-on-Trent, for Cummins' Blood Swept Lands and Seas of Red installation, in a labour intensive process involving a very traditional, skilled method of making. The manufacture of each poppy began with processing clay to produce slabs. Flower templates were then cut from the slabs, with the two layers formed into the poppy shape. Each poppy was dried for a minimum of six hours in a cabinet dryer, which reduced the moisture content enough to fire them in the kiln. The poppies were "biscuit fired" and then hand-dipped and re-fired to high temperature before being dispatched to Cummins' studio in Derby, where they were hand-finished and sent to the Tower of London. The moat installation, which was officially unveiled by the Duke and Duchess of Cambridge in the summer, was filled up as the flowers were made, with volunteers planting each one. The final poppy was "planted" on Armistice Day to mark the end of the conflict.

The Result

After receiving an estimated five million visitors since the Blood Swept Lands and Seas of Red installation was officially unveiled, more than 11,000 volunteers then embarked on the task of dismantling the 888,246 poppies, which are thought to have raised in excess of £1.2m for each of the six service charities involved. Harry Foster, Specialist Products Manager at Johnson Tiles, said: "Standing in the moat on the morning of the 11th whilst the last roll of honour was being read out, the magnitude of what had been achieved began to set in, along with the emotion and a realisation of the sheer scale of the loss, it had admittedly become impossible to hold back the tears. The nod of acknowledgement from a similarly tearful Paul Cummins confirmed that it was mission accomplished, and that we could now rest easy in the knowledge that we had succeeded in our efforts to deliver a fitting tribute to the sacrifice made during the conflict."



16 Business review continued

Underlying operating profit for the year improved substantially to £3.2m (2014: £1.9m) despite the weaker Rand adversely impacting Sterling reported profits by approximately £0.3m.

Our South African business recorded another year of double digit growth with revenue 15.1% higher on a constant currency basis. The average exchange rate for Sterling to Rand for the year was 11.6% weaker at ZAR17.82 (2014: ZAR15.97), resulting in full year reported revenue of £73.0m (2014: £70.7m), which was 3.2% higher than prior year. Underlying operating profit for the year improved substantially to £3.2m (2014: £1.9m) despite the weaker Rand adversely impacting Sterling reported profits by approximately £0.3m.

Johnson Tiles South Africa

Johnson Tiles South Africa continued to build on the excellent progress of the last few years and achieved a break even operating result in line with our expectations notwithstanding the disruption from the legal strike action earlier in the year and the recent national electricity load-shedding programme. As a result of the ongoing likelihood of further electricity stoppages we have invested in a standby diesel generator which will be installed in quarter two of this year.

Independent sector revenue grew 9.5% in the year on a constant currency basis albeit on a reported basis was 2.5% lower at £10.3m (2014: £10.6m). The improvement in performance reflects the second phase of our turnaround plan which is focused on enhancing our product offer. After the successful installation of our second inkjet printer our new product programme has delivered a number of exciting new ranges of inkjet printed product that have been well received in the market.

Given the significant improvements made in our manufacturing operations over the last few years and more recently from the market reaction to our improving product offer we remain confident of making further progress in this financial year.

TAL

TAL, our market leading adhesives business in South Africa, delivered another strong performance with constant currency revenue growth of 11.7% compared to prior year or 0.3% growth on a reported basis to £17.2m (2014: £17.1m). This strong revenue growth reflected both market share gain in the domestic market as well as strong growth in exports to sub-Saharan Africa with export revenue 19.1% higher than prior year.

Significant investment in plant and equipment, particularly new mixers and packing heads at our main Olifantsfontein plant was instrumental in driving improvements in plant efficiency during the year. This was supplemented by investment in a new grout packaging line which delivered both manufacturing and revenue benefits.

Underlying operating profit for the year was ahead of last year driving good cash conversion in the business.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, grew revenue by 17.8% on a constant currency basis and 5.7% on a reported basis to £45.5m (2014: £43.0m).

In particular, store-based retail revenue grew by 26.9% on a like-for-like basis as a result of an improved in-stock position and our store upgrade programme.

This year we have focused our efforts on improving performance in our existing store portfolio. We launched our new CX store format which has been developed to step up our overall retail customer experience as well as to include our first bathroom store-within-a-store concept. Our Garsfontein and Alberton stores have been upgraded to this format with the initial results exceeding our expectations and more detail can be found in the case study on page 5.

During the second half of the year, we acquired our strategically located franchise store in Port Elizabeth for a total consideration of £0.3m, and two unprofitable stores were closed. Due to delays in planning permission, no new stores were opened in the year, but we expect to open new stores in Boksburg and Southgate within the next twelve months. Tile Africa currently has 29 owned stores and four franchises.

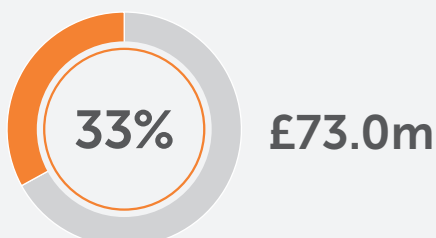
Underlying profit showed good progress and was ahead of last year.



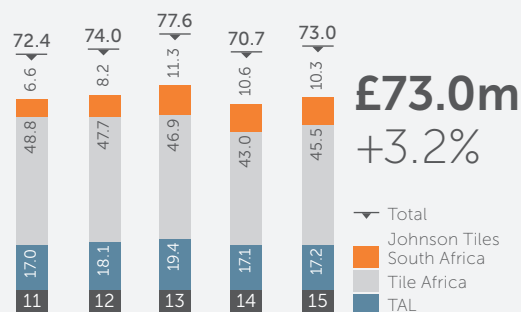
South Africa

Significant investment in plant and equipment, store development and new products has led to considerable year on year growth in revenue and underlying operating profit.

Share of Group revenue



South Africa revenue (£m)



Our divisions

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

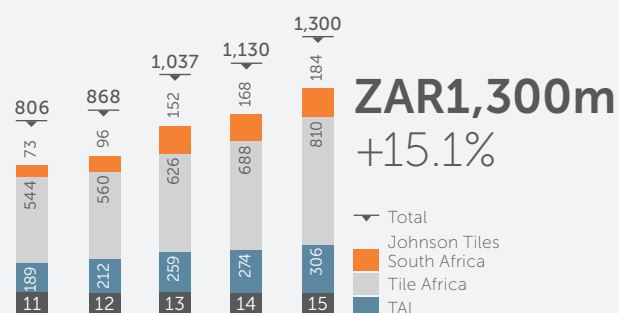
TAL

TAL is 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

Tile Africa

Tile Africa is our South African retailer of tiles, adhesives, sanitaryware and bathroom fittings. The business operates from 33 showrooms located mainly in South Africa but also in Namibia and Botswana

South Africa revenue (ZAR m)



Group Finance Director's report



UNDERLYING OPERATING CASH FLOW WAS £2.6M HIGHER THAN IN THE PREVIOUS YEAR AT £22.9M, AS A RESULT OF HIGHER OPERATING PROFITS AND STRONG MANAGEMENT OF WORKING CAPITAL."

Martin Payne
Group Finance Director

SUMMARY

- Group revenue increased by 1.5% to £222.1m (2014: £218.7m)
- Group underlying operating profit of £17.0m was 5.8% ahead of prior year
- Group profit before tax of £11.0m was 88.4% ahead of prior year
- Group underlying profit before tax of £15.8m was 8.3% ahead of prior year
- Group underlying return on capital employed was 16.3% (2014: 15.0%)
- Underlying operating cash flow of £22.9m was 12.8% ahead of the prior year
- Underlying operating cash generation was 99.6% of underlying EBITDA (2014: 92.3%)
- Net debt reduced to £14.2m from £26.9m

Financial overview

	2015 £m	2014 £m
Continuing operations		
Revenue	222.1	218.7
Underlying operating profit	17.0	16.1
IAS 19R administrative costs	(1.7)	(1.4)
Acquisition related costs	(2.2)	(0.7)
Exceptional operating items	(2.5)	(1.2)
Operating profit	10.6	12.8
Net finance income/(costs)	0.8	(7.0)
Exceptional finance costs	(0.4)	—
Profit before taxation	11.0	5.8
Taxation	(2.9)	4.3
Profit for the year from continuing operations	8.1	10.1
Profit/(loss) for the year from discontinued operations	0.1	(1.4)
Profit for the year	8.2	8.7

Revenue

Group revenue at £222.1m (2014: £218.7m) increased by 1.5% on a reported basis and 5.0% on a constant currency basis.

Underlying operating profit

Underlying operating profit increased by 5.8% to £17.0m (2014: £16.1m). Our UK businesses delivered underlying operating profit of £13.8m (2014: £14.2m), and our South African businesses generated an underlying operating profit of £3.2m (2014: £1.9m). On a constant currency basis the improvement in underlying operating profit in South African businesses was £1.6m. Group underlying operating profit margins improved to 7.6% (2014: 7.3%).

IAS 19R administrative costs

These costs represent the costs incurred by the Trustee of administering the UK pension schemes and are reflected in the income

statement following the implementation of IAS 19R in the previous year. Costs have risen to £1.7m (2014: £1.4m) largely as a result of an increase in the levy charged by the Pension Protection Fund.

Acquisition related costs

As described more fully in the Audit Committee report on page 37 and in note 29 to the Group accounts, we have reclassified certain costs related to business combination activities in line with emerging market practice. Costs of £2.2m (2014: £0.7m) have been recognised in the year and have increased principally due to a £0.8m higher deferred remuneration charge related to Vado and £0.8m (2014: £nil) incremental staff costs and external advisory fees. A full breakdown is provided in note 5 to the Group accounts.



Exceptional operating items

A net exceptional operating charge of £2.5m (2014: £1.2m) was recorded as shown in the table below. These are items of expense or income which arise from transactions which occur outside of the Group's normal operations.

	2015 £m	2014 £m
Profit on disposal of residual property	(0.4)	(0.5)
Sheffield lease surrender	2.5	—
Loss on disposal of property portfolio	1.5	—
Legal costs	0.3	0.2
Pension scheme settlement gain	(1.7)	—
Restructuring costs	0.3	1.5
	2.5	1.2

A small parcel of land in Braintree was sold in the year generating a profit of £0.4m. In the previous year a surplus facility in South Africa was sold at a profit of £0.5m.

The Group acquired the freehold and exited its onerous lease in connection with a property at Orgreave Drive, Sheffield in November 2014, leading to a charge of £2.5m. This property, together with other surplus properties in Tunstall and Boston, were sold to Clowes Developments (UK) Ltd for cash consideration of £6.5m in March 2015 which led to a loss on disposal of £1.5m.

Legal costs of £0.3m (2014: £0.2m) related to the contractual dispute with Morrisons regarding the disposal of part of the surplus land in Tunstall. This dispute has subsequently been settled in May 2015.

During the year we successfully implemented a number of liability management initiatives in connection with the Group's UK defined benefit pension scheme. These exercises

led to a settlement gain of £1.7m which is more fully described in note 23 to the Group accounts.

Restructuring costs relate principally to redundancies and asset write-downs at the Group's businesses and was much higher in 2014 due to the actions taken by management to restructure the Johnson Tiles business early in that year.

Operating profit for the year was £10.6m (2014: £12.8m).

Net finance income/(costs) and exceptional finance costs

Net finance income/(costs) decreased by £7.8m to income of £0.8m (2014: £7.0m cost), although £7.0m of this increase related to the movement on fair value of foreign exchange contracts. Bank interest payable of £1.2m (2014: £1.5m) was lower than last year and reflects the decrease in average net debt and the lower interest margins agreed as part of the new banking

facility completed in July 2014. Also as a result of entering a new banking facility, the remaining unamortised costs of raising debt finance related to the old facility were written off which led to an exceptional charge of £0.4m being recognised.

The Group has recognised a £1.1m interest cost in respect of the pension scheme liability (2014: £1.3m) which decreased by £0.2m principally due to the lower opening liability.

Taxation

The tax charge for the year was £2.9m (2014: credit of £4.3m). In the previous year the remaining unrecognised deferred tax assets in relation to both the UK and South African businesses of £4.4m were recognised in respect of tax losses and capital allowances, and consequently the current years charge represents a more normalised tax charge.

The effective tax rate for the year was 26.6% which was broadly in line with expectations, and is higher than the standard rate of tax in the UK because of the geographic mix of profits and because certain expenses, such as amortisation, are generally not allowable for tax purposes. The standard rate of UK corporation tax reduced to 21% from 1 April 2014 has reduced further to 20% from 1 April 2015. In South Africa the standard rate of tax is 28%, unchanged from 2014.

Group Finance Director's report continued

It is the Board's intention to continue a progressive yet prudent dividend policy subject to the Group's earnings, cash flow and balance sheet position.

Profit before tax

Underlying profit before tax was £15.8m (2014: £14.6m), reflecting the increased underlying operating profit of £0.9m noted above and the lower bank interest payable of £0.3m. Underlying profit before tax is reconciled as shown below:

	2015 £m	2014 £m
Profit before taxation from continuing operations	11.0	5.8
Adjusted for:		
– IAS 19R administrative expenses	1.7	1.4
– acquisition related costs	2.2	0.7
– exceptional operating items	2.5	1.2
– amortisation of costs of raising finance	0.1	0.3
– amortisation of costs of raising finance – exceptional	0.4	—
– net movement on fair value of derivative financial instruments	(3.3)	3.7
– discount on property lease provisions	0.1	0.2
– IAS 19R finance cost	1.1	1.3
Underlying profit before taxation	15.8	14.6

The Group reported profit before tax of £11.0m (2014: £5.8m).

Profit/(loss) from discontinued operations

On 30 May 2014, the Company completed a transaction to dispose of 100% of the issued share capital of Norcros Industry (Pty) Limited (NIPL), which owned its Australian tiles business, to Kim Hin Industries Berhad (KHIB).

A loss of £1.6m relating to this sale was recognised in the year to 31 March 2014, which, together with the results of the year for NIPL of £0.2m, was disclosed within profit/(loss) for the year from discontinued operations. Following the completion of the transaction, the actual loss on disposal

was £1.5m meaning that a small profit of £0.1m has been recognised in the year to 31 March 2015. Further details are provided in note 28 to the financial statements.

Restatement of prior year results

As described more fully in the Audit Committee report on page 37 and in note 29 to the Group accounts, we have reclassified certain costs related to business combination activities in line with emerging market practice. In order to effect fair comparison, the results for the year ended 31 March 2014 have been restated to conform to this style of presentation. The restatement has no impact on operating profit or cash flows.

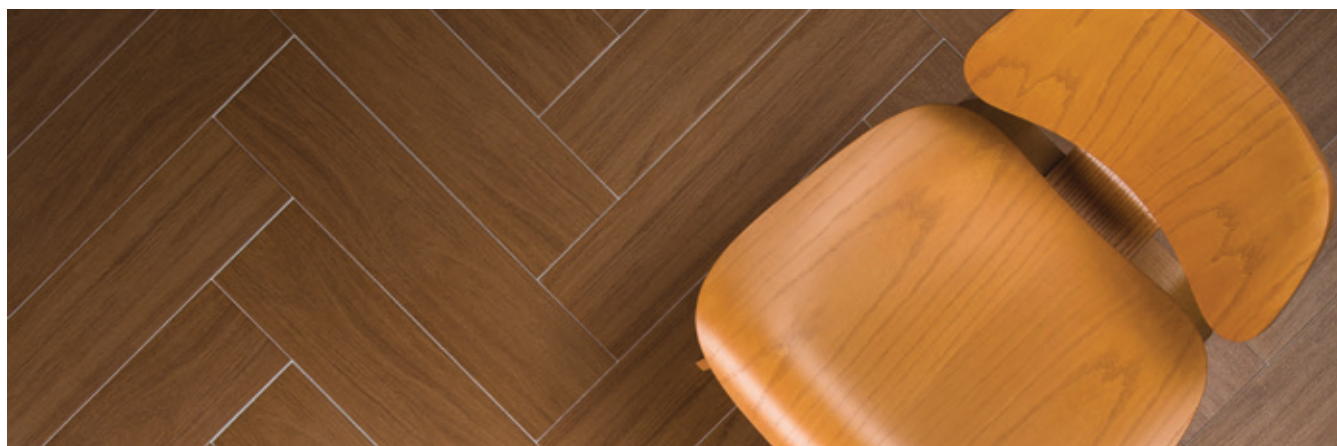
Earnings per share

Underlying diluted earnings per share amounted to 2.1p (2014: 2.8p). Excluding the effect of deferred tax assets recognised in 2014, underlying diluted earnings per share for that year would have been 2.1p. Basic earnings per share were 1.4p (2014: 1.5p).

Dividends

As previously announced it is the Board's intention to continue a progressive yet prudent dividend policy subject to the Group's earnings, cash flow and balance sheet position. As such the Board is recommending a final dividend of 0.375p (2014: 0.34p) per share, which, if approved, together with the interim dividend of 0.185p (2014: 0.17p), makes a total dividend of 0.56p (2014: 0.51p) in respect of the year ended 31 March 2015.

This final dividend, if approved at the Annual General Meeting, will be payable on 29 July 2015 to shareholders on the register on 26 June 2015. The shares will be quoted ex-dividend on 25 June 2015.



Balance sheet

The Group's balance sheet is summarised below.

	2015 £m	2014 £m
Property, plant, equipment and investment properties	37.6	41.3
Goodwill and intangible assets	26.9	27.1
Deferred tax	13.8	11.6
Net current assets excluding cash, borrowings and assets held-for-sale	37.6	36.7
Pension scheme liability	(44.3)	(21.8)
Other non-current assets and liabilities	(4.7)	(6.3)
Cash and borrowings	(14.2)	(27.4)
Net assets before assets held-for-sale	52.7	61.2
Assets held-for-sale	—	4.3
Net assets	52.7	65.5

Property, plant, equipment and investment properties fell by £3.7m, which was chiefly due to the sale of the surplus investment property portfolio. Additions in the year were £6.9m (2014: £4.3m).

Deferred tax increased principally as a result of the full recognition of the increase in the pension scheme liability.

Pension schemes

The Group contributed £2.1m (2014: £2.1m) into its UK defined benefit pension scheme during the year. This included deficit recovery contributions of £2.1m (2014: £2.0m) as part of the 2012 deficit recovery plan.

The gross defined benefit pension scheme valuation on the UK scheme showed a deficit of £44.3m compared to a deficit of £21.8m last year. The increase in the deficit reflects an increase in the present value of scheme liabilities due to a lower discount rate of 3.30% (2014: 4.30%) net of a higher

than expected return on scheme assets driven by rising equity markets.

The Plan has undertaken a number of liability management exercises during the year which have resulted in a number of benefits being settled and some changes to pension increases in payment. The net impact of these exercises was to reduce the net deficit by £1.7m which has been reflected in the Consolidated Income Statement as an exceptional operating item as follows:

	£m
Liabilities extinguished on settlements	6.8
Assets distributed on settlements	(4.4)
IAS 19R pension administration expenses - liability management exercises	(0.7)
Total	1.7

The Group's contributions to its defined contribution pension schemes were £2.6m (2014: £2.2m). The main reason for the increase is due to the implementation of salary exchange scheme for all UK employees with effect from 1 April 2014. This scheme has had no overall impact on UK employment costs as the scheme operates by employees electing to exchange a proportion of their salary for an employer pension contribution.

Cash flow and net debt

Net debt decreased by £12.7m in the year to £14.2m (2014: £26.9m). A summary of the movement in net debt is shown overleaf.

Underlying operating cash flow was £2.6m higher than in the previous year at £22.9m, as a result of higher operating profits and strong management of working capital. This represents excellent cash conversion, being 99.6% of underlying EBITDA (2014: 92.3%). The Group's working capital outflow was £1.5m (2014: £2.6m), principally reflecting investment in inventory to improve the in-stock position of products in Tile Africa stores.

Net cash generated from operating activities was £4.1m higher than the previous year at £14.4m, largely due to improved underlying operating cash flow, lower tax and interest payments and lower outflows in respect of exceptional items.

The £0.9m purchase of investment property relates to the freehold purchase of the property at Orgreave Drive, Sheffield. This was subsequently sold together with the remaining surplus investment properties in Tunstall and Boston resulting in net proceeds of £6.1m. A small parcel of land in Braintree was also sold in the first half of the year for £0.4m.

Group Finance Director's report continued

The new banking facility has been secured to July 2019, and at current levels of net debt and leverage, is expected to reduce interest costs by approximately £0.2m per annum.

Cash flow and net debt continued

	2015 £m	2014 £m
Underlying operating cash flow	22.9	20.3
Cash flows from exceptional items and acquisition related costs	(4.7)	(4.4)
Pension fund deficit recovery contributions	(2.1)	(2.0)
Cash used in discontinued operations	0.1	(0.3)
Cash flow generated from operations	16.2	13.6
Net interest paid	(1.3)	(1.6)
Taxation	(0.5)	(1.7)
Net cash generated from operating activities	14.4	10.3
Capital expenditure	(7.0)	(4.2)
Purchase of investment property	(0.9)	—
Proceeds from sale of investment property	6.5	1.4
Acquisitions and disposals	3.3	0.1
Dividends	(3.1)	(2.8)
Costs of raising debt finance	(0.7)	(0.2)
Issue of share capital	0.2	0.4
Other items	—	(1.2)
Movement in net debt	12.7	3.8
Opening net debt	(26.9)	(30.7)
Closing net debt	(14.2)	(26.9)

Acquisitions and disposals principally comprises a £3.8m inflow resulting from the sale of the Australian tiles business in May, net of £0.3m deferred consideration paid to the former shareholders of Vado and the £0.2m cost of acquiring the Port Elizabeth franchise store in South Africa.

Capital expenditure at £7.0m (2014: £4.2m) included a second inkjet printer at Johnson Tiles South Africa, Tile Africa store upgrades and improvements to mixers and packing heads at TAL. In the UK, there was a new selection line at Johnson Tiles, a new filling machine at Norcros Adhesives, a replacement ERP system at Vado and continued investment in tooling for new product in Triton Showers.

Bank funding

In July 2014 the Group agreed a new unsecured £70m revolving credit facility plus a £30m accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The new banking facility has been secured to July 2019, and at current levels of net debt and leverage is expected to reduce interest costs by approximately £0.2m per annum. As a consequence, non-cash financing costs of £0.4m relating to the old facility were expensed to the income statement as exceptional finance costs. A cash outflow of £0.7m was incurred in the period in relation to the costs of the new facility.



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 opposite sets out the relevant exchange rates used.

The movement in average exchange rates compared to 2014 had the effect of reducing 2014 reported Group revenue and Group underlying operating profit by £7.3m and £0.3m respectively.

Key performance indicators

Management uses a full suite of measures to manage and monitor the performance of its individual businesses. The Board considers that its key performance indicators are the measures most relevant in monitoring its progress to creating shareholder value. The relevant statistics for 2015 and 2014 are shown opposite.

Group Finance Director
18 June 2015

	Average rate vs £	
	2015	2014
South African Rand	17.82	15.97
Australian Dollar	1.81	1.72
Euro	1.28	1.19
US Dollar	1.62	1.59

	Closing rate vs £	
	2015	2014
South African Rand	17.88	17.63
Australian Dollar	—	1.80
Euro	1.37	1.21
US Dollar	1.49	1.66

	2015 £m	2014 £m	Change %
Revenue	222.1	218.7	+1.5%
Underlying operating profit*	17.0	16.1	+5.8%
Underlying profit before tax	15.8	14.6	+8.1%
Underlying diluted earnings per share – pence	2.1p	2.8p	-25.0%
Underlying return on capital employed**	16.3%	15.0%	+1.3%
Underlying operating cash flow***	22.9	20.3	+12.8%
Net debt	(14.2)	(26.9)	-47.2%

* Underlying operating profit is defined as operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items.

** 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 in note 8 to the financial statements.

*** Underlying operating cash flow is defined in note 8 to the financial statements.

Principal risks and uncertainties

Norcros has a system of risk management which seeks to mitigate risks as far as possible.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance. The key risks to which the Group is exposed, together with the potential effects and mitigating actions taken pertaining to them, are noted below.





RISK AND DESCRIPTION	POTENTIAL EFFECTS	MITIGATING ACTIONS	CHANGE
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.	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.	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.	None
Accounting for customer rebates and other trade promotional spend The Group operates rebate and incentive agreements for a number of selected customers.	Incorrectly accounting for rebate and incentive arrangements could result in the Group's turnover and operating profits being materially misstated.	The Group's businesses prepared detailed management information and forecasts on a monthly basis, including revenue and margins by customer and analyses of rebate provisions. These are monitored by divisional and Group management with any variances investigated. All significant rebate and incentive agreements are approved by Group management prior to agreements with customers being entered into.	New in year
Competition The Group operates within a highly competitive environment in all its markets.	The Group accepts there is a risk to its results and financial condition caused by the actions of its competitors, including competitors' marketing strategies and product development.	To help identify such risks the competitive environment, specific marketplace and the actions of particular competitors are discussed at both Group and operating divisional board meetings. In addition each market is carefully monitored to identify any significant shift in policy by any competitor.	None
Reliance on production facilities The Group has a small number of automated manufacturing facilities for the manufacture of tiles and adhesives.	If any of these facilities (including technology used to operate them) were to fail, the effect on the Group could be significant.	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.	None

Principal risks and uncertainties continued

RISK AND DESCRIPTION	POTENTIAL EFFECTS	MITIGATING ACTIONS	CHANGE
Staff retention and recruitment The Group employs around 1,750 people worldwide.	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.	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 incentivised via an Approved Performance Share Plan (APSP) which was approved at the 2011 AGM. A grant of options under the APSP has taken place annually since 2011. Succession planning is an agenda item at Group Board level. The Group is able to offer employees appropriate training and opportunities for advancement and has a demonstrable track record of internal promotion.	None
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 and Euro). The continued economic uncertainty in Europe has raised the possibility of a breakup of the Euro.	The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates.	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.	Increased
Interest rate risk The Group pays interest and other facility fees based on local base rates and LIBOR rates.	A significant increase in interest rates would affect the Group's profitability and cash flow.	Given the current low interest rates negotiated as part of the refinancing of bank debts in 2014, 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.	None
Pension scheme management The UK companies in the Group participate in a defined benefit pension scheme. Corporate bond and gilt yields have reduced significantly over the past year.	The Group's financial results show an aggregate deficit in this scheme, as at 31 March 2015 of £44.3m (2014: £21.8m) assessed in accordance with IAS 19 (revised). There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations.	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 19R valuation and each triennial valuation) to re-assess its position with regard to its pension commitments in conjunction with external actuarial advice. A number of liability management exercises were undertaken in the year resulting in a net £1.7m reduction in the deficit.	Increased
Energy price risk Energy costs are a significant proportion of the Group's manufacturing costs, especially in its tile manufacturing businesses.	Sustained increases in energy costs could significantly affect the Group's profitability.	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.	None

RISK AND DESCRIPTION	POTENTIAL EFFECTS	MITIGATING ACTIONS	CHANGE
Additional capital requirements to fund ongoing operations	The Group must ensure it has adequate funding to meet capital demands within its current available facilities.	The Group's current and forecast performance against its banking facilities is 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 2014 on improved terms and agreed an accordion option of £30m in addition to the committed facility of £70m. This facility remains in place until July 2019.	Reduced
Performance against banking covenants The Group is subject to key banking covenants including interest cover and debt cover.	Failure to meet these covenants could result in the Group being in default of its banking facilities.	Performance against banking covenants is regularly and closely monitored and is a key element of the forecasting and budgeting process.	None
Many of the products the Group sells are subject to changing consumer preferences	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.	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.	None
South African operations Approximately one third of the Group's activities are conducted in South Africa.	The Group may be exposed to risks outside of its control including political, social and economic instability, industrial action, reliability of energy supply, 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.	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. In response to the recent electricity load-shedding programme in South Africa, the Group has invested in a standby diesel generator which will be installed in quarter two of this year.	None
Acquisition risk Part of the Group's strategy is to grow through selective acquisitions.	Performance of acquired businesses may not reach expectations impacting Group profitability and cash flows.	The Group employs senior managers who have considerable experience of identifying and appraising suitable opportunities. The recent acquisition of Vado provides demonstrable evidence of the Group's ability to integrate a new business and provides a template for future acquisitions.	None

Corporate responsibility and sustainability

The Board takes regular account of the significance of environmental, ethical and social factors affecting the Group and recognises that management of these matters is key to ensuring the long-term sustainability of 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, the Group is particularly proud of the fact that Triton Showers has recently achieved "Zero to Landfill" status.

The Group aims to minimise its carbon footprint. Its greenhouse gas emissions are reported on in detail on page 58. In addition, we are cognisant of our obligations in the UK as regards the Energy Savings Opportunity Scheme initiative, and we will be compliant with this in the current financial year.

For further information on Norcros' commitment to the environment and sustainability please visit the "Corporate Responsibility" section of www.norcros.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 countries 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.

In order to ensure an open culture of legal and ethical compliance, all of the businesses in the Group have in place "whistleblowing" procedures, so that any concerns can be raised.

Social

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

Many examples of this commitment can be seen in Norcros South Africa, where in the 2015 financial year the business continued its commitment to both initiate and support programmes which empower people by equipping them with vital skills. Starting with in-house training Norcros looked at empowering staff at all levels from basic literacy and numeracy to nationally accredited vocational skills to management and life skills. Moving out towards the community, the Norcros Tiling Academy took in unemployed people and taught them how to tile as well as the skills needed to set up a small business.

In addition, Norcros South Africa donated both money and product to a wide variety of charities focussing on empowerment,

particularly in the fields of education and healthcare. One such charity is the South African Medical and Education Forum, which presented Norcros South Africa with a recognition award at their 2015 Gala Awards Evening.

Another exciting initiative supported by Norcros South Africa was the Nedbank Sani2C mountain biking event. As a sponsor of this three day race through impoverished rural areas, Tile Africa donated tiles for the ablutions of the rest camps, and arranged training for local people to learn to tile during the installation of the tiles. These facilities will be available for use by the local communities between the annual race events.

In the UK, of particular note this year has been Triton Showers' new partnership with the "Dare2Dream" charity, which extends the business's existing outreach into the community through its longstanding support of Warwickshire Young Carers.

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 businesses in



the Group are strongly encouraged to devise and adopt whatever means of employee consultation best suits their circumstances.

Norcros also recognises the need to train its 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 Vado's Advanced Level Management Training Programme provides practical and business-focussed management training for a cross-section of the staff, to ensure the sustainable growth of the business.

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.

Gender of directors and employees

The number of people employed by the Group of each gender can be shown as follows:

	Male	Female	Total
Company Directors	4	1	5
Other senior managers ¹	39	10	49
Total employees	1,210	518	1,728

1. As defined by the Companies Act this category includes all employees responsible for planning, directing or controlling the activities of the Group, excluding Company Directors.

Our people are key to our success as a business and we value the individuality and diversity that each employee brings.

At senior leadership levels 20% of employees are female.

Prior to any senior appointment the Nominations Committee ensures the best person for the role is appointed and in doing so gives due consideration to gender and diversity.

Human rights

The Directors do not consider human rights to be a material risk for the Group, principally due to the existing regulatory frameworks in place in the UK and South Africa, being the primary geographical locations in which we operate.

Whilst the Group does not have any policies which specifically address human rights at the present time, our values focus on respect, integrity and fairness, and consequently we welcome the debate on the role of business in promoting human rights.

Board of Directors

A strong leadership team committed to driving growth.

INTRODUCTION TO GOVERNANCE

Dear shareholder,

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 2012 ("the Code") in all respects. The following sections of this statement describe the Board's approach to corporate governance and how the principles of the Code are applied.



M. G. Towers
Chairman
18 June 2015



1. Martin Towers Chairman

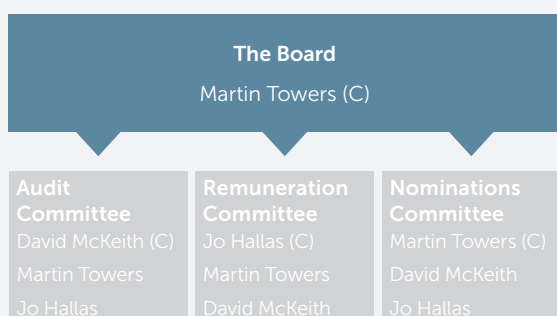
Joined the Board in July 2011 and was appointed Chairman in November 2012. He is also a Non-executive director of RPC Group plc, Tyman plc and KCOM Group plc (although he will retire from this role at KCOM on 31 July 2015). He was formerly chief executive officer of Spice plc and prior to that group 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.



2. 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.

Governance structure





3. 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.

4. David McKeith Non-executive Director

Appointed to the Board in July 2013, David is Senior Independent Director and Chairman of the Audit Committee. David was a senior partner of the Manchester and Liverpool offices of PricewaterhouseCoopers LLP and served on its UK supervisory board. David is a non-executive director and audit committee chairman of Sportech plc, and is the chairman of the Halle Orchestra and of Greater Manchester Chamber of Commerce. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

5. Jo Hallas Non-executive Director

Appointed to the Board in September 2012, Jo also serves as Chairman of the Remuneration Committee. She is a Business Group Director for Spectris plc with responsibility for the In-Line Instrumentation and Industrial Controls segments. Prior to that Jo was general manager of the Invensys Residential Controls business and she has held a number of senior management positions with Bosch and Procter & Gamble both in the UK and overseas. Jo is a Chartered Engineer.

6. 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 was company secretary and head of legal with Tribal Group plc, Blick plc and Aggregate Industries plc.

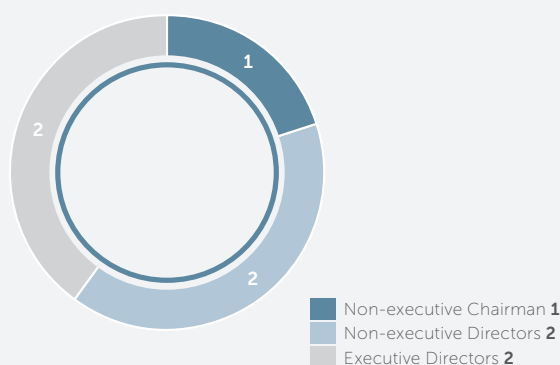
Re-election of all Directors

It is proposed that each Director will seek re-election at the 2015 AGM. The Board is satisfied that the Directors, individually and collectively, contain the balance of technical expertise, skills and experience to manage the Company's affairs and to further the Group's strategic objectives. In particular, each Director has experience of growing an international business, organically, as well as by acquisition.

32 Corporate governance



Breakdown of Executive and Non-executive Directors



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 2012 (the "Code") in all respects. 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, two Non-executive Directors and two 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 30 and 31.

Taking into account the provisions of the Code, the Chairman and the two Non-executive Directors are considered by the Board to be independent of the Company's Executive Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The terms and conditions of appointment of the 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.

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

All Directors are supplied, in a timely manner, with all relevant documentation and financial information to assist them in the discharge of their duties 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 Company 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.

Board, Committee and Director evaluation

The performance of the Board is appraised by the Chairman. The Executive and Non-executive Directors are evaluated individually by the Chairman. The Board, led by the Senior Independent Non-executive Director, appraises the Chairman, and the Board evaluates the performance of its three Committees. Evaluation processes are conducted periodically and they are organised to fit in with Board priorities and succession planning activity. A formal evaluation took place in the year under review in accordance with the requirements of the Code. 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 Company 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 Company Secretary who is responsible to the Board for ensuring that Board policies and procedures are complied with. Both the appointment and removal of the Company 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, namely the Nominations Committee, Audit Committee and Remuneration Committee. The terms of reference of those Committees are published on the Company's website at www.norcros.com. The report of the Nominations Committee is on page 40, the report of the Audit Committee is on page 36 and the report of the Remuneration Committee is on page 41.

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 confirm that they have sufficient time to meet the requirements of their role. They also confirm to disclose to the Company their other commitments and to give an indication of the time involved in each such commitment. The annual evaluation process includes an assessment of 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.

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 30 and 31 where there is also a statement on the Directors' suitability for re-election.

Corporate governance continued

Financial reporting

When releasing the annual and interim financial statements the Directors aim to present a fair, 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 60.

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

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

	Main Board 9 meetings	Audit Committee 3 meetings	Remuneration Committee 6 meetings	Nominations Committee 2 meetings
M. G. Towers, Chairman	9/9	3/3	6/6	2/2
J. C. Hallas	9/9	3/3	6/6	2/2
D. W. McKeith	9/9	3/3	6/6	2/2
N. P. Kelsall	9/9	—	—	—
M. K. Payne	9/9	—	—	—

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, develops 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.

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 auditor in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 60 and the auditor's report on page 65. The Directors ensure the independence of the auditor 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 24 to 27.

Risk management and internal control continued

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 and the 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 59.

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 18 June 2015 and signed on its behalf by:



M. G. Towers
Chairman

36 Audit Committee report



ROLE OF THE AUDIT COMMITTEE

The main responsibilities of the Audit Committee are:

- reviewing the Company's financial reporting;
- monitoring the Company's risk management and internal control procedures; and
- overseeing the appointment and work of the external auditor.

Members

The Committee consists of all the Non-executive Directors including the Chairman. Biographies of the members of the Committee appear on page 30 and 31.

The Chairman of the Audit Committee, David McKeith, is considered to have recent and relevant financial experience as he is a fellow of the Institute of Chartered Accountants in England and Wales and a former senior partner of PricewaterhouseCoopers LLP. He also acts as Chairman of the Audit Committee for Sportech plc where he is a non-executive director.

The Board is satisfied that the Committee has the appropriate level of expertise to fulfil its Terms of Reference. Additionally, an appraisal of the Committee was undertaken as part of an evaluation of the entire Board in the year to 31 March 2015 which concluded that the Committee is operating effectively.

Responsibilities

The Committee is a sub-committee of the Board whose main responsibilities include:

- reviewing the Company's Annual and Interim Reports and other results announcements, including considering and challenging significant financial reporting issues and judgments;
- monitoring the Company's risk management and internal control procedures; and
- overseeing the appointment and work of the external auditor.

The Committee also advises the Board on whether it considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's strategy, business model and performance.

Terms of Reference

The Committee's Terms of Reference, which are in compliance with the UK Corporate Governance Code, were reviewed on 5 March 2015 and deemed fit for purpose. A copy can be obtained from the Company's website, www.norcros.com.

Meetings of the Committee

The Committee met formally three times during the year ended 31 March 2015. The Group Chief Executive, Group Finance Director, Company Secretary and Group Financial Controller also attended each of these meetings together with the engagement partner and other members of the audit team from the external auditor.

Meetings of the Committee continued

The Committee may invite other individuals either from within the Company or external technical advisers to attend meetings to provide information or advice as it sees fit.

At each meeting the Committee had the opportunity to discuss matters with the external auditor without management being present. The Chairman of the Committee also has regular discussions with the external audit partner outside the formal Committee process.

The Committee receives regular papers on incidences of fraud and whistleblowing and reviews any financial communications issued to the market at each meeting.

Financial reporting

The principal role of the Committee in connection with financial reporting is to advise the Board on whether it considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's strategy, business model and performance. In order to make this assessment the Committee considers:

- the suitability of accounting policies and practices;
- the clarity of disclosures and compliance with financial reporting and governance requirements; and
- material areas of judgment, particularly where the matter has been considered an area of focus by the external auditor.

Significant financial reporting matters in the 2015 Annual Report

Following discussions with management and the external auditor, the Committee determined that there were three significant financial reporting matters impacting the 2015 Annual Report. These risks, together with the actions taken by the Committee in respect of each, are described below.

Accounting for customer rebates and other trade promotional spend

As part of its trading activities and in accordance with industry norms, a number of the Group's customers are offered rebates and promotional incentives in order to encourage trade and cement strong relationships. Rebates and promotional spend are recognised as a deduction from revenue over the period of the agreement with the customer. Accounting for such arrangements involves judgment as agreement periods typically run for a number of months or years, and may involve assumptions around volumes of product purchased or sold into the future.

The Committee considered the approach taken by management and the detailed testing undertaken by the external auditor and concluded that the commercial substance of the arrangements was appropriately reflected in the financial statements in accordance with accounting standards.

Defined benefit pension plan liabilities

The Group's UK defined benefit pension scheme is significant both in terms of its context in the overall balance sheet and the results of the Group, particularly given that the net deficit has increased from £21.8m in 2014 to £44.3m in 2015. The valuation of the present value of scheme liabilities involves significant judgment and expertise particularly in respect of the assumptions used.

In order to value the liabilities, management had engaged an independent firm of qualified actuaries. The Committee reviewed the outputs from this work and benchmarked the assumptions, particularly the net discount rate, with those applied by other companies with defined benefit pension schemes with similar characteristics and having the same measurement date. The Committee concurred with the assumptions put forward by management to value the liability.

Carrying value of property, plant and equipment in South Africa

The Group holds property, plant and equipment relating to the manufacturing facilities of Johnson Tiles South Africa with a carrying value of £5.8m at 31 March 2015. Historically, this division has been loss making, and whilst improvements have been made in recent years culminating in the division achieving break even in the year to 31 March 2015, there remained the possibility that these improvements would not be sustained. Against this backdrop, judgment had to be applied to determine whether there had been a trigger for an impairment review of these assets.

The Committee reviewed management's paper which considered whether a trigger for an impairment review was in evidence. Having reflected on the paper and consulted with the external auditor, the Committee was satisfied that no impairment trigger was present and consequently an impairment review was not required.

Other areas of judgment considered by the Committee

Presentation of acquisition related costs

The Committee were asked to consider management's proposal regarding the classification of acquisition related costs and their presentation as a separate line item in the income statement in accordance with emerging market practice. After consulting with the external auditor, the Committee agreed to the change in accounting policy and presentation, noting that the comparative financial information, where required, should be restated to reflect this revision.

Audit Committee report continued

Principal activities during the year

A wide variety of issues were addressed in the year and they are summarised in the table below:

Date	Activities
April 2014	Review of the Company's year end trading statement
June 2014*	Review of the Company's Annual Report and Accounts for the year ended 31 March 2014, together with a report from the external auditor covering the findings of their work Review of the Company's preliminary announcement for the year ended 31 March 2014 Review of the Company's risk register Review of the analyst presentation communicating the results for the year ended 31 March 2014
July 2014	Review of the Company's interim trading statement and announcement of refinancing
October 2014	Review of the Company's interim trading statement
November 2014*	Review of the Company's announcement in connection with legacy property leases Review of the Company's Interim Report for the six months ended 30 September 2014, together with a report from the external auditor covering the findings of their work Review of the analyst presentation communicating the results for the half year ended 30 September 2014 Determination and assessment with the external auditor of the principal financial reporting risks facing the Company Review of the external auditor's proposed audit work plan for the year ended 31 March 2015 Review of the external auditor's terms of engagement and proposed fees Assessment of the external auditor's independence, objectivity, qualifications and expertise, including a review of their internal quality control checks
December 2014	Review of the Company's announcement in connection with the sale of surplus property
March 2015*	Conduct of an initial review of IT security risks facing the Company and current measures in place to manage and mitigate such risks Consideration of revisions to the external auditor's proposed audit work plan for the year ended 31 March 2015 Assessment of the work carried out to test and review internal controls Evaluation of the Company's compliance, whistleblowing and fraud prevention procedures Consideration of whether an internal audit function is required Review of the Group's policy in respect of the employment of former employees of the external auditor Review of the Group's policy in respect of the engagement of the external auditor for non-audit services and non-audit services provided by the external auditor during the year Conduct of an appraisal of the performance of the Committee and a review of the Terms of Reference Consideration of management's proposal to revise the presentation of acquisition related costs Consideration of management's proposal to adopt FRS 101 for UK subsidiaries with effect from 1 April 2015 Consideration of the Company's response to the proposed changes to audit rotation rules

* Formal meeting of the Committee.

Internal controls and internal audit

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

The significant risks facing the Company, together with the actions taken to mitigate them, are highlighted on pages 24 to 27 of the Strategic Report. Lower-level risks are discussed at monthly divisional management meetings and highlighted to the Board as appropriate.

The Company operates a robust monthly financial reporting and forecasting process and an annual budgeting cycle. This incorporates several levels of management review to provide assurance that the data is reconciled to the underlying records, and each month's performance and the annual budget is ultimately approved by the Board.

Transaction-level financial reporting risks are identified and managed by each business within the Group completing an annual self-assessment questionnaire, the responses to which are considered during the internal controls reviews. To bolster this, a management representation process is in place requiring each division to confirm that all known material facts have been appropriately communicated to the Executive Directors.

Although there is no dedicated Group-wide internal audit resource, internal control work is performed by members of the Group Finance function who are appropriately qualified to undertake this type of work. Additionally, due to the particular risks faced by the Group's retail and satellite manufacturing operations in South Africa, the Group employs a dedicated internal auditor focused on those risks. The work undertaken principally involves performing a cycle of Tile Africa store audits to ensure standard operating procedures are being followed and conducting internal controls reviews of other satellite facilities in southern Africa operated by the Group.

At its meeting in March the Committee considered whether there was a need to have a dedicated Group-wide internal audit function and concluded that due to the size and nature of the Company there is no requirement at the present time.

The strategy for reviewing internal controls is discussed with the external auditor and agreed with the Committee. Findings from the internal control reviews together with any recommendations from the external auditor are considered by the Committee with improvements and weaknesses highlighted being followed up as appropriate. During the year there has been a focus on controls concerning accounts receivable, inventory management and valuation and the timeliness of recording transactions.

External auditor

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 effectiveness, as well as the independence and objectivity of the auditor.

The external auditor, PricewaterhouseCoopers LLP, was re-appointed in November 2011 following a competitive tender process. The Committee is mindful of the consultation documents issued by the Department for Business, Innovation and Skills (BIS) and the Financial Reporting Council (FRC) on how to adopt the EU Regulations on mandatory firm rotation in the UK. The timing of a competitive tender will continue to be assessed on an annual basis, considering both the results of the annual effectiveness review and changes to UK legislation. The Committee has, however, committed to conducting a tender process for the role of external auditor at least every ten years.

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 partner from PricewaterhouseCoopers LLP. As required by Auditing Practices Board requirements, external auditor independence is maintained by the rotation of the engagement partner every five years. The current engagement partner, Mr. M. Heath, has been in place for four years. In addition to this, policies on the award of non-audit work to the external auditor and the employment of ex-employees of the external auditor are in place which are reviewed annually.

The external audit starts with the design of a work plan that tackles the key risks of the audit which were determined at the November 2014 meeting of the Committee and revised in March 2015. At each meeting the Committee had the opportunity to discuss matters with the external auditor without management being present. The Chairman of the Committee also has regular discussions with the external audit partner outside the formal Committee process.

For the year ended 31 March 2015, the Committee was satisfied with the independence, objectivity and effectiveness of the relationship with PricewaterhouseCoopers LLP as external auditor. In the light of this the Committee has recommended to the Board that PricewaterhouseCoopers LLP be re-appointed for the forthcoming year and a resolution proposing this will be put to the 2015 Annual General Meeting.



D. W. McKeith
Chairman of the Audit Committee
18 June 2015

Nominations Committee report



ROLE OF THE NOMINATIONS COMMITTEE

The main responsibilities of the Nominations Committee are:

- evaluating the balance of skills, knowledge, diversity and experience of the Board;
- succession planning for the Board; and
- determining 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 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. The search for Board candidates will continue to be conducted and appointments made on the basis of merit and the most appropriate experience against objective criteria in the best interests of shareholders. In selecting candidates due regard will be given to the balance of the Board, and to the benefits of different backgrounds and experience, and to diversity on the Board including gender.

If a new Director is selected, the Nominations Committee will use the appropriate selection process.

In the year under review the Committee reviewed the Company's succession plan for the Board and senior executives. It is satisfied that succession issues are being adequately managed, and it will keep this under review in the light of the Group's strategic evolution.

A handwritten signature in dark ink that reads "Martin Towers".

M. G. Towers

Chairman of the Nominations Committee
18 June 2015

Remuneration Committee annual statement



ROLE OF THE REMUNERATION COMMITTEE

The main responsibilities of the Remuneration Committee are:

- determine and agree with shareholders the remuneration policy and keep it under review;
- implement the approved remuneration policy as regards Executive Director remuneration, benefits and incentives, including the design of, and targets for, all incentive arrangements; and
- as necessary determine the remuneration packages for new senior executives and the terms of any cessation of office.

Dear shareholders,

I am pleased to present the Directors' Remuneration Report for the year to 31 March 2015.

The Group's remuneration policy was presented to the AGM in 2014 and was approved with 99.9% of votes cast in support of the policy. No changes to the policy are proposed for 2015. However, for your convenience, the policy is included in full on pages 43 to 48.

Remuneration strategy

The Committee's overall approach to executive remuneration remains unchanged. We are focused on ensuring the Group's remuneration policy is closely aligned with shareholders' interests whilst also enabling us to attract, retain and motivate our executive leadership, but without paying more than is necessary for this purpose. We do this with a simple remuneration structure comprising base salary and benefits, an annual bonus and a single performance-based long-term incentive. Targets for the annual bonus and long-term incentive are set at levels that are stretching and provide a clear link between pay and our strategic objectives.

This produces a package with an anticipated on-target reward mix for the Group Chief Executive and Group Finance Director comprising 61% Fixed Pay (51% base salary, 8% pension and 2% benefits), 26% annual bonus and 13% long-term incentive. Under a scenario where all performance conditions are met in full, the balance of the Executive Directors' package is 38% Fixed Pay, 31% annual bonus and 31% long-term incentive.

To further ensure remuneration is aligned with shareholder interests, half of any bonus paid is deferred for three years, shares vesting from APSP awards made in 2015 onwards need to be held for a further two years (i.e. until the fifth anniversary of grant), and the Executive Directors are additionally required to build and maintain a shareholding of at least 100% of salary. Finally, in the event of material mis-statement in accounting records or gross misconduct, deferred bonus and APSP awards may be subject to malus or clawback.

Year in review

As highlighted in the Chairman's statement and Group Chief Executive's statement on pages 2 and 4, Norcross continues to perform strongly with a sixth consecutive year of growth in both revenue and underlying operating profit. Highlights for the year to 31 March 2015 include:

- Revenue growth of 1.5% (5.0% on a constant currency basis) to £222.1m
- Underlying operating profit up 5.8% to £17.0m
- Continued progress with the South African business (underlying profit up 68.7%)
- Disposal of the Australian business in line with Group strategy
- Legacy property issues largely resolved
- Underlying ROCE at 16.3%, ahead of the Group strategic target of 12–15%

This strong performance delivered underlying profit above the target set by the Committee for the year, resulting in an annual bonus of c.69% of base salary being awarded to Executive Directors for the year ended 31 March 2015. This will be delivered half in cash and half in the form of nil cost options under the 2011 Deferred Bonus Plan.

Remuneration Committee annual statement continued

Year in review continued

The Group has also exceeded its targets for aggregate underlying earnings per share (EPS) over the period from 1 April 2012 to 31 March 2015. As a result, c.99% of the APSP awards granted in 2011 will vest on 28 July 2015. The Committee considers this outcome to appropriately reflect the Group's very strong performance over the period.

2015 Remuneration

In accordance with our Remuneration Policy, the Executive Director base salaries were increased by 2.0% in line with the wider UK-based workforce. There are no other changes to Executive Director remuneration for the year to 31 March 2016.

The Committee believes that our remuneration strategy and its implementation remain appropriate. I hope you will support this view with your advisory vote on the Annual Report on Remuneration at the 2015 AGM.

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



J. C. Hallas

Chairman of the Remuneration Committee
18 June 2015

**"THE COMMITTEE IS FOCUSED ON
ENSURING THE GROUP'S REMUNERATION
POLICY IS CLOSELY ALIGNED WITH
SHAREHOLDERS' INTERESTS WHILE ALSO
ENABLING US TO ATTRACT, RETAIN AND
MOTIVATE OUR EXECUTIVE LEADERSHIP."**

REMUNERATION DISCLOSURE

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules. In this Report we describe how the principles of good governance relating to Directors' remuneration, as set out in the UK Corporate Governance Code (the Code), are applied in practice. The Remuneration Committee confirms that throughout the financial year the Group has complied with these governance rules and best practice provisions.

Directors' remuneration policy report

Directors' Remuneration Policy

This section of the report sets out the Remuneration Policy for Executive Directors and Non-executive Directors, which came into effect on 23 July 2014, immediately after it was approved by a binding vote at the 2014 AGM. It remains unchanged for 2015, other than the following minor updates:

- Pay scenario charts have been updated to reflect the 2016 financial year packages for Executive Directors
- Page references have been updated.

Executive Director remuneration policy table

This Policy has been designed to support the principal objective of enabling the Group to attract, motivate and retain the people it needs to maximise the value of the business.

COMPONENT AND OBJECTIVE	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES
Base salary To enable the Group to attract, motivate and retain the people it needs to maximise the value of the business	<p>Generally reviewed each year, with increases effective 1 April with reference to salary levels at other FTSE companies of broadly similar size or sector to Norcross.</p> <p>The Committee also considers the salary increases applying across the rest of the UK business when determining increases for Executive Directors.</p> <p>Base salary increases are applied in line with the outcome of the annual review.</p>	<p>Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p> <p>Salary increases for Executive Directors will normally not exceed those of the wider workforce over the period this policy will apply. Where increases are awarded in excess of the wider employee population, for example if there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.</p>	n/a
Pension To provide a level of retirement benefit that is competitive in the relevant market	<p>Executive Directors receive pension contributions (either as a direct payment or a cash allowance).</p> <p>Base salary is the only element of remuneration that is pensionable.</p>	Maximum of 15% of base salary.	n/a
Benefits Provision of benefits in line with the market	<p>Executive Directors are provided with a company car (or a cash allowance in lieu thereof) and medical insurance. Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the needs and circumstances of the Group and individual Executive Director.</p>	<p>Benefits may vary by role, and the level is determined each year to be appropriate for the role and circumstances of each individual Executive Director.</p> <p>It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy will apply.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment, etc.) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs).</p>	n/a
Annual bonus and Deferred Bonus Plan (DBP) To focus Executive Directors on achieving demanding annual targets relating to Group performance and encourage retention	<p>Performance targets are set at the start of the year and aligned with the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved.</p> <p>50% of the total bonus payment is paid in cash, and 50% is converted into nil-cost options over Norcross shares under the 2011 Deferred Bonus Plan (DBP). These options are exercisable after three years, subject to continued employment and malus (in whole or in part) during the deferral period in the event of a material mis-statement in accounting records or gross misconduct.</p> <p>A payment equivalent to the dividends that would have accrued on deferred bonus awards that vest will be made to participants on vesting.</p>	<p>Maximum opportunity:</p> <p>100% of base salary</p> <p>Target opportunity:</p> <p>50% of base salary</p> <p>For threshold performance, the bonus payout is 25% of maximum.</p>	<p>The bonus will be based primarily on the achievement of financial performance targets and may, from time to time as considered appropriate by the Committee, include non-financial performance measures (the weighting of which, if any, will be capped at 20% of the total opportunity).</p> <p>The primary measure is Group underlying operating profit, although the Committee may, in its discretion and from time to time, supplement operating profit with additional financial measures that reflect the strategic priorities for Norcross for the financial year.</p> <p>The Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) within the limits of the scheme to ensure alignment of pay with performance.</p> <p>Further details including targets attached to the bonus for the year under review are given on page 51 of the Annual Report on Remuneration.</p>

Directors' remuneration policy report continued

Executive Director remuneration policy table continued

COMPONENT AND OBJECTIVE	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES
Approved Performance Share Plan (APSP) To incentivise Executive Directors to deliver long-term performance by aligning their performance with shareholders' interests	<p>APSP awards comprise annual conditional awards of nil-cost options following the announcement of the Group's final results.</p> <p>Awards normally vest after three years, subject to the achievement of a performance condition and continued employment with the Group until the vesting date.</p> <p>To the extent an award vests, Executive Directors will be required to hold net vested shares for an additional holding period of one year (for 2014 APSP awards) and two years for future awards.</p> <p>A payment equivalent to the dividends that would have accrued on APSP awards that vest will be made to participants on vesting.</p> <p>APSP awards are also subject to malus over the vesting period and clawback over the holding period (in both cases in whole or in part) in the event of a material mis-statement in accounting records or gross misconduct.</p>	<p>Maximum opportunity: 100% of base salary.</p> <p>In exceptional circumstances, such as to facilitate the recruitment of an external hire, the Committee may, in its absolute discretion, exceed this maximum annual opportunity, up to 150% of salary.</p> <p>Threshold performance results in 25% vesting.</p> <p>Details of actual APSP awards in respect of each year will be disclosed in the Annual Report on Remuneration.</p>	<p>Vesting of APSP awards is dependent upon the Group's earnings per share (EPS) performance over a three-year period.</p> <p>At the start of each cycle, the Committee will determine the targets that will apply to an award.</p> <p>If the performance targets are not met at end of the performance period, awards will lapse.</p> <p>The Committee has discretion to adjust the formulaic APSP outcomes within the limits of the scheme if certain relevant events take place (e.g. a capital restructuring, a material acquisition/ divestment etc.) with any such adjustment to result in the revised targets being no more or less challenging to achieve.</p> <p>The Committee will consult major shareholders on changes to the APSP, although retains discretion to make non-significant changes to the performance measure without reverting to a full shareholder vote.</p> <p>Further details, including the targets attached to the APSP in respect of each year, are disclosed in the Annual Report on Remuneration.</p>
SAYE To encourage the ownership of Norcross plc shares	<p>An HMRC approved scheme where employees (including Executive Directors) may save up to the individual monthly limit set by HMRC from time to time over three years. Options granted at a discount of up to 20%.</p>	<p>Savings capped at the individual monthly limit set by HMRC from time to time.</p>	n/a
Shareholding requirements To align Executive Director and shareholder interests and reinforce long-term decision-making	<p>Executive Directors are required to retain at least 50% of any DBP or APSP awards that vest (net of tax) until they have built up a personal holding of Norcross plc shares worth 100% of salary.</p> <p>Only shares that are held beneficially count in the assessment of whether an Executive Director has met the required ownership level.</p>	n/a	n/a

Notes to the policy table

Payments from previous awards

The Group will honour any commitment entered into, and Executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the remuneration policy detailed in this report, i.e. before 23 July 2014. Details of these awards are, and will be, disclosed in the Annual Report on Remuneration.

Performance measure selection and approach to target setting

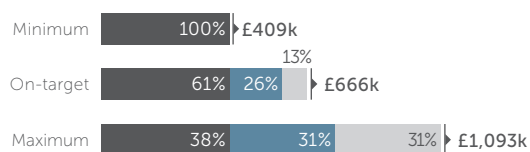
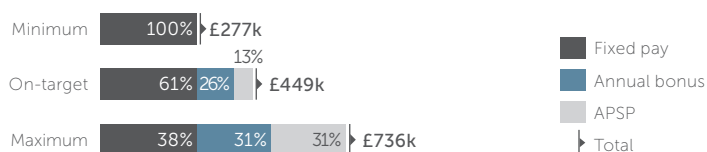
The use of Group underlying operating profit in the annual bonus directly reinforces our medium-term growth-oriented strategy (see page 7 of the Annual Report for further details). For the APSP, the Committee considers that EPS is a transparent, objective and effective measure of performance which is in the long-term interests of all of our shareholders.

Targets applying to the bonus and APSP are reviewed annually, based on a number of internal and external reference points. Bonus targets are aligned with the annual budget agreed by the Board. Annual bonus targets are considered to be commercially sensitive but will be disclosed retrospectively in next year's Annual Report on Remuneration (see page 51 of the Annual Report on Remuneration). APSP targets reflect industry context, expectations of what will constitute appropriately challenging performance levels, and factors specific to the Group. The Committee will determine the APSP targets at the time awards are made and these targets (along with other relevant details of the grant) will be disclosed in next year's Annual Report on Remuneration (see page 52 of the Annual Report on Remuneration).

Notes to the policy table continued**Differences from remuneration policy for other employees**

The remuneration policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies.

Executives and senior managers are eligible to participate in annual bonus schemes. Opportunities and performance measures vary by organisational level, geographical region and an individual's role. Other members of the Group senior leadership team participate in the APSP on similar terms as the Executive Directors, although award sizes may vary by organisational level. All UK employees are eligible to participate in the Group's SAYE scheme on identical terms.

GROUP CHIEF EXECUTIVE**GROUP FINANCE DIRECTOR**

■ Fixed pay
■ Annual bonus
■ APSP
└ Total

Performance scenario charts

The graphs above provide estimates of the potential future reward opportunity for Executive Directors, and the potential mix between the different elements of remuneration under three different performance scenarios: "Minimum", "On-target" and "Maximum". This information is for the current financial year, as explained below.

Potential opportunities illustrated above are based on the policy applied to the base salary at 1 April 2015. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 March 2016. It should be noted that any bonus deferred into the DBP and APSP awards do not normally vest until the third anniversary of the date of grant. This illustration is intended to illustrate the relationship between executive pay and performance. The values of the DBP and APSP assume no increase in the underlying value of the shares, and actual pay delivered will further be influenced by changes in factors such as the Group's share price and the value of dividends paid.

Valuation assumptions

The "Minimum" scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance.

The "On-target" scenario reflects fixed remuneration as above, plus target bonus payout (50% of salary) and APSP threshold vesting at 25% of the maximum award level.

The "Maximum" scenario reflects fixed remuneration, plus full payout under all incentives (100% of salary under each of the annual bonus and APSP).

Approach to Executive Director recruitment remuneration**External appointment**

In cases of hiring or appointing a new Executive Director from outside the Group, the Remuneration Committee may make use of all existing components of remuneration, as follows:

COMPONENT	POLICY
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of the incumbent in the role. Where a new appointee has an initial base salary set below market, the Committee may make phased increases over a period of three years, subject to the individual's development and performance in the role.
Benefits	As set out in the Policy table, benefits may include (but are not limited to) the provision of a company car or car allowance, medical insurance, and any necessary expatriation allowances or expenses relating to an executive's relocation.
Pension	New appointees will receive pension contributions into a defined contribution pension arrangement or an equivalent cash supplement, or a combination of both. The maximum employer contribution will be 15% of salary on the same terms as other Executive Directors.
SAYE	New appointees will be eligible to participate on identical terms to all other employees.

Directors' remuneration policy report continued

Approach to Executive Director recruitment remuneration continued

External appointment continued

COMPONENT	POLICY
Annual bonus	The bonus structure described in the policy table will apply to new appointees. The maximum opportunity will be 100% of salary, pro-rated in the year of joining to reflect the proportion of that year employed. Performance measures may include strategic and operational objectives tailored to the individual in the financial year of joining. 50% of any bonus earned will be deferred into the DBP on the same terms as other Executive Directors.
APSP	New appointees will be granted annual awards under the APSP on the same terms as other Executive Directors, as described in the policy table.

In determining the appropriate remuneration structure and level for the appointee, the Remuneration Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of our shareholders. It is not the intention of the Committee that a cash payment such as a 'golden hello' would be offered. However, the Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, over and above the approach and award limits outlined in the table above. Any such award will be made under existing incentive structures, where appropriate, and will be subject to the normal performance conditions of those incentives. The Committee may also consider it appropriate to make "buy out" awards under a different structure, using the relevant Listing Rule, where necessary to replicate the structure of forfeited awards. Any "buy out" award (however this is delivered) would have a fair value no higher than that of the awards forfeited, taking into account relevant factors including performance conditions, the likelihood of those conditions being met and the proportion of the vesting period remaining. Details of any such award will be disclosed in the first Annual Report on Remuneration following its grant.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the policy will be consistent with that for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, and it is agreed that a commitment is to continue, the Group will continue to honour these arrangements even if there are instances where they would not otherwise be consistent with the prevailing Executive Director remuneration policy at the time of promotion.

Service contracts and policy for payment for loss of office

Executive Directors have signed rolling contracts, terminable on 12 months' notice by either the Group or the Director. The Group entered into a contract with Nick Kelsall on 1 April 2011, and with Martin Payne on 18 March 2011. Copies of these contracts are available to view at the Group's registered office.

The Committee's policy for Directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements. Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Committee on a case by case basis taking into account the circumstances of the termination. Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Committee on the same basis. The Committee will monitor and where appropriate enforce the Directors' duty to mitigate loss. When the Committee believes that it is essential to protect the Group's interests, additional arrangements may be entered into (for example post-termination protections above and beyond those in the contract of employment) on appropriate terms.

Under the current service contract for each of Nick Kelsall and Martin Payne, the Company has the discretion to terminate the employment lawfully without any notice by paying to the Director a sum equal to, but no more than, the salary and other contractual benefits of the Director. The payment would be in respect of that part of the period of notice which the Director has not worked, less any appropriate tax and other statutory deductions. The Director would be entitled to any holiday pay which may otherwise have accrued in what would have been the notice period. The Company may pay any sums due under these pay in lieu of notice provisions as one lump sum or in instalments of what would have been the notice period. If the Company elects to pay in instalments, the Director is under an express contractual duty to mitigate his losses and to disclose any third-party income he has received or is due to receive. The Company reserves the right to reduce the amount of the instalments by the amount of such income. The Committee would expect to include similar pay in lieu of notice provisions in any future executive director's service contract. These pay in lieu of notice provisions can also be activated by the Director if they exercise their contractual right to terminate their employment upon a change of control of the Company or a transfer of their employment to an acquirer of the Company's business. The Committee would not envisage including a similar right to terminate in any future executive director's service contract.

Also under their service contracts, if the Director's employment is terminated for whatever reason, he agrees that he is not entitled to any damages or compensation to recompense him for the loss or diminution in value of any actual or prospective rights, benefits or expectations under or in relation to the APSP, DBP, SAYE plan or the annual discretionary bonus scheme. This is without prejudice to any of the rights, benefits or entitlements which may have accrued to the Director under such arrangements at the termination of employment.

Service contracts and policy for payment for loss of office continued

The table below summarises how awards under the annual bonus, DBP and APSP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

REASON FOR CESSATION	CALCULATION OF VESTING/PAYMENT	TIMING OF VESTING
Annual bonus		
Voluntary resignation or summary dismissal	No bonus paid	n/a
All other circumstances	Bonuses are paid only to the extent that the associated objectives, as set at the beginning of the plan year, are met. Any such bonus would normally be paid on a pro-rata basis, taking account of the period actually worked	At the normal vesting date unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment
DBP		
Summary dismissal	Awards lapse	n/a
Injury, illness, disability, death, retirement with the agreement of the Group, redundancy or employing company leaving Group	Unvested awards vest	At the normal vesting date unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment
Voluntary resignation or other reason not stated above	Unvested awards lapse unless the Committee, in its absolute discretion, determines that an award should vest	If the Committee determines that an award should vest, then awards will vest on their normal vesting date, unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment
Change of control	Unvested awards will be pro-rated for the portion of the vesting period elapsed on change of control, unless the Committee, in its absolute discretion, determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate	On change of control
APSP		
Summary dismissal	Awards lapse	n/a
Voluntary resignation, injury, retirement with the agreement of the Group, redundancy or other reason that Committee determines in its absolute discretion	Unapproved option awards lapse unless the Committee, in its absolute discretion, determines that awards should vest, subject to being pro-rated for time and performance to the date of cessation of employment. Approved option awards lapse, except in the case of retirement with the agreement of the employer, when awards will vest, subject to pro-rating as stated above.	On cessation of employment unless the Committee, in its absolute discretion, determines otherwise
Death	Unapproved option awards vest in full, but may be subject to the application of the performance conditions attached to them. Approved option awards are pro-rated for time and performance to that date.	Immediately
Change of control	Awards vest, subject to being pro-rated for time and performance to the date of cessation of employment, unless the Committee determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.	On change of control

Directors' remuneration policy report continued

External appointments

Executive Directors are permitted to take up non-executive positions on the boards of other companies, subject to the prior approval of the Board. The Executive Director may retain any fees payable in relation to such appointment. Details of external appointments and the associated fees received are included in the Annual Report on Remuneration.

Consideration of employment conditions elsewhere in the Group

The Group seeks to promote and maintain good relations with employees and (where relevant) their representative bodies as part of its broader employee engagement strategy. The Committee is mindful of salary increases applying across the rest of the business in relevant markets when considering salaries for Executive Directors, but does not currently consult with employees specifically on executive remuneration policy and framework.

Consideration of shareholder views

The Committee considers shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping remuneration policy. The vast majority of shareholders continue to express support of remuneration arrangements at Norcros. The Committee keeps the remuneration policy under regular review, to ensure it continues to reinforce the Group's long-term strategy, and aligns Executive Directors with shareholders' interests. We will consult shareholders before making any significant changes to our remuneration policy.

Non-executive Director remuneration policy

Non-executive Directors (including the Chairman) have letters of appointment 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. In line with the UK Corporate Governance Code guidelines, all Directors are subject to re-election annually at the AGM.

Details of terms and notice periods for Non-executive Directors are summarised below:

Non-executive Director	Date of appointment	Notice period
Martin Towers	28 July 2011	1 month
Jo Hallas	27 September 2012	1 month
David McKeith	24 July 2013	1 month

It is the policy of the Board of Directors that Non-executive Directors are not eligible to participate in any of the Group's bonus, long-term incentive or pension schemes. Details of the policy on fees paid to our Non-executive Directors are set out in the table below:

COMPONENT AND OBJECTIVE	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES
Fees To attract and retain Non-executive Directors of the highest calibre with broad commercial experience relevant to the Group	<p>The fee paid to the Chairman is determined by the Committee excluding the Chairman. The fees paid to the other Non-executive Directors are determined by the Chairman and the Executive Directors.</p> <p>Fee levels are reviewed periodically, with any adjustments effective 1 April. Fees are reviewed by taking into account external advice on best practice and fee levels at other FTSE companies of broadly similar size and sector to Norcros. Time commitment and responsibility are also taken into account when reviewing fees.</p> <p>Additional fees are payable for acting as Chairman of the Audit and Remuneration Committees.</p>	<p>Aggregate fees are limited to £350,000 p.a. by the Group's Articles of Association.</p> <p>Fee increases will be applied taking into account the outcome of the review.</p> <p>The fees paid to Non-executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p>	n/a

Approach to Non-executive Director recruitment remuneration

In recruiting a new Non-executive Director, the Remuneration Committee will use the policy as set out in the table above. A base fee in line with the prevailing fee schedule would be payable for serving as a Director of the Board, with additional fees payable for acting as Chairman of the Audit or Remuneration Committees.

Annual report on remuneration

The following section provides details of how our policy was implemented during the year to 31 March 2015.

Remuneration Committee membership in the year to 31 March 2015

The Remuneration Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the members of the Group's senior management and for setting the remuneration packages for the Board Chairman and each Executive Director. The Committee's responsibilities are set out in its Terms of Reference which can be found on the Company's website at www.norcros.com.

During the year under review, the following Directors were members of the Remuneration Committee:

- Jo Hallas (Chair);
- David McKeith; and
- Martin Towers.

All members of the Committee are independent. They serve on the Committee for a minimum three-year term and a maximum of six years. As part of an effectiveness review for the entire Board, an evaluation of the Remuneration Committee was undertaken in the year to 31 March 2015. We are pleased to report this review concluded that the Committee has operated effectively.

In addition, the Group Chief Executive and the Group Finance Director were invited to attend Committee meetings to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers, other than in relation to their own remuneration. The Group Counsel and Company Secretary acts as Secretary to the Committee. No individual was present while decisions were made regarding their own remuneration.

The Committee met six times during the year. Attendance by individual members at meetings is detailed on page 34.

Main activities of the Committee during the year to 31 March 2015

The main activities carried out by the Committee during the year under review were:

- reviewing and setting salary levels for Executive Directors and senior management;
- determining the annual bonus outcome for the year ended 31 March 2014;
- setting operating profit targets for the annual bonus for the year to 31 March 2015;
- calibrating EPS targets for, and granting of, 2014 APSP awards;
- reviewing and setting the fees payable to the Non-executive Chairman; and
- aligning, where appropriate, the benefits provided to senior management.

Advisers

In February 2014, following a competitive tendering process, the Company appointed Kepler Associates as the independent remuneration advisers to the Remuneration Committee. Kepler Associates is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In the year to 31 March 2015, Kepler Associates provided the following services:

Services provided		Fees £
Kepler Associates	Benchmarking remuneration, guidance on setting incentive targets, Remuneration Report drafting support, general support to the Remuneration Committee throughout the year	25,055

Kepler provides no other services to the Company or its Directors and the Committee considers them to be independent.

Annual report on remuneration continued

Summary of shareholder voting at the 2014 AGM

The results of the binding remuneration policy vote and the advisory vote on the 2014 Remuneration Report at the 2014 AGM are summarised below:

	Policy (binding)	Policy (binding)	Advisory	Advisory
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	424,480,213	99.89%	424,843,727	99.94%
Against	483,296	0.11%	246,817	0.06%
Total votes cast (excluding withheld votes)	424,963,509	100.00%	425,090,544	100.00%
Votes withheld	137,035		10,000	
Total votes (including withheld votes)	425,100,544		425,100,544	

The Committee welcomes the very strong support received from shareholders at the 2014 AGM for remuneration at Norcros.

Single figure for total remuneration for Executive Directors (audited information)

The following table provides a single figure for total remuneration of the Executive Directors for the year to 31 March 2015, together with comparative figures for the year to 31 March 2014. The values of each element of remuneration are based on the actual value delivered, where known. The value of the annual bonus includes the element of bonus deferred under the Deferred Bonus Plan.

	Nick Kelsall		Martin Payne	
	2015 £	2014 £	2015 £	2014 £
Base salary	335,000	274,495	225,000	190,035
Taxable benefits ¹	16,347	30,462	13,347	21,312
Annual bonus ²	231,920	148,228	155,768	102,618
Long term incentives ³	427,297	374,082	295,678	258,980
Pension benefit ⁴	78,479	90,263	34,349	42,148
SAYE ⁵	1,891	—	—	—
Total	1,090,934	917,530	724,142	615,093

1. Taxable benefits consist of car allowance (N. P. Kelsall - 2015: £15,000 p.a., 2014: £29,150 p.a., M. K. Payne - 2015: £12,000 p.a.; 2014: £20,000 p.a.) and private medical insurance.

2. Annual bonus comprises both the cash annual bonus for performance during the year and the face value of the deferred bonus element on the date of deferral. The deferred share element (50% of the figures shown in the table above) is deferred for three years. See 'Annual Bonus in respect of 2015 performance' below for further details.

3. For 2015, the APSP value reflects the estimated value of APSP awards granted in October 2012, of which 99.25% will vest on 28 July 2015. The value of awards is estimated using the three-month average share price to 31 March 2015 of 16.79p, and will be trued-up to reflect the vest-date value of awards in next year's Annual Report on Remuneration. See the relevant sections on page 52 for further details. For 2015 the figures also include £9,519 and £6,447 of dividend accrual for N. P. Kelsall and M. K. Payne respectively (2014: nil). For 2014, the APSP value has been trued up from that disclosed in last year's Remuneration Report to reflect the Group's share price of 17.625p on the date of vesting (1 September 2014) of awards granted in September 2011.

4. The pension benefit provided to Nick Kelsall and Martin Payne in 2015 comprises cash in lieu (N. P. Kelsall - £50,250, M. K. Payne - £33,750) and amounts related to the defined benefit scheme (N. P. Kelsall - £28,229, M. K. Payne - £599). In 2014, pension benefits comprised cash in lieu (N. P. Kelsall - £72,363, M. K. Payne - £41,748), and amounts related to the defined benefit scheme (N. P. Kelsall - £17,900, M. K. Payne - £400). See 'Total pension entitlements' on page 52 for further details.

5. Value of Save As You Earn scheme grants made. See '2014 SAYE' on page 52 for further details.

Incentive outcomes for the year to 31 March 2015 (audited information)

Annual bonus in respect of performance in the year to 31 March 2015

The 2015 annual bonus plan was based 100% on Group underlying operating profit performance for the year to 31 March 2015. Based on the Company's performance in 2015, against targets set at the start of the year, the Committee decided to make an annual bonus award of 69.23% of base salary to each of the Group Chief Executive and Group Finance Director. Further details, including the profit targets set and actual performance, are provided below:

	Underlying profit target £m	Payout (% of max.)	2015 outturn	Bonus (% of max.)
Maximum	17.8	100		
Target	16.5	50	17.0	69.23%
Threshold	15.2	25		

50% of the annual bonus award of 69.23% of base salary for each Executive Director, i.e. 34.615% of salary, will be deferred into shares under the DBP. This DBP award will vest on the third anniversary of grant, subject to continued employment.

The table below sets out the actual bonuses to be paid in cash and deferred shares for each Executive Director for the year to 31 March 2015:

	Annual cash bonus		Deferred share bonus	Total
	% of salary	£	Value of deferred shares	
Nick Kelsall	34.615%	£115,960	£115,960	£231,920
Martin Payne	34.615%	£77,884	£77,884	£155,768

Deferred Bonus Plan (DBP)

The grant of options under the DBP in respect of the year to 31 March 2015 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 2015 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 £115,960 and £77,884 respectively by the share price at the date of grant.

2012 APSP awards vesting

Effective July 2012, APSP awards of 2,507,056 and 1,735,654 shares were granted to Nick Kelsall and Martin Payne, respectively. Vesting of these awards was based on Norcros' aggregate diluted underlying EPS over the three financial years to 31 March 2015. Based on performance over this period, the Committee determined that 99.25% of this award will vest on 28 July 2015, being the end of the relevant three-year vesting period according to the APSP rules. Performance targets, and actual performance against these, are summarised in the table below:

Performance level	Aggregate underlying EPS	% vesting	Norcros' performance	Award vesting (% of APSP award)
Threshold	5.39p	25%		
Maximum	6.39p	100%	6.38p	99.25%

Scheme interests awarded in 2015 (audited information)

2014 DBP

During the year under review, the following DBP awards were made to the Executive Directors (relating to the annual bonus earned for performance over the year to 31 March 2014):

	Nick Kelsall	Martin Payne
Basis of award	50% of earned bonus	50% of earned bonus
Grant date	23 July 2014	23 July 2014
Number of nil-cost options granted	411,744	285,050
Grant-date share price (p)	18.0	18.0
Grant-date face value (£)	74,114	51,309
Normal vesting date	23 July 2017	23 July 2017
Performance conditions	None	None

Annual report on remuneration continued

Scheme interests awarded in 2015 (audited information) continued

2014 APSP

During the year under review, the following APSP awards were granted to the Executive Directors:

	Nick Kelsall	Martin Payne
Basis of award	100% of base salary	100% of base salary
Grant date	23 July 2014	23 July 2014
Number of nil-cost options granted	1,861,111	1,250,000
Grant-date share price (p)	18.0	18.0
Grant-date face value (£)	335,000	225,000
Normal vesting date	23 July 2017	23 July 2017
Performance period	1 April 2014 – 31 March 2017	1 April 2014 – 31 March 2017
Performance conditions	Three-year aggregate underlying EPS <i>Threshold: 5.94p (25% of element vesting)</i> <i>Maximum: 6.81p (100% of element vesting)</i> <i>Straight-line vesting between these points</i>	
Holding period	23 July 2017 – 23 July 2018	23 July 2017 – 23 July 2018

2014 SAYE

During the year under review, the following SAYE awards were granted to the Executive Directors:

	Nick Kelsall
Basis of award	Fixed £ savings contract
Grant date	19 December 2014
Number of options granted	113,924
Invitation date share price (p)	17.46
Exercise price (p)	15.8
Normal vesting date	1 March 2018
Expiration date	31 August 2018
Performance conditions	None

Martin Payne did not enter into a savings contract under the SAYE in the year to 31 March 2015.

Total pension entitlements (audited information)

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. For the year under review and for future years (but unlike the practice in the previous year), if a payment is made in the form of taxable pension allowance, the amount payable is not reduced to allow for employment taxes.

During the year Nick Kelsall elected to take taxable pension allowance of £50,250 (2014: £72,363) with no amounts paid directly into a pension scheme (2014: £nil). Martin Payne elected to take taxable pension allowance of £33,750 (2014: £41,748) with no amount paid into a personal pension plan (2014: £nil). In line with the Regulations, the single figure table reflects the total of these amounts, as well as the capitalised increase in accrued pension (net of inflation) under the UK defined benefit scheme, of which neither Nick Kelsall nor Martin Payne are active members. Martin Payne's entitlement relates to his former employment at H&R Johnson Tiles Limited between 1993 and 2001. Details of Executive Directors' retirement benefits under the Group's UK defined benefit scheme and taxable pension allowances are summarised in the following table.

Director	Accrued pension £	Increase in accrued pension net of CPI £	Transfer value of net increase in the year £	Normal retirement date	Additional value of pension on early retirement £	Pension value in the year from DB scheme £	Pension value in the year from cash allowance £	Total £
N.P. Kelsall	18,915	1,411	24,910	16.12.21	0	28,229	50,250	78,479
M.K. Payne	11,167	30	2,077	31.07.30	0	599	33,750	34,349

Single figure for total remuneration for Non-executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year to 31 March 2014 and the prior year:

	Total fee	
	2015 £	2014 £
Martin Towers	95,000	80,000
Jo Hallas	40,000	40,000
David McKeith ¹	40,000	27,590

1. David McKeith joined the Board on 24 July 2013. His 2014 fee reflects the part-year served.

Payments to past Directors (audited information)

During the year under review, no payments were made to past Directors.

Exit payments made in the year (audited information)

No exit payments to Directors were made during the year under review.

External appointments in the year

No external appointments were held by the Executive Directors during the year.

Percentage change in CEO remuneration

The table below shows the percentage change in the CEO's salary, benefits (excluding pension) and annual bonus between the 2014 and 2015 financial years compared with the percentage change in the average of each of those components of pay for all staff employed in continuing operations. The comparison uses a per capita figure and accordingly this reflects an average across the Group's businesses. No account is therefore taken of the impact of a substantially weaker South African Rand and operational factors such as new joiners and leavers and the mix of employees.

	CEO % change 2014–2015	Average of other employees % change 2014–2015
Salary	22.0% ¹	1.9%
Benefits	-46.3% ¹	-0.5%
Bonus	56.5%	18.2%

1. The percentage changes for the CEO's Salary and Benefits reflect the rebalancing of the CEO's fixed pay mix (effective 1 April 2014) by increasing base salary but offsetting this increase by decreasing employer cash pension contributions and car allowances to bring each component more into line with FTSE market norms. The percentage change in the CEO's overall fixed pay between 2014 and 2015 was 6.4%.

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends – there were no share buybacks in either year) and Norcross' expenditure on total employee pay for the year under review and the prior year, and the percentage change year on year.

	2015 £000	2014 £000	% change
Dividends	3,098	2,770	+11.8%
Total staff costs	44,125	44,283	-0.4%

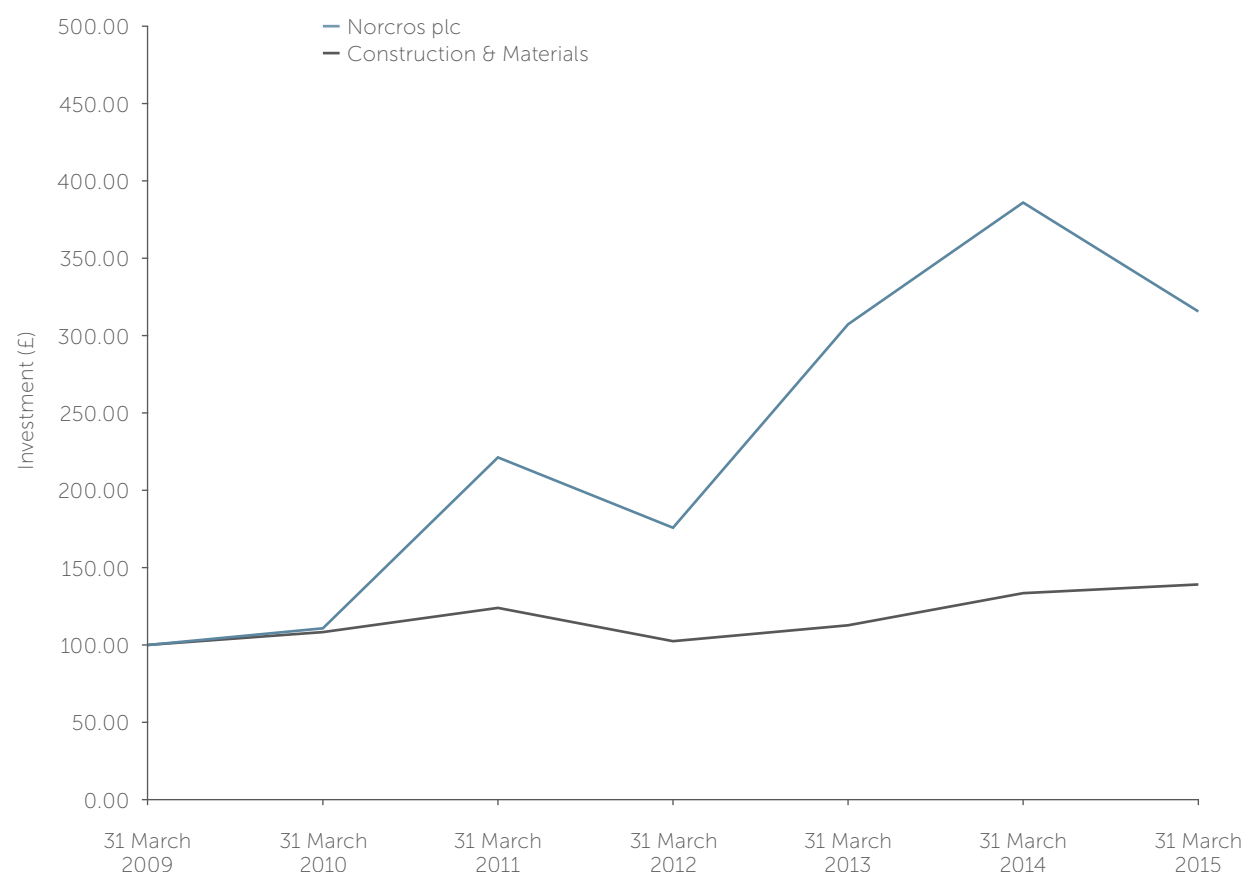
Annual report on remuneration continued

Performance graph and table

The following graph shows the six-year TSR performance of the Company relative to the FTSE All-Share Construction & Materials Index. This comparator was chosen because the Company is a constituent member of this index.

Total Shareholder Return

(Value of £100 invested on 31 March 2009)



The table below details the Chief Executive's single figure of remuneration over the same period:

	2010	2011	2012	2013	2014	2015
CEO single figure of remuneration (£000)						
Incumbent	J Matthews	J Matthews	N Kelsall	N Kelsall	N Kelsall	N Kelsall
Total remuneration	£488,000	£611,000	£380,780	£526,282	£917,530	£1,090,934
Annual bonus (as a % of max. opportunity)	38%	81%	0%	50%	54%	69%
APSP vesting (as a % of max. opportunity)	n/a	0%	n/a	n/a	100%	99%

Implementation of Executive Director remuneration policy for the year to 31 March 2016

The Remuneration Committee conducted its normal review of Executive Directors' remuneration, effective 1 April 2015.

The results of this review are as follows:

Base salary

Base salaries are reviewed taking into account individual performance and competitive practice for similar roles in the Company's remuneration peer group, and remuneration awards within the Group. The Committee decided to increase Executive Director salaries in line with the rest of the Group by 2%. For the year to 31 March 2016, Nick Kelsall's salary will be £341,700, and Martin Payne's salary will be £229,500.

Implementation of Executive Director remuneration policy for the year to 31 March 2016 continued**Pension**

Executive Directors' pension contributions were reduced to 15% of salary (from 30% of salary for Nick Kelsall and 25% of salary for Martin Payne) with effect from 1 April 2014. Contributions will be made either directly into a pension or as a cash allowance, at the choice of each Executive Director. There is no change in the contribution percentage for either Executive Director for the year to 31 March 2016.

Car allowance

The annual car allowance was reduced from £29,000 to £15,000 for Nick Kelsall and from £20,000 to £12,000 for Martin Payne with effect from 1 April 2014. There is no change in the car allowance for either Executive Director for the year to 31 March 2016.

Annual bonus

The annual bonus opportunity for Executive Directors will remain unchanged for the 2016 financial year with a maximum bonus entitlement of 100% of salary. The bonus outcome for Executive Directors will continue to be based entirely on Group underlying operating profit. Of any bonus earned 50% will be deferred into nil cost options for a further three years under the Deferred Bonus Plan. Annual bonus targets are considered to be commercially sensitive but will be disclosed retrospectively in next year's Annual Report on Remuneration.

APSP

The structure of APSP awards to be made in the 2016 financial year will be unchanged from 2015 except that, to the extent an award vests, vested shares will be subject to a further two year holding period (compared to one year for 2015 awards). Awards with face values of 100% of salary will be granted to Nick Kelsall and Martin Payne, with vesting subject to the achievement of three year aggregate diluted underlying EPS targets. The Committee will determine these targets at the time awards are made and these targets (along with other relevant details of this grant) will be disclosed in next year's Annual Report on Remuneration.

SAYE

Executive Directors will be able to participate in any SAYE contract offered to all employees, on identical terms.

Implementation of Non-Executive Director remuneration policy for the year to 31 March 2016

The Committee has reviewed the Board Chairman's fee and concluded that an increase to £97,000 p.a. was appropriate. The Board Chairman and the Executive Directors reviewed Non-executive Director fees at the same time, and concluded that a similar small percentage increase would be appropriate. Accordingly, for the 2016 financial year, Non-executive Director fees will be as follows:

Executive Director	Fee at 1 April 2014	Fee from 1 April 2015	Percentage increase
Board Chairman	£95,000	£97,000	2.1%
Non-executive Director	£35,000	£35,875	2.5%
Additional fee for chairing Audit or Remuneration Committees	£5,000	£5,125	2.5%

Executive Director shareholdings (audited information)

The table below shows the shareholding of each Executive Director and their respective shareholding requirement as at 31 March 2015:

	Shares owned outright (A)	Options held			Shareholding guideline % salary	Current holding	Requirement met?
		Vested but not exercised (B)	Unvested and subject to performance (C)	Unvested, but not subject to performance (D)			
Nick Kelsall	7,954,251	—	3,191,996	3,320,243	100%	7,954,251	✓
Martin Payne	803,549	—	2,171,382	2,219,756	100%	803,549	

Value of current shareholding based on average share price over three months to 31 March 2015 of 16.79p.

Details of the scheme interests contained in columns B-D are provided in the table overleaf.

Annual report on remuneration continued

Directors' share scheme interests (audited information)

Share options

	Notes	Scheme	Date of grant	Vested date	Expiration date	Exercise price	Shares under option 1 April 2014	Granted in 2015	Vested in 2015	Exercised in 2015	Shares under option 31 March 2015
Nick Kelsall	a	DBP	26.09.13	26.09.16	26.09.23	—	306,322	—	—	—	306,322
	a		23.07.14	23.07.17	23.07.24	—	—	411,744	—	—	411,744
	Total						306,322	411,744	—	—	718,066
	b,c	APSP	01.09.11	01.09.14	01.09.21	—	2,122,449	—	2,122,449	2,122,449	—
	c		28.07.12	28.07.15	28.07.22	—	2,507,056	—	—	—	2,507,056
	c		27.09.13	27.09.16	27.09.23	—	1,330,885	—	—	—	1,330,885
	c		23.07.14	23.07.17	23.07.24	—	—	1,861,111	—	—	1,861,111
	Total						5,960,390	1,861,111	2,122,449	2,122,449	5,699,052
	d	SAYE	23.12.11	01.03.15	31.08.15	10.1p	89,108	—	89,108	89,108	—
			19.12.14	01.03.18	31.08.18	15.8p	—	113,924	—	—	113,924
	Total						89,108	113,924	89,108	89,108	113,924
Martin Payne	a	DBP	26.09.13	26.09.16	26.09.23	—	212,069	—	—	—	212,069
	a		23.07.14	23.07.17	23.07.24	—	—	285,050	—	—	285,050
	Total						212,069	285,050	—	—	497,119
	b,c	APSP	01.09.11	01.09.14	01.09.21	—	1,469,388	—	1,469,388	1,469,388	—
	c		28.07.12	28.07.15	28.07.22	—	1,735,654	—	—	—	1,735,654
	c		27.09.13	27.09.16	27.09.23	—	921,382	—	—	—	921,382
	c		23.07.14	23.07.17	23.07.24	—	—	1,250,000	—	—	1,250,000
	Total						4,126,424	1,250,000	1,469,388	1,469,388	3,907,036

a. Outstanding Deferred Bonus Plan (DBP) awards are subject to the terms set out on page 51.

b. On 12 June 2014, the Committee determined that 100% of the 2011 APSP award should vest in accordance with the performance condition based on the Company's EPS performance as described on page 46 of the Company's 2014 Annual Report and Accounts.

c. Outstanding APSP awards are subject to the following three-year aggregate EPS targets:

Performance	% vesting	Three-year aggregate EPS targets		
		28.07.12 award	27.09.13 award	23.07.14 award
Threshold	25%	5.39p	5.60p	5.94p
Maximum	100%	6.39p	6.40p	6.81p

d. On 2 March 2015 N. P. Kelsall exercised options amounting to 89,108 shares under an SAYE scheme open to all UK employees. Based on the share price of 16.50p on the exercise date and the exercise price of 10.10p, the value of the shares vesting was £5,703.

e. During the year N. P. Kelsall chose to participate in a SAYE scheme open to all UK employees. Under the scheme he received 113,924 options with an exercise price of 15.80p.

Directors' share scheme interests (audited information) continued**Shareholder dilution**

The Group's share incentive plans operate in line with the ABI principles, which require that commitments under all share schemes satisfied by newly issued shares must not exceed 10% of the issued share capital in any rolling ten-year period, of which up to 5% may be used to satisfy options under executive share schemes. The Group's position against the dilution limits at 31 March 2015 was 5.7% for the all share schemes limit and 4.0% for executive schemes.

Statement of Directors' shareholding and share interests (audited information)

Director	31 March 2014 Ordinary Shares	31 March 2015 Ordinary Shares
N. P. Kelsall	7,865,143	7,954,251
M. K. Payne	400,000	803,549
M. G. Towers	843,635	1,214,208
J. C. Hallas	200,000	200,000
D. W. McKeith	150,000	150,000

This report was approved by the Board of Directors on 18 June 2015 and signed on its behalf by:


J. C. Hallas

Chairman of the Remuneration Committee

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2015.

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 and South Africa.

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, Group Chief Executive's statement and the Strategic Report on page 2 to page 29. Key performance indicators are shown on page 23.

The Directors recommend a final dividend for the year ended 31 March 2015 of 0.375p (2014: 0.340p). This follows the decision to pay an interim dividend earlier in the year of 0.185p (2014: 0.170p).

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 (2014: nil). At the Company's 2014 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 58,788,549 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.

Employees

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

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

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

and promotion of disabled persons should, as far as possible, be identical to that of an able-bodied person.

Directors

Biographical details of the present Directors are set out on pages 30 and 31. The Directors who served during the year and to the date of this report are set out below:

Director	Role
Martin Towers	Chairman
Jo Hallas	Non-executive Director
David McKeith	Non-executive Director
Nick Kelsall	Group Chief Executive
Martin Payne	Group Finance Director

The interests of the Directors in the shares of the Company at 31 March 2015 and 31 March 2014 are shown on page 57.

Substantial shareholding

As at 15 June 2015 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
Schroders plc	10.70
Artemis Fund Managers	9.67
Standard Life Investments	7.42
Fidelity Worldwide Investment	5.38
Hargreave Hale	4.94
SVM Asset Management	4.77
Invesco Ltd	4.23

Greenhouse gas emissions

The Board presents this report in order to meet the Company's obligation under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 to disclose the Group's worldwide emissions of the six Kyoto gases attributable to human activity measured in tonnes of carbon dioxide equivalent. As stated in the Corporate Responsibility and Sustainability section on pages 28 and 29, the Company is committed to reducing and minimising its impact on the environment.

Global GHG emissions data Year ended 31 March	Tonnes of CO ₂ e 2015	Tonnes of CO ₂ e 2014 ¹
Emissions from:		
Combustion of fuel and operation of facilities (Scope 1)	61,671	64,062
Electricity, heat, steam and cooling purchased for own use (Scope 2)	32,609	38,197
Total	94,280	102,259
Company's chosen intensity measurement²	424.5	467.6

1. Restated on same basis of calculation as 2015.

2. Emissions per £m of revenue.

Greenhouse gas emissions continued

We have reported on all of the emission sources, being Scope 1 and Scope 2 emissions. These are emissions from activities for which the Group is responsible, plus emissions resulting from the purchase of electricity, heat, steam or cooling by a business in the Group for its own use. These sources use the same reporting boundary as for our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014. Where no more suitable data sources are available, we have used, where practicable, estimates based on the appropriate information that is available to the Group.

Political donations

There were no political donations (2014: Enil).

Research and development

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

Corporate governance

Details of the Group's corporate governance are contained on pages 32 to 35. 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 2016 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 57.

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 21 July 2014 in respect of the £70.0m unsecured revolving credit facility and the £30.0m accordion facility 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 auditor

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 auditor is 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 auditor is aware of that information.

Independent auditor

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor 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 22 July 2015 at Mottram Hall, Wilmslow Road, Mottram St Andrew, Cheshire SK10 4QT. The notice convening that meeting, together with the resolutions to be proposed, appears on pages 105 to 108 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.



R. H. Collins
Company Secretary
18 June 2015

Statement of Directors' responsibilities

In respect of the Annual Report, 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 judgments 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.

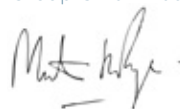
The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.



N. P. Kelsall
Group Chief Executive



M. K. Payne
Group Finance Director
18 June 2015

Independent auditor's report

To the members of Norcros plc

Report on the Group financial statements

Our opinion

In our opinion, Norcros plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("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.

What we have audited

Norcros plc's financial statements comprise:

- the consolidated balance sheet as at 31 March 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

Overall Group materiality: £765,000 which represents approximately 5% of underlying profit before tax.

The Group consists of seven operating divisions, alongside its head office functions. Our audit focused on the most significant of these in terms of materiality to the Group financial statements. The components within the scope of our work accounted for 100% of Group revenue and 98% of Group underlying profit before tax.

1. Accounting for customer rebates and other trade promotional spend.
2. Defined benefit pension plan liabilities.
3. Carrying value of property, plant and equipment in South Africa.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Independent auditor's report continued

To the members of Norcros plc

Area of focus	How the scope of our audit addressed the area of focus
<p>Accounting for customer rebates and other trade promotional spend</p> <p>Refer to note 1 (Accounting policies) and page 73 (Critical accounting estimates and judgements).</p> <p>As is normal industry practice, the Group has a number of trading agreements in place with its largest customers to encourage them to purchase and promote the Group's products. These consist of various types of rebates and other trade spend commitments, which may then be subject to variation from time to time.</p> <p>Rebates on sales are recognised as a deduction from revenue and are earned over the period of the contractual agreements with individual customers. The total amount recognised in a year is therefore based on the expected amount payable up to the balance sheet date under each customer agreement.</p> <p>Promotional spend is a further deduction from revenue. The funding paid is recognised in the period to which it relates in accordance with the agreement with the customer.</p> <p>We focused on such arrangements because of the significance of the amounts to the Group's gross profit, the significant number of transactions and agreements in place, and the industrywide focus on this area of accounting.</p> <p>The amount to be recognised in the income statement for such arrangements requires the directors to apply judgement based on the agreements in place with each of the Group's customers, together with estimates of amounts the Group owes where transactions span the financial year end.</p> <p>The relative level of judgement in each of the categories of arrangements noted above is considered below:</p> <p>Volume based rebates</p> <p>Volume based rebates are driven by customers achieving sales volume targets agreed with the Group for specific products over a pre-determined period. There is, therefore, judgement involved in estimating the volume of sales, particularly where rebate agreements span a financial year end, which is the case in a large number of instances. In such instances the key judgement that we focused on was the estimate of the rebate expense accrued at year end.</p> <p>Other trade promotional spend</p> <p>This expense varied with regards to the nature and timing of the activity to which it relates, and is recognised in accordance with the terms agreed with customers.</p> <p>It derives from a number of varying agreements and its recognition requires the Group to determine the extent to which the promotional activity has taken place and, hence, the amount payable by the Group. Our focus was therefore on assessing whether evidence of the promotional spend existed, whether the relevant promotion had taken place, and whether the expense recognised was recorded in the appropriate period.</p>	<p>Our audit work in respect of accounting for customer rebates and other trade promotional spend comprised a combination of substantive testing, controls testing, and an assessment of the Group's disclosures in this area. Each element of our work was considered in more detail below.</p> <p>Substantive testing</p> <p>We tested a sample of the underlying agreements to provide the core evidence to support the amount and timing of recognition of both customer rebates and other trade promotional spend. This work involved evaluating whether the amount and timing of recognition was consistent with the contractual arrangements.</p> <p>Where such agreements spanned the year end, or where the agreements were on a calendar year basis and the 2015 calendar year agreements had not yet been agreed, we critically assessed the judgements taken by the directors in estimating year end accruals for amounts owing to customers. This work included the use of look back tests to assess the accuracy of the accruals in previous years, alongside the use of "reasonableness checks" around the key assumptions of rebate terms and, in the case of volume rebates, the level of sales likely to occur in the rebate period, with reference to historic events. This testing did not identify any evidence of bias in the directors' judgements.</p> <p>We also analysed rebate expense and promotional expense recognised each month and compared them to gross sales to identify whether there were any unusual trends in the amounts or timing of rebate expense and promotional expense recognised in each period. Alongside this we held discussions with members of management within the sales teams to further understand the substance of these agreements and trends in the year. No unusual trends were identified.</p> <p>Controls testing</p> <p>Our controls work encompassed understanding, evaluating and testing key controls in respect of the recognition of customer rebates and other trade promotional spend. These key controls primarily related to the approval of rebate and recording of promotional agreements. We determined that we were able to obtain evidence from the operation of these controls for the purpose of our audit of whether customer rebates and other trade promotional spend had been recorded appropriately and in the correct period.</p> <p>Disclosures</p> <p>We read the disclosures within the financial statements in respect of customer rebates and other trade promotional spend and, based on our work, determined that they are consistent with accounting standards and the recent guidance on the reporting of complex supplier arrangements issued by the Financial Reporting Council.</p>

Area of focus	How the scope of our audit addressed the area of focus
<p>Defined benefit pension plan liabilities</p> <p>Refer to note 1 (Accounting policies), page 73 (Critical accounting estimates and judgements) and note 23.</p> <p>The Group has a defined benefit pension plan net liability of £44.3m (2014: £21.8m), which is significant in the context of both the overall balance sheet and the results of the Group, particularly given the significant movement in the valuation of the net liability in the current year. A major constituent of this net liability is the value attributed to the gross liabilities of the pension scheme.</p> <p>The valuation of these gross liabilities requires significant judgement and expertise primarily in respect of the key assumptions which are used. These assumptions include both financial assumptions e.g. the discount rate and inflation, but also key demographic assumptions e.g. mortality rates. Modest changes in a number of these key assumptions can have a material impact on the calculation of the liability. We therefore focused our work on this area.</p>	<p>Pension liabilities</p> <p>We obtained the external actuary's report used in valuing the scheme's liabilities and determined, using our experience of the valuation of similar schemes, and our pension expertise, that the methodologies adopted by the actuary in forming the valuation were consistent with industry practice and our expectations.</p> <p>We also agreed the key financial assumptions used within the valuation of the scheme's liabilities, including the discount and inflation rates, to our internally developed benchmarks. We compared the assumptions around salaries increase and mortality to national and industry averages. The assumptions used within the valuation of the scheme's liabilities were in line with our benchmarks and the external data.</p> <p>Disclosures</p> <p>We read the disclosures within the financial statements in respect of the defined benefit scheme and, based on our work, determined that they are consistent with accounting standards.</p>
<p>Carrying value of property, plant and equipment in South Africa</p> <p>Refer to note 1 (Accounting policies) and page 73 (Critical accounting estimates and judgements).</p> <p>The Group holds property, plant and equipment relating to the manufacturing facilities held by Johnson Tiles South Africa with a carrying value of £5.6m as at 31 March 2015.</p> <p>These manufacturing facilities have historically been loss making and, whilst operational improvements were achieved in prior years, there remained a possibility that these improvements would not be sustained. Given these factors, the consideration as to whether there had been a trigger for an impairment review of these assets required judgement during the year. We focused our work on this consideration by the directors at the balance sheet date.</p>	<p>We critically assessed the directors' conclusion that no trigger for an impairment review existed.</p> <p>This assessment included comparing the division's performance for the year against budget and the prior year. In this comparison, we focused on the division's overall result, production volumes and other operational key performance indicators.</p> <p>We also considered whether there were external factors which may indicate a requirement for an impairment review and budgets for the year ending 31 March 2016.</p> <p>We found that the actual performance of the division during the year, together with the budget for 2016, supported the directors' conclusion that no trigger for impairment existed.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is managed divisionally, with the seven operating divisions across the UK and South African operating segments, with the head office function incurring certain central costs on behalf of the Group. The Group's accounting process is structured around a local finance function in each of these divisions. These functions maintain their own localised accounting records and controls, distinct from those at the head office level.

Consistent with the Group's operations, we scoped our audit at a divisional level. The work at the operating divisions in the UK was performed by the UK engagement team. The work at the South African operating divisions was performed by a team based in South Africa. The UK team instructed the South African team to perform a full scope audit of the South African operations, and to focus their work on customer rebates/other trade promotional spend and the carrying value of property, plant and equipment in South Africa. A senior member of the UK team visited South Africa to discuss the results of the work with the South African team and to attend meetings with local management at which the financial results were discussed. Furthermore, the UK engagement team performed procedures over the Group's consolidation of these divisions and significant consolidation entries.

Independent auditor's report continued

To the members of Norcros plc

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, and consistent with last year, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£765,000 (2014: £730,000).
How we determined it	Approximately 5% of underlying profit before tax.
Rationale for benchmark applied	We believe that profit before tax, adjusted for those items set out in note 8 to the Group financial statements ("underlying profit before tax"), provides us with a consistent year on year basis for determining materiality based on the underlying trading performance of the Group, but eliminating non-recurring and non-cash items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £40,000 (2014: £25,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 35, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

Information in the Annual Report is:	We have no exceptions to report arising from this responsibility.
— materially inconsistent with the information in the audited financial statements; or	
— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or	
— otherwise misleading.	
— the statement given by the directors on page 60, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
— the section of the Annual Report on page 36, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Other required reporting continued**Adequacy of information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit**Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and ISAs (UK & 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.

What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Norcros plc for the year ended 31 March 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.


Martin Heath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

18 June 2015

Consolidated income statement

Year ended 31 March 2015

	Notes	2015 £m	2014* £m
Continuing operations			
Revenue	2	222.1	218.7
Underlying operating profit		17.0	16.1
IAS 19R administrative expenses	23	(1.7)	(1.4)
Acquisition related costs	5	(2.2)	(0.7)
Exceptional operating items	5	(2.5)	(1.2)
Operating profit		10.6	12.8
Finance costs	6	(1.4)	(5.7)
Exceptional finance costs	6	(0.4)	—
Total finance costs	6	(1.8)	(5.7)
Finance income	6	3.3	—
IAS 19R finance cost	23	(1.1)	(1.3)
Profit before taxation		11.0	5.8
Taxation	7	(2.9)	4.3
Profit for the year from continuing operations		8.1	10.1
Profit/(loss) for the year from discontinued operations	28	0.1	(1.4)
Profit for the year		8.2	8.7
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From continuing operations	9	1.4p	1.7p
From discontinued operations	9	—	(0.2p)
From profit for the year	9	1.4p	1.5p
Diluted earnings per share:			
From continuing operations	9	1.3p	1.6p
From discontinued operations	9	—	(0.2p)
From profit for the year	9	1.3p	1.4p
Weighted average number of shares for basic earnings per share (millions)	9	592.2	584.0
Non-GAAP measures:			
Underlying profit before taxation (£m)	8	15.8	14.6
Underlying earnings (£m)	8	13.0	17.0
Basic underlying earnings per share	9	2.2p	2.9p
Diluted underlying earnings per share	9	2.1p	2.8p

* The prior year comparatives have been restated to reflect the revised presentation of acquisition related costs (see note 29).

Consolidated statement of comprehensive income

Year ended 31 March 2015

	Notes	2015 £m	2014 £m
Profit for the year		8.2	8.7
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the income statement			
Actuarial (losses)/gains on retirement benefit obligations	23	(18.8)	6.2
Items that may be subsequently reclassified to the income statement			
Foreign currency translation adjustments		(0.6)	(9.5)
Other comprehensive expense for the year		(19.4)	(3.3)
Total comprehensive (expense)/income for the year		(11.2)	5.4
Attributable to equity shareholders arising from:			
Continuing operations		(11.4)	7.7
Discontinued operations	28	0.2	(2.3)
		(11.2)	5.4

Items in the statement are disclosed net of tax.

Consolidated balance sheet

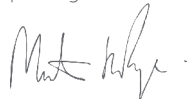
At 31 March 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Goodwill	11	22.2	22.1
Intangible assets	12	4.7	5.0
Property, plant and equipment	13	37.6	36.9
Investment properties	14	—	4.4
Deferred tax assets	21	13.8	11.6
		78.3	80.0
Current assets			
Inventories	15	52.2	50.2
Trade and other receivables	16	40.5	41.9
Derivative financial instruments	20	2.1	—
Cash and cash equivalents	17	5.6	3.9
Assets classified as held-for-sale	28	—	6.2
		100.4	102.2
Current liabilities			
Trade and other payables	18	(54.9)	(52.3)
Derivative financial instruments	20	(1.0)	(1.8)
Current tax liabilities		(1.3)	(1.3)
Financial liabilities – borrowings	19	(1.4)	(0.8)
Liabilities associated with assets classified as held-for-sale	28	—	(1.9)
		(58.6)	(58.1)
Net current assets		41.8	44.1
Total assets less current liabilities		120.1	124.1
Non-current liabilities			
Financial liabilities – borrowings	19	(18.4)	(30.5)
Pension scheme liability	23	(44.3)	(21.8)
Derivative financial instruments	20	—	(0.3)
Other non-current liabilities		(1.4)	(1.6)
Provisions	22	(3.3)	(4.4)
		(67.4)	(58.6)
Net assets		52.7	65.5
Financed by:			
Share capital	24	6.0	5.8
Share premium		1.0	0.9
Retained earnings and other reserves		45.7	58.8
Total equity		52.7	65.5

The financial statements of Norcross plc, registered number 3691883, were approved on 18 June 2015 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 2015

	Notes	2015 £m	2014 £m
Cash generated from operations	25	16.2	13.6
Income taxes paid		(0.5)	(1.7)
Interest paid		(1.3)	(1.6)
Net cash generated from operating activities		14.4	10.3
Cash flows from investing activities			
Proceeds from sale of investment property		6.1	—
Proceeds from sale of property, plant and equipment		0.4	1.4
Purchase of investment property		(0.9)	—
Purchase of property, plant and equipment		(7.0)	(4.2)
Acquisition of subsidiary undertakings (including payment of deferred consideration)		(0.5)	0.1
Disposal of subsidiary undertakings net of cash divested	28	3.8	—
Net cash generated from/(used in) investing activities		1.9	(2.7)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		0.2	0.4
Repayment of borrowings		(12.1)	(6.9)
Costs of raising debt finance		(0.7)	(0.2)
Dividends paid to the Company's shareholders	26	(3.1)	(2.8)
Net cash used in financing activities		(15.7)	(9.5)
Net increase/(decrease) in cash at bank and in hand and bank overdrafts		0.6	(1.9)
Cash at bank and in hand and bank overdrafts at the beginning of the year		3.7	6.4
Exchange movements on cash and bank overdrafts		(0.1)	(0.8)
Cash at bank and in hand and bank overdrafts at end of the year		4.2	3.7
Cash at bank and in hand and bank overdrafts at the end of the year comprises:			
Cash at bank and in hand and bank overdrafts per the balance sheet	17	4.2	3.2
Cash at bank and in hand included within assets classified as held-for-sale	28	—	0.5
		4.2	3.7

The net increase in cash at bank and in hand and bank overdrafts in the year from discontinued operations included in the above was £3.9m (2014: decrease of £0.3m). Details are provided in note 28.

Consolidated statement of changes in equity

Year ended 31 March 2015

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 1 April 2013	5.8	0.5	—	1.0	54.3	61.6
Comprehensive income:						
Profit for the year	—	—	—	—	8.7	8.7
Other comprehensive income/(expense):						
Actuarial gain on retirement benefit obligations	—	—	—	—	6.2	6.2
Foreign currency translation adjustments	—	—	—	(9.5)	—	(9.5)
Total other comprehensive expense	—	—	—	(9.5)	6.2	(3.3)
Transactions with owners:						
Shares issued	—	0.4	—	—	—	0.4
Dividends paid	—	—	—	—	(2.8)	(2.8)
Share option schemes and warrants	—	—	—	—	0.9	0.9
At 31 March 2014	5.8	0.9	—	(8.5)	67.3	65.5
Comprehensive income:						
Profit for the year	—	—	—	—	8.2	8.2
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	—	—	—	—	(18.8)	(18.8)
Foreign currency translation adjustments	—	—	—	(0.6)	—	(0.6)
Total other comprehensive expense	—	—	—	(0.6)	(18.8)	(19.4)
Transactions with owners:						
Shares issued	0.2	0.1	(0.1)	—	—	0.2
Dividends paid	—	—	—	—	(3.1)	(3.1)
Share option schemes and warrants	—	—	—	—	1.3	1.3
At 31 March 2015	6.0	1.0	(0.1)	(9.1)	54.9	52.7

Notes to the Group accounts

Year ended 31 March 2015

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 18 June 2015.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at their fair value. The consolidated financial statements have been prepared in accordance with 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 consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are detailed in the risk management section. Although these estimates are based on management's best knowledge of amounts, events or actions, actual results may differ from expectations.

Going concern

In July 2014 the Group agreed a new unsecured £70m revolving credit facility plus a £30m accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The new banking facility has been secured to July 2019. Forecasts have been prepared for the period to 30 September 2016 which show that the Group will be able to operate within with the terms of this facility over this period and will remain in compliance with banking covenants.

At the time of approving the consolidated financial statements, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and consequently they consider that it is appropriate to adopt the going concern basis of preparation.

Accounting policies

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

The Group has reclassified certain costs related to business combination activities in line with emerging market practice such that they are now presented as a separate line entitled 'Acquisition related costs' in the Consolidated Income Statement. In order to effect fair comparison, the results for the year ended 31 March 2014 have been restated to conform to this style of presentation. The impact of the restatement is shown in note 29.

Standards, amendments and interpretations effective in 2015

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2014.

The Group has adopted the following new standards, amendments and interpretations now applicable. None of these standards and interpretations has had any material effect on the Group's results or net assets.

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IFRS 10	Consolidated financial statements	1 April 2014
Amendment to IFRS 11	Joint ventures	1 April 2014
Amendment to IFRS 12	Disclosures of interests in other entities	1 April 2014
Amendment to IAS 27	Separate financial statements	1 April 2014
Amendment to IAS 32	Financial instruments: presentation	1 April 2014
Amendment to IAS 36	Impairment of assets	1 April 2014
Amendment to IAS 39	Financial instruments: recognition and measurement	1 April 2014
IFRIC 21	Levies	1 April 2014

Notes to the Group accounts continued

Year ended 31 March 2015

1. Group accounting policies continued

Standards, amendments and interpretations effective in 2015 continued

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 8	Operating segments	1 April 2015
Amendment to IAS 19 (revised)	Employee benefits	1 April 2015
IFRS 15	Revenue from contracts with customers	1 April 2017
IFRS 9	Financial instruments: classification and measurement	1 April 2018

None of these standards, amendments or interpretations are expected to have a material impact on the Group's financial statements.

Summary of significant accounting policies

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

Basis of consolidation

Subsidiaries

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired or disposed of in the year are included in the consolidated financial statements from the date on which the Group has the ability to exercise control, and are no longer consolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring them into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition, and where necessary, the accounting policies of acquired subsidiaries are adjusted to bring them in line with those of the Group. Any excess of the consideration (excluding payments contingent on future employment) 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. Payments that are contingent on future employment are charged to the Consolidated Income Statement. All acquisition costs are expensed as incurred.

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 judgments 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 judgment involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

1. Group accounting policies continued

Summary of significant accounting policies continued

Basis of consolidation continued

Critical estimates continued

Critical judgments have been made in the following areas:

- impairment of property, plant and equipment – the Group considers whether any triggers for impairment of property, plant and equipment are evident periodically, and tests for impairment of such assets should indicators of potential impairment arise. Consideration has been given during the year to property, plant and equipment in connection with Johnson Tiles South Africa, and it was concluded that no impairment triggers were present;
- 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 principally include the discount rate and rate of inflation. Any changes in these assumptions can impact the carrying amount of retirement benefit obligations (see note 23);
- 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 judgment in relation to the recognition of deferred tax assets, management considers the regulations applicable to taxation and whether there are likely to be sufficient future taxable profits. Future taxable profits may be higher or lower than estimates made when determining whether it is appropriate 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
- customer rebate, incentive and promotional support accruals – a number of the Group's customers are offered rebates, incentives and promotional support in order to encourage trade and cement strong relationships. Accounting for such arrangements involves judgment as agreement periods typically run for a number of months or years, and may involve assumptions around volumes of product purchased or sold into the future. However, where applicable, accrual calculations are underpinned by signed contracts and there has historically been a strong correlation between the amounts accrued in respect of a particular period and the amounts subsequently paid.

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 rebates, incentives, 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.

Customer rebates, incentives, discounts and promotional support

Accrual is made at each balance sheet date to reflect management's best estimate of amounts to be paid in respect of arrangements in place with customers regarding rebates, incentives, discounts and promotional support. The cost of rebates, incentives, discounts and promotional support which have been paid or are accrued at the Balance Sheet date is shown as a deduction from revenue.

Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. 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 and accordingly segments have been determined on this basis. Corporate costs are allocated to segments on the basis of external turnover.

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.

Intangible assets

Acquired intangible fixed assets comprise the Vado trade name recognised as a separately identifiable asset on acquisition and are valued at cost less accumulated amortisation. The estimated useful life of the asset is 15 years, with amortisation being charged on a straight-line basis.

Notes to the Group accounts continued

Year ended 31 March 2015

1. Group accounting policies continued

Impairment of long-life assets

Property, plant and equipment, investment properties 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 and equipment	3–15 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.

Assets held-for-sale

Assets and disposal groups classified as held-for-sale are measured at the lower of carrying value and fair value less costs to dispose of.

Assets and disposal groups are only classified as held-for-sale if their carrying value will be recovered through a sale transaction as opposed to continuing use, and only when such a sale transaction is deemed highly probable. Such a sale transaction should be expected to complete within one year and accordingly assets and disposal groups held-for-sale are included within current assets in the Consolidated Balance Sheet, with the associated liabilities included within current liabilities.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and, where applicable, labour and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for slow-moving and obsolete items.

Taxation

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

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

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

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

Operating leases

Annual rentals are charged/credited directly to the Consolidated Income Statement 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 be 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.

1. Group accounting policies continued

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Consolidated Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method, and is subject to interim reviews in intervening years. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise, net of the related deferred tax.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(d) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Exceptional items

Exceptional items are disclosed separately in accordance with the requirements of IAS 1, 'Presentation of financial statements'. They include profits and losses on disposal of non-current assets outside the normal course of business, restructuring costs and large or significant one-off items which in management's judgment need to be disclosed to enable the user to obtain a proper understanding of the Group's financial performance.

IAS 19R administrative expenses

As a result of the implementation of IAS 19R, the administrative expenses incurred by the Trustee in connection with managing the Group's pension schemes are recognised in the Consolidated Income Statement.

Acquisition related costs

Acquisition related costs includes deferred remuneration, amortisation of acquired intangibles, the costs of maintaining an internal acquisitions department and professional advisory fees connected with business combination activity.

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.

Notes to the Group accounts continued

Year ended 31 March 2015

1. Group accounting policies continued

Financial assets and liabilities continued

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 within finance cost/income in the Income Statement.

Cash and cash equivalents – cash and cash equivalents include cash in hand, 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. Development costs are capitalised once the technical feasibility of a project has been established and a business plan, which demonstrates how the project will generate future economic benefits, has been approved.

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

Monetary assets and liabilities expressed in currencies other than functional currency are translated at rates applicable at the year end and trading results of overseas subsidiaries 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.

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.

Treasury shares

The cost of the purchase of own shares is taken directly to reserves and is included in the treasury reserve.

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 two main geographical areas: the UK and South Africa. 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 and accordingly segments have been determined on this basis. Corporate costs are allocated to segments on the basis of external turnover.

Continuing operations — year ended 31 March 2015

	UK £m	South Africa £m	Group £m
Revenue	149.1	73.0	222.1
Underlying operating profit	13.8	3.2	17.0
IAS 19R administrative expenses	(1.7)	—	(1.7)
Acquisition related costs	(2.2)	—	(2.2)
Exceptional operating items	(2.3)	(0.2)	(2.5)
Operating profit	7.6	3.0	10.6
Finance income (net)			0.4
Profit before taxation			11.0
Taxation			(2.9)
Profit for the year from continuing operations			8.1
Net debt			(14.2)
Segmental assets	124.3	54.4	178.7
Segmental liabilities	(110.8)	(15.2)	(126.0)
Additions to property, plant and equipment	3.8	3.1	6.9
Proceeds from disposals of property, plant and equipment	0.4	—	0.4
Proceeds from disposals of investment property (net)	6.1	—	6.1
Loss on disposal of property, plant and equipment	(0.1)	—	(0.1)
Depreciation	4.0	2.0	6.0

Revenues of £34.2m (2014: £35.9m) are derived from a single customer. These revenues are attributable to the UK segment.

Continuing operations — year ended 31 March 2014*

	UK £m	South Africa £m	Group £m
Revenue	148.0	70.7	218.7
Underlying operating profit	14.2	1.9	16.1
IAS 19R administrative expenses	(1.4)	—	(1.4)
Acquisition related costs	(0.7)	—	(0.7)
Exceptional operating items	(1.6)	0.4	(1.2)
Operating profit	10.5	2.3	12.8
Finance costs (net)			(7.0)
Profit before taxation			5.8
Taxation			4.3
Profit for the year from continuing operations			10.1
Net debt			(26.9)
Segmental assets	125.3	50.7	176.0
Segmental liabilities	(100.9)	(13.9)	(114.8)
Additions to property, plant and equipment	2.5	1.8	4.3
Proceeds from disposals of property, plant and equipment	—	1.4	1.4
Loss on disposal of property, plant and equipment	—	(0.1)	(0.1)
Depreciation	4.0	1.9	5.9

* The prior year comparatives have been restated to reflect the revised presentation of acquisition related costs (see note 29).

Notes to the Group accounts continued

Year ended 31 March 2015

3. Operating profit

The following items have been included in arriving at operating profit other than those related to discontinued operations:

	2015 £m	2014 £m
Staff costs (see note 4)	44.1	44.3
Depreciation of property, plant and equipment (all owned assets) – continuing operations	6.0	5.8
Depreciation of property, plant and equipment (all owned assets) – discontinued operations	—	0.1
Depreciation of investment properties	—	0.1
Amortisation of intangible assets	0.3	0.4
Other operating lease rentals payable – continuing operations:		
– plant and machinery	1.6	1.4
– other	2.6	2.4
Other operating lease rentals payable – discontinued operations:		
– plant and machinery	—	0.1
– other	—	0.2
Research and development expenditure	2.7	2.7
Loss on disposal of property, plant and equipment	0.1	0.1
Profit on disposal of property, plant and equipment – exceptional (see note 5)	(0.4)	—
Loss on disposal of investment property – exceptional (see note 5)	1.5	—

All items relate to continuing operations unless otherwise stated.

Auditor's remuneration

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

	2015 £m	2014 £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 advice	0.1	0.1
Other services – due diligence services	0.2	—
	0.5	0.3

4. Employees

	2015 £m	2014 £m
Staff costs from continuing operations:		
– wages and salaries	38.8	36.8
– social security costs	2.7	2.5
– share-based payments	1.3	0.8
– pension (credits)/costs:		
– defined benefit	(1.7)	—
– defined contribution	2.6	2.2
	43.7	42.3
Staff costs from discontinued operations:		
– wages and salaries	0.3	1.5
– social security costs	0.1	0.5
	0.4	2.0
Total staff costs	44.1	44.3

Included in wages and salaries were £0.3m (2014: £1.1m) of redundancy costs which were classified as exceptional items in the Income Statement. Additionally, the defined benefit pension credit of £1.7m (2014: £nil) was also recognised as an exceptional item. Further details are provided in note 5.

	2015 Number	2014 Number
Average monthly numbers employed in continuing operations:		
– UK	919	919
– overseas	809	744
	1,728	1,663
Average monthly numbers employed in discontinued operations:		
– overseas	8	48
	1,736	1,711

4. Employees continued

Directors' emoluments

	2015 £m	2014 £m
Salaries and short-term employee benefits	1.0	0.9
Share-based payments	0.6	0.4
Post-employment benefits	0.1	0.1
	1.7	1.4

Further information about the Directors' remuneration may be found in the Annual Report on Remuneration on pages 49 to 57.

Highest paid Director

	2015 £m	2014 £m
Salaries and short-term employee benefits	0.5	0.4
Share-based payments	0.3	0.2
Post-employment benefits	0.1	0.1
	0.9	0.7

Key management compensation

	2015 £m	2014 £m
Salaries and short-term employee benefits	2.1	1.9
Share-based payments	0.9	0.7
Post employment benefits	0.2	0.2
	3.2	2.8

Key management is defined as the Directors and officers of Norcross plc, together with the Managing Directors of the Group's significant divisions.

5. Acquisition related costs and exceptional operating items

An analysis of acquisition related costs and exceptional operating items is shown below.

	2015 £m	2014 £m
Acquisition related costs		
Deferred remuneration ¹	1.1	0.3
Intangible asset amortisation ²	0.3	0.4
Staff costs and advisory fees ³	0.8	—
	2.2	0.7

1. In accordance with IFRS 3R, a significant proportion of deferred consideration payable to the former shareholders of Vado is required to be treated as remuneration, and, accordingly, is expensed to the income statement as incurred.

2. As a result of the acquisition of Vado, the Group has recognised an intangible asset which is subject to a non-cash amortisation charge (see note 12).

3. Costs of maintaining an in-house acquisitions department and professional advisory fees incurred in connection with the Group's business combination activities.

	2015 £m	2014 £m
Exceptional operating items		
Profit on disposal of residual property ¹	(0.4)	(0.5)
Sheffield lease surrender ²	2.5	—
Loss on disposal of property portfolio ³	1.5	—
Legal costs ⁴	0.3	0.2
Pension scheme settlement gain ⁵	(1.7)	—
Restructuring costs ⁶	0.3	1.5
	2.5	1.2

1. A profit of £0.4m was generated in the year following the sale of a small parcel of land in Braintree, UK, which had a net book value of £nil. During the previous year the Group disposed of a residual manufacturing facility in South Africa, generating a profit of £0.5m.

2. The Group acquired the freehold and exited its onerous lease in connection with the Orgreave Drive, Sheffield property in November 2014 for total consideration of £3.4m, of which £2.5m was the cost of surrendering the lease and has been recognised as an exceptional operating item. The remaining £0.9m related to the purchase of the freehold (see note 14).

3. The Group's remaining freehold surplus property portfolio was sold to Clowes Developments (UK) Ltd for net proceeds of £6.1m, being consideration of £6.5m net of £0.4m costs. This transaction included the property in Sheffield, amongst others, and led to a loss on disposal of £1.5m.

4. Legal costs related to the contractual dispute with a subsidiary of Wm Morrison Supermarkets plc regarding the Highgate site in Tunstall, UK.

5. During the year the Group undertook a liability management exercise in connection with its principal UK defined benefit pension scheme. This resulted in a settlement gain of £1.7m in the year, net of costs of £0.7m (see note 23).

6. Restructuring costs related to redundancies and asset write-downs following the implementation of a programme of restructuring initiatives throughout the Group's business units.

Notes to the Group accounts continued

Year ended 31 March 2015

6. Finance income and costs

	2015 £m	2014 £m
Finance costs		
Interest payable on bank borrowings	1.2	1.5
Amortisation of costs of raising debt finance	0.1	0.3
Movement on fair value of derivatives	—	3.7
Unwind of discount on property lease provisions	0.1	0.2
Finance costs	1.4	5.7
Exceptional finance costs ¹	0.4	—
Total finance costs	1.8	5.7
Finance income		
Movement on fair value of derivative financial instruments	(3.3)	—
Total finance income	(3.3)	—
Net finance (income)/costs	(1.5)	5.7

1. Following the refinancing of the Group's UK banking facilities in July 2014, the unamortised costs relating to the previous facility were written off in full.

7. Taxation

Taxation comprises:

	2015 £m	2014 £m
Current		
UK taxation	0.4	1.1
Deferred		
Origination and reversal of temporary differences	2.5	(5.4)
Taxation	2.9	(4.3)

The tax for the year is different from the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	2015 £m	2014 £m
Profit before tax	11.0	5.8
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 21% (2014: 23%)	2.3	1.3
Effects of:		
– overprovision in prior years	(0.4)	(0.7)
– income/expenses not chargeable/deductible for tax purposes	0.9	0.3
– recognition and utilisation of overseas tax losses and other timing differences	—	(2.6)
– recognition and utilisation of UK losses and capital allowances	—	(2.1)
– effect of lower tax rates and change in rate of deferred tax	0.1	(0.3)
– origination and reversal of timing differences	—	(0.2)
Total tax charge/(credit)	2.9	(4.3)

8. Non-GAAP measures

Consolidated Income Statement

The Directors believe that underlying profit before taxation and underlying earnings provide shareholders with additional useful information on the underlying performance of the Group. Underlying profit before taxation is defined as profit before taxation, IAS 19R administrative expenses, acquisition related costs, exceptional operating items, amortisation of costs of raising finance, net movement on fair value of derivative financial instruments, discounting of property lease provisions and finance costs relating to pension schemes.

	2015 £m	2014 £m
Profit before taxation from continuing operations	11.0	5.8
Adjusted for:		
– IAS 19R administrative expenses	1.7	1.4
– acquisition related costs (see note 5)	2.2	0.7
– exceptional operating items (see note 5)	2.5	1.2
– amortisation of costs of raising finance	0.1	0.3
– amortisation of costs of raising finance – exceptional	0.4	–
– net movement on fair value of derivative financial instruments	(3.3)	3.7
– discount on property lease provisions	0.1	0.2
– IAS 19R finance cost	1.1	1.3
Underlying profit before taxation	15.8	14.6
Taxation attributable to underlying profit before taxation	(2.8)	2.4
Underlying earnings	13.0	17.0

EBITDA is a measure commonly used by investors and financiers to assess business performance. Underlying EBITDA has been provided which reflects EBITDA as adjusted for IAS 19R administrative expenses, acquisition related costs and exceptional operating items. The Directors consider that this measure provides shareholders with additional useful information on the performance of the Group.

	2015 £m	2014 £m
Operating profit from continuing operations	10.6	12.8
Adjusted for:		
– depreciation	6.0	5.9
– IAS 19R administrative expenses	1.7	1.4
– acquisition related costs (see note 5)	2.2	0.7
– exceptional operating items (see note 5)	2.5	1.2
Underlying EBITDA	23.0	22.0

Consolidated Cash Flow Statement

Underlying operating cash flow is defined as cash generated from continuing operations before cash outflows from exceptional items and acquisition related costs and pension fund deficit recovery contributions. The Directors believe that underlying operating cash flow provides shareholders with additional useful information on the underlying cash generation of the Group.

	2015 £m	2014 £m
Cash generated from continuing operations (see note 25)	16.1	13.9
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see note 25)	4.7	4.4
– pension fund deficit recovery contributions (see note 25)	2.1	2.0
Underlying operating cash flow	22.9	20.3

Consolidated Balance Sheet

Underlying capital employed is used to calculate underlying return on capital employed, one of the Group's key performance indicators, and reflects the value of the assets used to generate underlying operating profit from continuing operations. Consequently, adjustments are made to remove assets and liabilities that do not impact underlying operating profit from continuing operations and to remove the average impact of exchange rate movements.

Notes to the Group accounts continued

Year ended 31 March 2015

8. Non-GAAP measures continued

Consolidated Balance Sheet continued

	2015 £m	2014 £m
Net assets	52.7	65.5
Adjusted for:		
– assets and associated liabilities classified as held-for-sale	—	(4.3)
– pension scheme liability (net of associated tax)	35.4	17.4
– cash and cash equivalents	(5.6)	(3.9)
– financial liabilities – borrowings	19.8	31.3
Capital employed	102.3	106.0
– foreign exchange adjustment	0.1	(0.2)
Underlying capital employed	102.4	105.8

9. Earnings per share

Basic and diluted 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 2015 the potential dilutive ordinary shares amounted to 23,032,985 (2014: 24,374,489) as calculated in accordance with IAS 33.

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

	2015 £m	2014 £m
Profit for the year from continuing operations	8.1	10.1
Profit/(loss) for the year from discontinued operations	0.1	(1.4)
Profit for the year	8.2	8.7

	2015 Number	2014 Number
Weighted average number of shares for basic earnings per share	592,231,354	583,950,031
Share options and warrants	23,032,985	24,374,489
Weighted average number of shares for diluted earnings per share	615,264,339	608,324,520

	2015	2014
Basic earnings per share:		
From continuing operations	1.4p	1.7p
From discontinued operations	—	(0.2p)
From profit for the year	1.4p	1.5p
Diluted earnings per share:		
From continuing operations	1.3p	1.6p
From discontinued operations	—	(0.2p)
From profit for the year	1.3p	1.4p

Basic and diluted underlying earnings per share

Basic and diluted underlying earnings per share has also been provided which reflects underlying earnings from continuing operations divided by the weighted average number of shares set out above.

	2015 £m	2014 £m
Underlying earnings (see note 8)	13.0	17.0
	2015	2014
Basic underlying earnings per share	2.2p	2.9p
Diluted underlying earnings per share	2.1p	2.8p

In 2014 the Company recognised further deferred tax assets totalling £4.4m. Excluding the impact of this, underlying basic earnings per share would have been 2.2p in 2014 and underlying diluted earnings per share would have been 2.1p in 2014.

10. Share-based payments

	Price per share	1 April 2014	Granted	Exercised	Lapsed	31 March 2015	Date from which exercisable	Expiry date
Approved Performance Share Plan 2011 (APSP)	0.0p	6,997,419	—	(6,886,113)	—	111,306	01.09.14	01.09.21
Approved Performance Share Plan 2012 (APSP)	0.0p	12,278,970	—	—	(193,198)	12,085,772	28.07.15	28.07.22
Approved Performance Share Plan 2013 (APSP)	0.0p	3,040,404	—	—	—	3,040,404	27.09.16	27.09.23
Approved Performance Share Plan 2014 (APSP)	0.0p	—	8,643,012	—	—	8,643,012	23.07.17	23.07.24
Deferred Share Bonus Plan 2013 (DSBP)	0.0p	518,391	—	—	—	518,391	26.09.16	26.09.26
Deferred Share Bonus Plan 2014 (DSBP)	0.0p	—	696,794	—	—	696,794	23.07.17	23.07.27
Save As You Earn Scheme (3) (SAYE)	9.4p	80,422	—	(34,467)	(45,955)	—	01.03.14	31.08.14
Save As You Earn Scheme (4) (SAYE)	10.1p	2,573,778	—	(2,162,341)	(177,618)	233,819	01.03.15	31.08.15
Save As You Earn Scheme (5) (SAYE)	11.8p	1,025,066	—	(12,203)	(103,727)	909,136	01.03.16	31.08.16
Save As You Earn Scheme (6) (SAYE)	19.1p	1,471,072	—	—	(357,168)	1,113,904	01.03.17	31.08.17
Save As You Earn Scheme (7) (SAYE)	15.8p	—	3,152,695	—	(14,126)	3,138,569	01.03.18	31.08.18

Details of the terms of the APSP and SAYE scheme are disclosed in the Directors' Remuneration Report. A total of 27,054 shares exercised in respect of the SAYE schemes were issued from the holding of the Norcros Employee Benefit Trust. The remaining shares exercised were fulfilled by the issue of new shares (see note 24).

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 £1.3m was recognised in respect of share options in the period (2014: £0.9m). 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 (3)	SAYE (4)	SAYE (5)	SAYE (6)	SAYE (7)
Date of grant	20.12.10	20.12.11	20.12.12	20.12.13	19.12.14
Initial exercise price	9.4p	10.1p	11.8p	19.1p	15.8p
Number of shares granted initially	1,864,296	3,001,492	1,229,469	1,537,040	3,152,695
Expected volatility	67.39%	59.53%	44.23%	42.74%	42.84%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	2.1%	2.0%	2.1%	1.5%	2.4%
Expected dividend yield	3.0%	3.0%	3.0%	2.3%	2.6%

	APSP 2011	APSP 2012	APSP 2013	APSP 2014	DSBP 2013	DSBP 2014
Date of grant	01.09.11	28.07.12	27.09.13	23.07.14	26.09.13	23.07.14
Initial exercise price	0.0p	0.0p	0.0p	0.0p	0.0p	0.0p
Number of shares granted initially	7,045,037	12,520,560	3,040,404	8,643,012	518,391	696,794
Expected volatility	65.67%	44.23%	42.74%	42.84%	56.11%	43.29%
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years
Risk free rate	2.0%	2.1%	1.5%	2.4%	2.0%	3.2%
Expected dividend yield	3.0%	3.0%	2.3%	2.6%	3.0%	2.3%

The share price at 31 March 2015 was 16.5p. The average price during the year was 17.68p. 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 of the Company.

Notes to the Group accounts continued

Year ended 31 March 2015

11. Goodwill

	2015 £m	2014 £m
At beginning of the year	22.1	23.0
Additions	0.2	—
Reclassification to assets held-for-sale	—	(0.1)
Exchange differences	(0.1)	(0.8)
	22.2	22.1

During the year the Group's Tile Africa business acquired a store in Port Elizabeth which had previously operated as a franchise for consideration of £0.3m, of which £0.2m was paid during the year. Net assets of £0.1m were acquired and consequently goodwill of £0.2m was recognised in connection with the transaction.

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

	2015 £m	2014 £m
Triton Showers	19.1	19.1
Tile Africa Group	3.1	3.0
	22.2	22.1

The recoverable amount of a CGU is determined by a value-in-use calculation. These calculations use cash flow projections derived from data and metrics used on an ongoing basis, with the key assumptions being those regarding discount rates, growth rates, future gross margin improvements and cash flows.

The key assumptions for the value-in-use calculations are:

- Cash flows before income taxes are based on approved budgets and detailed forecasts for the first five years.
- Pre-tax discount rates of 9.0% (2014: 9.0%) in the UK and 16.25% (2014: 16.25%) in South Africa 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.

Having applied sensitivities to the anticipated future cash flows, management believes that there are no reasonably possible changes in key assumptions which would result in an impairment of goodwill.

12. Intangible assets

	Vado trade name £m
Cost	
At 1 April 2013, 31 March 2014 and 31 March 2015	5.4
Accumulated amortisation	
At 1 April 2013	—
Charge for the year	0.4
At 31 March 2014	0.4
Charge for the year	0.3
At 31 March 2015	0.7
Net book amount at 31 March 2014	5.0
Net book amount at 31 March 2015	4.7

The intangible asset in respect of the Vado trade name was acquired as part of the acquisition of Vado on 31 March 2013.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2013	33.8	80.5	114.3
Exchange differences	(2.6)	(5.3)	(7.9)
Additions	0.4	3.9	4.3
Reclassification to assets held-for-sale	(2.1)	(1.1)	(3.2)
Transfers from investment properties (see note 14)	0.9	—	0.9
Disposals	(0.2)	(0.5)	(0.7)
At 31 March 2014	30.2	77.5	107.7
Exchange differences	(0.1)	(0.2)	(0.3)
Additions	0.3	6.6	6.9
Transfers to investment properties (see note 14)	(0.1)	—	(0.1)
Disposals	—	(3.2)	(3.2)
At 31 March 2015	30.3	80.7	111.0
Accumulated depreciation			
At 1 April 2013	11.6	59.2	70.8
Exchange differences	(0.5)	(3.6)	(4.1)
Charge for the year	1.0	4.9	5.9
Reclassification to assets held-for-sale	(0.5)	(0.9)	(1.4)
Disposals	—	(0.4)	(0.4)
At 31 March 2014	11.6	59.2	70.8
Exchange differences	(0.1)	(0.2)	(0.3)
Charge for the year	1.1	4.9	6.0
Disposals	—	(3.1)	(3.1)
At 31 March 2015	12.6	60.8	73.4
Net book amount at 31 March 2014	18.6	18.3	36.9
Net book amount at 31 March 2015	17.7	19.9	37.6

Plant and equipment includes motor vehicles, computer equipment and plant and machinery. Within plant and equipment are assets held under finance leases of £nil (2014: £0.1m).

During the year the Group disposed of a small parcel of land in Braintree, UK, generating a profit of £0.4m (see note 5). The land had no cost or accumulated depreciation.

14. Investment properties

	Investment property £m
Cost	
At 1 April 2013	6.3
Transfers to property, plant and equipment	(0.9)
At 31 March 2014	5.4
Additions	0.9
Transfers from property, plant and equipment	0.1
Transfers from other receivables	2.6
Disposals	(9.0)
At 31 March 2015	—
Accumulated depreciation	
At 1 April 2013	0.9
Charge for the year	0.1
At 31 March 2014	1.0
Disposals	(1.0)
At 31 March 2015	—
Net book amount at 31 March 2014	4.4
Net book amount at 31 March 2015	—

Notes to the Group accounts continued

Year ended 31 March 2015

14. Investment properties continued

Investment properties were held at cost and depreciated over 50 years with the exception of land which was not depreciated.

Rental income receivable in the year was £0.5m (2014: £0.5m).

During the year the Company completed the exit of its legacy lease and acquired the freehold interest in a property in Orgreave Drive, Sheffield. This property was vacated by the Company in 2008 as it was surplus to requirements and consequently was treated as an onerous lease. The total consideration relating to the transaction was £3.4m, of which £2.5m was in relation to the lease surrender (see note 5) and the balance of £0.9m relating to the property.

In December 2014 the Company reached an agreement with Clowes Developments (UK) Ltd to dispose of its entire investment property portfolio for consideration of £6.5m cash. Completion occurred on 2 March 2015 resulting in a loss on disposal of £1.5m which has been recognised as an exceptional operating item (see note 5). As part of the agreement, the Company sold a small parcel of land with a value of £0.1m which had previously been included within property, plant and equipment. The Company had also incurred planning and development costs of £2.6m which had been reported within other receivables. Accordingly, both of these items were reclassified as investment property prior to the disposal taking place.

15. Inventories

	2015 £m	2014 £m
Raw materials and consumables	9.8	10.0
Work in progress	0.7	0.9
Finished goods	41.7	39.3
	52.2	50.2

Provisions held against inventories totalled £2.7m (2014: £2.5m).

The cost of inventories recognised as an expense within cost of sales in the income statement amounted to £106.7m (2014: £107.3m).

During the year the Group charged £0.9m (2014: £0.4m) of inventory write-downs to the income statement within cost of sales.

16. Trade and other receivables

	2015 £m	2014 £m
Trade receivables	37.8	35.8
Less: provision for impairment of trade receivables	(0.3)	(0.3)
Trade receivables – net	37.5	35.5
Other receivables	0.6	3.6
Prepayments and accrued income	2.4	2.8
	40.5	41.9

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 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:

	2015 £m	2014 £m
Sterling	31.8	34.0
South African Rand	8.7	7.9
	40.5	41.9

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

	2015 £m	2014 £m
At beginning of year	0.3	0.4
Provision for receivables impairment	0.1	0.1
Receivables written off during the year as uncollectable	(0.1)	(0.1)
Exchange differences	—	(0.1)
At end of year	0.3	0.3

As at 31 March 2015, trade receivables of £30.9m (2014: £31.3m) were fully performing.

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

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

16. Trade and other receivables continued

As of 31 March 2015, trade receivables of £0.3m (2014: £0.3m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2014: 100%). The ageing of these receivables is as follows:

	2015 £m	2014 £m
Less than three months	0.1	0.1
Greater than three months	0.2	0.2
	0.3	0.3

At 31 March 2015 trade receivables of £6.6m (2014: £4.2m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2015 £m	2014 £m
Up to one month	5.3	3.1
One to two months	0.5	0.7
Two to three months	0.5	0.2
Greater than three months	0.3	0.2
	6.6	4.2

As noted above, 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.

17. Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	5.6	3.9

Cash and cash equivalents includes the following for the purposes of the Consolidated Cash Flow Statement:

	2015 £m	2014 £m
Cash at bank and in hand	5.6	3.9
Less: bank overdrafts (see note 19)	(1.4)	(0.7)
	4.2	3.2

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

18. Trade and other payables

	2015 £m	2014 £m
Trade payables	33.9	30.6
Other tax and social security payables	3.2	3.1
Other payables	1.8	1.9
Accruals and deferred income	16.0	16.7
	54.9	52.3

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

Notes to the Group accounts continued

Year ended 31 March 2015

19. Borrowings

	2015 £m	2014 £m
Non-current		
Bank borrowings (secured):		
– bank loans	19.0	31.0
– less: costs of raising finance	(0.6)	(0.5)
Total non-current	18.4	30.5
Current		
Bank borrowings (secured):		
– bank overdrafts (see note 17)	1.4	0.7
Finance leases and hire purchase contracts	—	0.1
Total current	1.4	0.8
Total borrowings	19.8	31.3

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:

	2015 £m	2014 £m
Not later than one year	1.4	0.8
After more than one year:		
– between one and two years	—	31.0
– between two and five years	19.0	—
– costs of raising finance	(0.6)	(0.5)
	18.4	30.5
Total borrowings	19.8	31.3

Capital risk management

In July 2014 the Group agreed a new unsecured £70m revolving credit facility with a £30m accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The facility has a five year tenure and consequently expires in July 2019.

The facility provides the Group with a sound financial structure for the medium term with £44.1m of headroom being available at 31 March 2015 (2014: £34.1m), after taking into account net debt and ancillary facilities in use of £5.5m (2014: £4.2m). 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:

	2015 %	2014 %
Bank loans	1.7	2.5
Overdraft	1.7	2.5

At 31 March 2015 the bank loans carried interest based on LIBOR plus a margin of 1.2% (2014: 2.0%). Overdrafts carry interest at base rate plus a margin of 1.2% (2014: 2.0%).

Net debt

The Group's net debt is calculated as follows:

	2015 £m	2014 £m
Cash and cash equivalents	(5.6)	(3.9)
Cash and cash equivalents included within assets classified as held-for-sale	—	(0.5)
Total borrowings	19.8	31.3
	14.2	26.9

19. Borrowings continued**Currency profile of net debt**

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

	2015 £m	2014 £m
Sterling	21.3	35.3
Euro	(0.3)	(1.4)
US Dollar	(1.6)	(3.3)
South African Rand	(5.2)	(3.2)
Australian Dollar	—	(0.5)
	14.2	26.9

20. 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 financial risks to which the Group is exposed are those of interest rate risk, credit risk, liquidity risk and exchange rate risk. An explanation of these risks and how the Group manages them is set out in the Directors' Report on page 59.

The Group's financial instruments comprise borrowings, cash, trade receivables and payables and forward exchange contracts. Based on the hierarchy defined in IFRS 7, the Group's financial instruments are classified as level 2 instruments. Consequently, fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Derivative financial instruments carried at fair value through profit and loss

	2015 Assets £m	2015 Liabilities £m	2014 Assets £m	2014 Liabilities £m
Forward foreign exchange contracts:				
— current	2.1	1.0	—	1.8
— non-current	—	—	—	0.3
	2.1	1.0	—	2.1

Forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2015 were €19.1m and US\$32.4m (2014: €13.2m and US\$53.1m).

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next twelve months. Gains and losses recognised on forward exchange contracts to date have been taken to the 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 £14.8m (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 £0.1m per annum.

(B) 5% strengthening or weakening in major currencies

A number of the Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening of Sterling across all currencies would lead to a £1.5m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £1.6m increase in net assets.

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

21. Deferred tax

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

The main rate of UK corporation tax was reduced from 23% to 21% with effect from 1 April 2014. In the 2013 Annual Budget Statement it was announced that the rate would reduce to 20% with effect from 1 April 2015. This rate reduction was substantively enacted on 2 July 2013 and the deferred tax asset at 31 March 2015 reflects this.

Notes to the Group accounts continued

Year ended 31 March 2015

21. 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:

	2015 £m	2014 £m
Deferred tax asset at the beginning of the year	11.6	8.7
(Charged)/credited to the Consolidated Income Statement	(2.5)	5.4
Credited/(charged) to the Consolidated Statement of Comprehensive Income	4.7	(2.5)
Deferred tax asset at the end of the year	13.8	11.6

	2015 £m	2014 £m
Accelerated capital allowances	2.7	3.0
Tax losses	3.3	4.5
Other timing differences	(1.1)	(0.3)
Deferred tax asset relating to pension deficit	8.9	4.4
	13.8	11.6

The full potential asset for deferred tax is as follows:

	2015 £m	2014 £m
Accelerated capital allowances	2.7	3.0
Tax losses	11.2	12.4
Other timing differences	(1.1)	(0.3)
Deferred tax asset relating to pension deficit	8.9	4.4
	21.7	19.5

No deferred tax asset has been recognised in respect of £7.9m (2014: £7.9m) of tax losses as the Company does not believe that utilisation of these losses is probable.

22. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	Total £m
At 1 April 2013	1.4	0.3	4.8	6.5
Charged to the Income Statement	1.2	1.5	—	2.7
Amortisation of discount	—	—	0.2	0.2
Utilisation	(1.2)	(1.5)	(2.3)	(5.0)
At 31 March 2014	1.4	0.3	2.7	4.4
Charged to the Income Statement	1.2	0.3	—	1.5
Amortisation of discount	—	—	0.1	0.1
Utilisation	(1.2)	(0.6)	(0.9)	(2.7)
At 31 March 2015	1.4	—	1.9	3.3

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

The restructuring provision has been recognised for expected liabilities arising from reorganisations.

The UK property provision relates to the expected liability arising from lease shortfall on the remaining surplus Group property.

23. Retirement benefit obligations

(a) Pension costs

Norcros Security Plan

The Norcros Security Plan (the "Plan"), the principal UK pension scheme of Norcros plc subsidiaries, is funded by a separate trust fund which operates under UK trust law and is a separate legal entity from the Company. The Plan is governed by a Trustee board which is required by law to act in the best interests of the Plan members and is responsible for setting policies together with the Company. The Plan exposes the Company to actuarial risks such as longevity risk, interest rate risk, market (investment) risk and currency risk.

23. Retirement benefit obligations continued**(a) Pension costs** continued**Norcros Security Plan** continued

It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits. Norcross 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, though active members retain a salary link. As a result of the closure a new defined contribution pension scheme was implemented to replace the Plan from the same date.

The weighted average duration of the defined benefit obligation is approximately 16 years and can be attributed to the scheme members as follows:

	2015
Employee members	10%
Deferred members	29%
Pensioner members	61%
Total	100%

The Plan assets do not include any investments in the Company or any property or other assets utilised by the Company. The Trustee holds insurance policies with various insurance companies that secure the pensions payable to specified beneficiaries. These policies remain assets of the Trustee but are not valued in the Plan assets or liabilities.

The Plan is funded by the Company with funding based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustee and the Company. Employer deficit recovery contributions in the year to 31 March 2016 are expected to be £2.1m.

The Plan has undertaken a number of liability management exercises during the year which have resulted in a number of benefits being settled and some changes to pension increases in payment. The net impact of these exercises was to reduce the net deficit by £1.7m which has been reflected in the Consolidated Income Statement as an exceptional operating item as follows:

	2015 £m
Liabilities extinguished on settlements	6.8
Assets distributed on settlements	(4.4)
IAS 19R pension administration expenses – liability management exercises	(0.7)
Total	1.7

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 ended 31 March 2008 and replaced by defined contribution schemes.

Defined contribution pension schemes

Contributions made to these schemes amounted to £2.6m (2014: £2.2m), which includes £0.4m (2014: £0.3m) for the provision of life insurance cover.

(b) IAS 19R, 'Employee benefits'**Norcros Security Plan**

The valuation used for IAS 19R disclosures has been based on the most recent actuarial valuation at 31 March 2012 and updated by KPMG, a firm of qualified actuaries, to take account of the requirements of IAS 19R in order to assess the liabilities of the scheme at 31 March 2015. Scheme assets are stated at their market value at 31 March 2015.

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

	2015 Projected unit	2014 Projected unit
Discount rate	3.30%	4.30%
Inflation rate (RPI)	2.90%	3.20%
Inflation rate (CPI)	1.90%	2.20%
Increase to deferred benefits during deferment (non-GMP liabilities)	2.83%	3.05%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	2.83%	3.05%
Salary increases	2.15%	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 2015 at age 65 will on average live for a further 21.4 years (2014: 21.3 years) after retirement if they are male and 23.7 years (2014: 23.6 years) if they are female. Members are assumed to take a 25% (2014: 25%) cash commutation sum on retirement.

Notes to the Group accounts continued

Year ended 31 March 2015

23. Retirement benefit obligations continued**(b) IAS 19R, 'Employee benefits'** continued**Norcros Security Plan** continued

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

	2015 £m	2014 £m
Included in operating profit:		
IAS 19R pension administration expenses	1.7	1.4
Included in exceptional operating items:		
Settlement gain	(1.7)	—
IAS 19R finance cost	1.1	1.3
Total amounts recognised in the Income Statement	1.1	2.7

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

	Value at 31 March 2015 £m	Value at 31 March 2014 £m
Equities	78.9	76.4
Absolute return funds	158.3	153.5
Bonds	157.2	151.8
Cash and gilts	2.6	2.1
Total market value of scheme assets	397.0	383.8
Present value of scheme liabilities	(441.3)	(405.6)
Pension deficit	(44.3)	(21.8)

Each class of plan assets is considered to have a quoted market price in an active market.

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

	2015 £m	2014 £m
Deficit at the beginning of the year	(21.8)	(29.9)
Employer contributions – normal contributions	—	0.1
– deficit recovery plan	2.1	2.0
Settlement gain	1.7	—
IAS 19R pension administration expenses	(1.7)	(1.4)
IAS 19R finance cost	(1.1)	(1.3)
Actuarial (losses)/gains	(23.5)	8.7
Deficit at the end of the year	(44.3)	(21.8)

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

	2015 £m	2014 £m
Opening fair value of scheme assets	383.8	389.6
Employer contributions – normal contributions	—	0.1
– deficit recovery plan	2.1	2.0
Employee contributions	—	0.1
Interest income	16.0	15.8
Benefits paid	(23.1)	(23.6)
Actuarial gains on scheme assets	25.0	1.2
Assets distributed on settlements	(4.4)	—
IAS 19R pension administration expenses – liability management exercises	(0.7)	—
IAS 19R pension administration expenses – routine	(1.7)	(1.4)
Closing fair value of scheme assets	397.0	383.8

23. Retirement benefit obligations continued**(b) IAS 19R, 'Employee benefits' continued****Norcros Security Plan continued**

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

	2015 £m	2014 £m
Opening scheme liabilities	(405.6)	(419.5)
Employee contributions	—	(0.1)
Interest cost	(17.1)	(17.1)
Actuarial gains arising from changes in demographic assumptions	—	2.2
Actuarial (losses)/gains arising from changes in financial assumptions	(42.4)	5.3
Experience losses on liabilities	(6.1)	—
Liabilities extinguished on settlements	6.8	—
Benefits paid	23.1	23.6
Closing fair value of scheme liabilities	(441.3)	(405.6)

(vii) Amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	2015 £m	2014 £m
Actuarial (losses)/gains	(23.5)	8.7
Deferred tax	4.7	(2.5)
	(18.8)	6.2

(viii) Sensitivities

The sensitivities regarding the principal assumptions used to measure the Plan's liabilities are as follows:

Assumption	Impact on scheme deficit	
	2015 £m	2014 £m
Discount rate – 0.1% decrease	6.4	5.2
Inflation – 0.1% increase	5.3	3.4
Increase in life expectancy by one year	12.6	11.6

The above sensitivities are applied to adjust the defined benefit obligation at the end of the year. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide an approximation as to the sensitivity of the assumptions shown.

No changes have been made to the method and assumptions used in this analysis from those used in the previous year.

24. Called up share capital

	2015 £m	2014 £m
Issued and fully paid		
597,064,867 (2014: 587,885,491) ordinary shares of 1p each	6.0	5.8

During the year the Company issued 6,997,419 ordinary shares to the Norcros Employee Benefit Trust in order to satisfy vestings of options under the Company's Approved Performance Share Plan. A further 2,181,957 1p ordinary shares were issued to members of an SAYE scheme whose options became exercisable during the year.

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.

Taking into account the capital raising in 2009 the remaining warrants now represent 3,368,852 ordinary shares (0.56% of the issued ordinary share capital) at 31 March 2015. The warrants are exercisable at 8.97p per share at any time up to July 2017.

Notes to the Group accounts continued

Year ended 31 March 2015

25. Consolidated Cash Flow Statement

(a) Cash generated from operations

The analysis of cash generated from operations split by continuing and discontinued operations is given below.

Continuing operations

	2015 £m	2014 £m
Profit before taxation	11.0	5.8
Adjustments for:		
– IAS 19R administrative expenses included in the Income Statement	1.7	1.4
– acquisition related costs included in the Income Statement	2.2	0.7
– exceptional items included in the Income Statement	2.5	1.2
– cash flows from exceptional items and acquisition related costs	(4.7)	(4.4)
– depreciation	6.0	5.9
– difference between current service costs and normal cash contributions	—	(0.1)
– pension fund deficit recovery contributions	(2.1)	(2.0)
– loss on disposal of property, plant and equipment	0.1	0.1
– finance costs	1.8	5.7
– finance income	(3.3)	—
– IAS 19R finance cost	1.1	1.3
– share-based payments	1.3	0.9
Operating cash flows before movement in working capital	17.6	16.5
Changes in working capital:		
– increase in inventories	(2.0)	(5.7)
– increase in trade and other receivables	(1.4)	(1.9)
– increase in trade and other payables	1.9	5.0
Cash generated from continuing operations	16.1	13.9

Discontinued operations

	2015 £m	2014 £m
Profit before taxation (see note 28)	—	0.2
Adjustments for:		
– depreciation	—	0.1
Operating cash flows before movement in working capital	—	0.3
Changes in working capital:		
– decrease/(increase) in inventories	0.4	(0.4)
– increase in trade and other receivables	(0.1)	(0.2)
– decrease in trade and other payables	(0.2)	—
Cash generated from/(used in) discontinued operations	0.1	(0.3)
Cash generated from operations	16.2	13.6

(b) Outflow related to exceptional items and acquisition related costs

This includes expenditure charged to exceptional provisions relating to onerous lease costs, acquisition related costs (excluding deferred remuneration) and other business rationalisation and restructuring costs.

(c) Analysis of net debt

	Cash included within assets held-for-sale £m	Net cash £m	Borrowings £m	Net debt £m
At 1 April 2013	—	6.4	(37.1)	(30.7)
Cash flow	(0.3)	(1.6)	6.9	5.0
Reclassification to assets held-for-sale	1.0	(1.0)	—	—
Other non-cash movements	—	—	(0.4)	(0.4)
Exchange movement	(0.2)	(0.6)	—	(0.8)
At 31 March 2014	0.5	3.2	(30.6)	(26.9)
Cash flow	(0.5)	1.1	12.1	12.7
Other non-cash movements	—	—	0.1	0.1
Exchange movement	—	(0.1)	—	(0.1)
At 31 March 2015	—	4.2	(18.4)	(14.2)

Other non-cash movements principally relate to the movement in the costs of raising debt finance in the year.

26. Dividends

A final dividend in respect of the year ended 31 March 2014 of £2.0m (0.34p per share) was paid on 30 July 2014 and an interim dividend of £1.1m (0.185p per share) was paid on 7 January 2015. A final dividend in respect of the year ended 31 March 2015 of £2.2m (0.375p per share) is to be proposed at the Annual General Meeting on 23 July 2015. These financial statements do not reflect this final dividend.

27. Capital and other financial commitments**(a) Capital commitments**

	2015 £m	2014 £m
Contracts placed for future capital expenditure not provided in the financial statements	1.2	0.7

(b) Operating lease commitments

	2015 £m	2014 £m
Total commitments under operating leases:		
– not later than one year	4.9	4.8
– later than one year and not later than five years	12.9	12.7
– later than five years	2.1	16.6
	19.9	34.1

Total future sub-lease payments receivable relating to the above operating leases amounted to £2.1m (2014: £2.9m).

The above operating lease commitments are analysed as:

	2015 £m	2014 £m
Equipment:		
– not later than one year	1.6	1.1
– later than one year and not later than five years	2.9	2.2
– later than five years	—	0.2
Land and buildings:		
– not later than one year	3.3	3.7
– later than one year and not later than five years	10.0	10.5
– later than five years	2.1	16.4
	19.9	34.1

(c) Operating leases receivable

Prior to the disposal of its surplus property portfolio, the Group leased certain of its investment properties to third parties. The total future minimum lease payments receivable were as follows:

	2015 £m	2014 £m
Total commitments under operating leases:		
– not later than one year	—	0.6
– later than one year and not later than five years	—	1.7
– later than five years	—	—
	—	2.3

Notes to the Group accounts continued

Year ended 31 March 2015

28. Discontinued operations and assets held-for-sale

On 25 March 2014, the Company entered into a conditional agreement to dispose of 100% of the issued share capital of Norcros Industry (Pty) Limited (NIPL), which owned its Australian tiles business, to Kim Hin Industries Berhad (KHIB). As KHIB is listed on the Malaysian Bursa, it required shareholder approval to allow the transaction to take place, and this was duly received allowing the disposal to be completed on 30 May 2014. Consequently, NIPL was classified as held-for-sale in the consolidated balance sheet at 31 March 2014 and an analysis of the assets held-for-sale and liabilities associated with assets held-for-sale is given in the table below.

	2014 £m
Property, plant and equipment	1.7
Inventories	2.8
Trade and other receivables	1.2
Cash	0.5
Assets held-for-sale	6.2
Trade and other payables	(1.8)
Current tax liabilities	(0.1)
Liabilities associated with assets held-for-sale	(1.9)
Net assets held-for-sale	4.3

In accordance with IFRS 5, an impairment loss of £1.5m to remeasure the carrying value of the assets to fair value less costs to sell was recognised following the reclassification of the net assets of NIPL as held-for-sale in the year ended 31 March 2014. Including an estimated tax charge arising from the transaction of £0.1m, a total loss on disposal of £1.6m was anticipated. Following the completion of the transaction the Company made an actual loss on disposal of £1.5m. Taking into account the loss of £1.6m reflected in the Consolidated Income Statement in the year ended 31 March 2014, this means that a profit of £0.1m has been recognised in the current year. The actual loss on disposal is calculated as follows:

	2015 £m
Property, plant and equipment	1.8
Inventories	3.1
Trade and other receivables	1.4
Cash	0.6
Trade and other payables	(1.2)
Net assets disposed of	5.7
Disposal proceeds:	
Cash	4.7
Less: directly attributable costs	(0.3)
Net proceeds	4.4
Loss on disposal before tax and recycling of foreign exchange	(1.3)
Tax charge on loss on disposal	(0.1)
Loss on disposal before recycling of foreign exchange	(1.4)
Recycling of foreign exchange	(0.1)
Loss on disposal	(1.5)

28. Discontinued operations and assets held-for-sale continued

The net cash inflow from the disposal, reported in investing activities, was as follows:

	2015 £m
Disposal proceeds	4.7
Directly attributable costs	(0.3)
Cash divested	(0.6)
Net cash inflow	3.8

As NIPL represented a major line of business for the Group and was classified as held-for-sale in the year ended 31 March 2014, its operations have been treated as discontinued with a single amount shown on the face of the Consolidated Income Statement. The table below provides further detail of the amount presented in the Consolidated Income Statement.

	2015 £m	2014 £m
Revenue	1.8	10.6
Expenses	(1.8)	(10.4)
Profit before tax and loss recognised on remeasurement to fair value less costs to sell	—	0.2
Loss recognised on remeasurement to fair value less costs to sell	—	(1.5)
Tax charge on loss recognised on remeasurement to fair value less costs to sell	—	(0.1)
Loss on disposal	(1.5)	—
Reversal of loss recognised on remeasurement to fair value (including associated tax charge)	1.6	—
Profit/(loss) for the period from discontinued operations	0.1	(1.4)

The net cash flows of NIPL reported in the Consolidated Cash Flow Statement are as follows:

	2015 £m	2014 £m
Operating activities (note 25(a))	0.1	(0.3)
Investing activities	3.8	—
Net cash inflow/(outflow)	3.9	(0.3)

The total comprehensive income and expense of NIPL reported in the Consolidated Statement of Comprehensive Income are as follows:

	2015 £m	2014 £m
Profit/(loss) for the year from discontinued operations	0.1	(1.4)
Foreign currency translation adjustments	0.1	(0.9)
Total comprehensive income/(expense) from discontinued operations	0.2	(2.3)

29. Restatement of prior year comparatives

The Group has reclassified certain costs related to business combination activities in line with emerging market practice such that they are now presented as a separate line entitled "Acquisition related costs" in the Consolidated Income Statement. In order to effect fair comparison, the results for the year ended 31 March 2014 have been restated to conform to this style of presentation.

	2014 as previously reported £m	IAS 19R administrative expenses £m	Deferred remuneration £m	Amortisation of intangibles £m	2014 as restated £m
Underlying operating profit	16.1	—	—	—	16.1
Non-underlying operating items	(1.8)	1.4	—	0.4	—
IAS 19R administrative expenses	—	(1.4)	—	—	(1.4)
Acquisition related costs	—	—	(0.3)	(0.4)	(0.7)
Exceptional operating items	(1.5)	—	0.3	—	(1.2)
Operating profit	12.8	—	—	—	12.8

The restatement has no impact on the Consolidated Balance Sheet or Consolidated Cash Flow Statement.

Notes to the Group accounts continued

Year ended 31 March 2015

30. Related party transactions

The following transactions were carried out with related parties:

(a) Purchases of goods and services

	2015 £m	2014 £m
Purchases of goods:		
– Prism Cement Limited	—	0.6

Goods are purchased from related parties on normal commercial terms and conditions.

Prism Cement Limited was classed as a related party due to the fact that one of its directors, Vijay Aggarwal, was also a Director of the Company, and one of its subsidiaries, Lifestyle Investments PVT Limited, owned 29.6% of the Company's issued share capital as of 1 April 2013. On 11 April 2013, Lifestyle Investments PVT Limited sold 27,000,000 ordinary shares to reduce its holding in the Company to 24.97%, and on 18 September 2013, sold the remainder of its holding in the Company and consequently ceased to be a related party from that date. Additionally, Mr Aggarwal ceased to be a Director of the Company from 20 September 2013.

Prior to the divestment, dividends of £0.4m were paid to Lifestyle Investments PVT Limited.

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

31. Post balance sheet events

On 15 May 2015 the Group announced that the contractual dispute with Optimisation Developments Limited, a subsidiary of Wm Morrison Supermarkets plc, regarding the conditional sale of part of its surplus land holding at Highgate, Tunstall, had been settled. The terms of the settlement are confidential for legal reasons, but the amount (net of costs) will be reflected in the accounts for the year to 31 March 2016 as an exceptional operating item.

The site at Highgate, Tunstall, which had been the subject of this dispute, has subsequently been disposed of, forming part of the portfolio freehold property sale described in note 14.

32. 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

- Norcross Group (Holdings) Limited

Overseas

- Norcross SA (Pty) Limited* (incorporated in South Africa)

* The Group interest is owned by Group companies other than Norcross 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.

The Company has taken advantage of the exemption under Section 410 (2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the financial statements. A full list of subsidiaries is included on the Company's annual return.

Independent auditor's report

To the members of Norcros plc

Report on the parent company financial statements

Our opinion

In our opinion, Norcros plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 March 2015;
- 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.

What we have audited

Norcros plc's financial statements comprise:

- the parent company balance sheet as at 31 March 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditor's report continued

To the members of Norcros plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Norcros plc for the year ended 31 March 2015.



M. A. Heath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
18 June 2015

Parent Company balance sheet

At 31 March 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Investments	3	177.3	177.3
Deferred tax asset	4	0.5	0.6
		177.8	177.9
Creditors: amounts falling due within one year			
Other	5	(19.9)	(3.2)
Net current liabilities		(19.9)	(3.2)
Total assets less current liabilities		157.9	174.7
Creditors: amounts falling due after more than one year			
Borrowings – bank and other loans	6	(18.4)	(30.5)
Net assets		139.5	144.2
Financed by:			
Share capital	7	6.0	5.8
Share premium account	8	1.0	0.9
Treasury reserve	8	(0.1)	—
Profit and loss account	8	132.6	137.5
Total shareholders' funds	8	139.5	144.2

The financial statements of Norcros plc, registered number 3691883, were approved on 18 June 2015 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 2015

1. Statement of accounting policies

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 policies 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 and cash flow projections derived from detailed budgets and forecasts. 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 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 30.

In accordance with FRS 8, the Company has taken advantage of the exemption not to disclose transactions with wholly owned subsidiaries.

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 (2014: £3,000) is borne by the Company's subsidiary, without recharge.

3. Investments

Shares in
subsidiaries
£m

At 1 April 2014 and **31 March 2015**

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, taps, tiles and adhesives.

The Directors believe that the carrying value of investments is supported by their underlying net assets.

Details of the principal operating subsidiaries indirectly owned by the Company are shown in note 32 of the Group accounts.

4. 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:

	2015 £m	2014 £m
Deferred tax asset at the beginning of the year	0.6	0.2
(Charged)/credited to the income statement	(0.1)	0.4
Deferred tax asset at the end of the year	0.5	0.6
	2015 £m	2014 £m
Other timing differences	0.5	0.6

The full potential asset for deferred tax is as follows:

	2015 £m	2014 £m
Other timing differences	0.5	0.6
Tax losses	5.2	5.2
	5.7	5.8

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.

5. Creditors – amounts falling due within one year

	2015 £m	2014 £m
Amounts owed to Group undertakings	19.4	2.8
Accruals	0.5	0.4
	19.9	3.2

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

6. Borrowings

	2015 £m	2014 £m
Loans and bank overdrafts	19.0	31.0
Costs of raising finance	(0.6)	(0.5)
	18.4	30.5
Repayable after more than one year:		
– between one and two years	—	31.0
– between two and five years	19.0	—
– costs of raising finance	(0.6)	(0.5)
	18.4	30.5

In July 2014 the Company agreed a new unsecured £70m revolving credit facility with a £30m accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The facility has a five year tenure and consequently expires in July 2019.

Notes to the Parent Company accounts continued

Year ended 31 March 2015

7. Called up share capital

	2015 £m	2014 £m
Issued and fully paid		
597,064,867 (2014: 587,885,491) ordinary shares of 1p each	6.0	5.8

During the year the Company issued 6,997,419 ordinary shares to the Norcross Employee Benefit Trust in order to satisfy vestings of options under the Company's Approved Performance Share Plan. A further 2,181,957 1p ordinary shares were issued to members of an SAYE scheme whose options became exercisable during the year.

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.

Taking into account the capital raising in 2009 the remaining warrants now represent 3,368,852 ordinary shares (0.56% of the issued ordinary share capital) at 31 March 2015. The warrants are exercisable at 8.97p per share at any time up to July 2017.

8. Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium account £m	Treasury reserve £m	Profit and loss account £m	Total £m
At beginning of year	5.8	0.9	—	137.5	144.2
Shares issued in the year	0.2	0.1	(0.1)	—	0.2
Loss for the year	—	—	—	(3.1)	(3.1)
Share option schemes	—	—	—	1.3	1.3
Dividends paid	—	—	—	(3.1)	(3.1)
At end of year	6.0	1.0	(0.1)	132.6	139.5

9. Dividends

A final dividend in respect of the year ended 31 March 2014 of £2.0m (0.34p per share) was paid on 30 July 2014 and an interim dividend of £1.1m (0.185p per share) was paid on 7 January 2015. A final dividend in respect of the year ended 31 March 2015 of £2.2m (0.375p per share) is to be proposed at the Annual General Meeting on 22 July 2015. These financial statements do not reflect this final dividend.

10. Contingent liabilities

The Company is party to an omnibus set-off agreement between Lloyds Bank plc and the Group's UK subsidiaries.

11. Financial risk management objectives and policies

A description of the Group's financial risk management policies are provided in the Directors' Report on page 59. These objectives and policies also apply to the Company.

12. Share-based payments

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

Notice of Annual General Meeting

Notice is given that the 2015 Annual General Meeting of Norcross plc will be held at 11.00am on 22 July 2015 at Mottram Hall, Wilmslow Road, Mottram St Andrew, Cheshire SK10 4QT for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 1 to 12 (inclusive) below will be proposed as ordinary resolutions and resolutions 13 to 15 (inclusive) below will be proposed as special resolutions.

1. To receive the audited accounts and the auditor's and Directors' reports for the year ended 31 March 2015.
2. To approve the directors' remuneration report for the year ended 31 March 2015.
3. To declare a final dividend of 0.375 pence per ordinary share for the year ended 31 March 2015.
4. To re-elect Jo Hallas as a Director.
5. To re-elect Martin Towers as a Director.
6. To re-elect David McKeith 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 auditor to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
10. To authorise the Directors to determine the auditor's remuneration.
11. That, subject to and conditional upon admission of the New Ordinary Shares (as defined in this resolution) to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange's Main Market for listed securities becoming effective, every ten ordinary shares of £0.01 each in the capital of the Company (each an **Existing Ordinary Share**) be consolidated into one ordinary share of £0.10 each (each a **New Ordinary Share**), at such time and date (if any) as the Board of Directors of the Company (**Board**) may, in its absolute discretion, determine (such time and date being no later than the first anniversary of the date on which this resolution 11 is passed), with such New Ordinary Shares having the same rights as the Existing Ordinary Shares, provided that if, as a result of such consolidation of shares, fractions of shares become attributable to members, the Board may on behalf of those members deal with the fractions as it thinks fit, including (without limitation) in either (or both) of the ways prescribed in the Articles of Association of the Company (**Articles**) as set out below:
 - (a) the Board may sell shares representing the fractions, through a member of the London Stock Exchange or other appropriate intermediary acting (in any case) on a "best execution" (or equivalent) basis or in such other manner (whether or not through an intermediary) that provides a price which the Board considers to be reasonable in the circumstances, to any person (including, subject to the statutes (as defined in the Articles) and, without limitation, the Company) and distribute the net proceeds of sale (after deducting the expenses of sale) in due proportion amongst the persons to whom such fractions are attributable (except that if the amount due to a person is less than £1.00, or such other sum as the Board may decide, the Company may retain such sum for its own benefit). To give effect to such sale the Board may:
 - (i) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares to the purchaser or as the purchaser may direct, or
 - (ii) in the case of uncertificated shares, exercise any power conferred on it by article 15.9 of the Articles to effect a transfer of the shares;

The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to in this resolution 11 shall be effective as if it had been executed or exercised by the holder of the shares to which it relates; and/or
 - (b) in relation to the fractions the Board may issue, subject to the statutes (as defined in the Articles), to a member credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding of shares to a number which, following the consolidation, leaves a whole number of shares (such issue being deemed to have been effected immediately before the consolidation). The amount required to pay up those shares may be capitalised as the Board thinks fit out of amounts standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, and applied in paying up in full the appropriate number of shares.
12. 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 £3,981,159 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;

Notice of Annual General Meeting continued

- (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.
13. 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 12 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 £597,174, and shall expire when the authority conferred on the Directors by resolution 12 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.
14. 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 (i) ordinary shares of £0.10 in its capital where resolution 11 is passed and the consolidation of shares authorised thereby occurs; or otherwise (ii) ordinary shares of £0.01 each in its capital provided that:
- (a) the maximum aggregate number of such shares that may be acquired under this authority is 5,971,740 £0.10 shares where resolution 11 is passed and the consolidation of shares authorised thereby occurs; or otherwise 59,717,400 £0.01 shares;
 - (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.
15. 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



Richard H. Collins
Company Secretary
18 June 2015

Registered office:

Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

Registered in
England and Wales
Company number
3691883

Adoption of Financial Reporting Standard (FRS) 101 'Reduced disclosure framework'

Following the publication of FRS100 Application of Financial Reporting Requirements by the Financial Reporting Council, the Company is required to change its accounting framework for its Parent Company financial statements, which is currently UK GAAP, for its financial year commencing 1 April 2015. The Company intends to adopt Financial Reporting Standard 101 'Reduced disclosure framework' for its Parent Company financial statements unless it receives objections in writing from shareholders holding in aggregate 5% or more of the total allotted shares in the Company before 30 September 2015.

Notes

1. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.
2. The right of a member of the Company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares of 1p each ("ordinary shares") by 6.00pm on 20 July 2015 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 Asset Services ("Capita"), PXS at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by 11.00am on 20 July 2015. 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.
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 17 June 2015 (being the latest practicable date prior to the printing of this document), (i) the Company's issued share capital consisted of 597,173,935 ordinary shares carrying one vote each and (ii) the total voting rights in the Company were 597,173,935.
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 auditor 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.

Notice of Annual General Meeting continued

Notes continued

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 (ID: RA10), as the Company's "issuer's agent", by 11.00am on 20 July 2015. 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 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 (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 11.00am on 22 July 2015 at Mottram Hall, Wilmslow Road, Mottram St Andrew, Cheshire SK10 4QT. The Notice convening that meeting, together with the resolutions to be proposed, appears on pages 105 to 108 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 auditor's 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 Annual Report on Remuneration for the year ended 31 March 2015 is set out in full on pages 49 to 57 of this document. Any shareholder who would like a copy of the Annual Report and Accounts 2015 can obtain one by contacting our registrar on 0871 664 0300. Alternatively, the Annual Report and Accounts 2015 can be viewed on our website at www.norcros.com.

Included in the text of the Remuneration Report is the directors' remuneration policy statement. This policy was approved by shareholders at the Company's 2014 AGM and there have been no changes to the policy since that date.

Resolution 3

Dividend

The payment of the final dividend requires the approval of shareholders in general meeting. If the meeting approves resolution 3, the final dividend of 0.375 pence per ordinary share will be paid on 29 July 2015 to ordinary shareholders who are on the register of members on 26 June 2015 in respect of each ordinary share.

Resolution 4

Re-Election of Jo Hallas

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

Brief biographical details of Jo can be found on page 31. The chairman confirms that, following performance evaluation, Jo's performance continues to be effective, she demonstrates commitment to the role and possesses the necessary experience and knowledge. The Board therefore unanimously recommends that Jo be re-elected as a Director.

Resolution 5

Re-election of Martin Towers

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

Brief biographical details of Martin can be found on page 30. The Board confirms that, following performance evaluation, Martin's performance continues to be effective, he demonstrates commitment to the role and that he possesses the necessary experience and knowledge. The Board unanimously recommends that Martin be re-elected as a Director.

Resolution 6

Re-election of David McKeith

It is proposed that David McKeith be re-elected as a Director.

Brief biographical details of David can be found on page 31. The Chairman confirms that, following performance evaluation, David's performance continues to be effective, he demonstrates commitment to the role and that he possesses the necessary experience and knowledge. The Board unanimously recommends that David be re-elected as a Director.

Resolution 7

Re-election of Nick Kelsall

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

Brief biographical details of Nick can be found on page 30. The Chairman confirms that, following performance evaluation, Nick's performance continues to be effective, he demonstrates commitment to the role and that he possesses the necessary experience and knowledge. The Board unanimously recommends 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.

Brief biographical details of Martin can be found on page 31. The Chairman confirms that, following performance evaluation, Martin's performance continues to be effective, he demonstrates commitment to the role and that he possesses the necessary experience and knowledge. The Board unanimously recommends that Martin be re-elected as a Director.

Explanatory notes continued

Resolution 9

Re-appointment of auditor

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 auditor

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

Resolution 11

Share consolidation

Background

The Company has a large number of ordinary shares in issue. The share consolidation is based on every ten existing ordinary shares of £0.01 each (**Existing Ordinary Shares**) being consolidated into an ordinary share of £0.10 (a **New Ordinary Share**) with the intention that, following the share consolidation, the number of shares in issue will be more appropriate for a company of Norcros's size in the UK market. The share consolidation may also help to make the Company's shares more attractive to investors and may result in a narrowing of the bid/offer spread, thereby improving liquidity.

Effect of the Share Consolidation

Following the share consolidation, shareholders will still hold the same proportion of the Company's ordinary share capital as before the share consolidation (save in respect of fractional entitlements). Other than a change in nominal value, the New Ordinary Shares will carry equivalent rights under the Articles of Association of the Company to the Existing Ordinary Shares.

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to trading on London Stock Exchange plc's main market.

If an individual shareholding is not exactly divisible by 10, the share consolidation will generate an entitlement to a fraction of a New Ordinary Share. Fractions of New Ordinary Shares will be aggregated and sold for the best price reasonably obtainable on behalf of the shareholders entitled to the fractions. The net proceeds of the sale, after the deduction of the expenses of the sale, will be distributed in due proportion among the relevant shareholders, except that any individual entitlement of £1.00 or less may be retained by the Company for its benefit. Only shareholders with a holding of Existing Ordinary Shares that are not exactly divisible by 10 will be left with an entitlement to a fraction of a New Ordinary Share.

Shareholders who hold fewer than 10 Existing Ordinary Shares will still have their shareholding consolidated and their shareholding will be dealt with in accordance with the procedure for fractional entitlements to New Ordinary Shares.

For purely illustrative purposes, examples of the likely effect of the share consolidation are set out below:

Number of Existing Ordinary Shares	Number of New Ordinary Shares
6	0
10	1
15	1
20	2
28	2
30	3
79	7
100	10

Following the share consolidation and assuming no further shares are issued between the date of this document and the share consolidation becoming effective, the Company's issued ordinary share capital will comprise of 59,717,393 New Ordinary Shares. No change in the total nominal value of the Company's issued ordinary share capital will occur; it will still be approximately £5,971,739.

If the share consolidation is approved, it is proposed that it will become effective on such future date (if any) as the Directors may in their sole discretion, determine. It is expected that if the Directors exercise this power in the future, dealings in the New Ordinary Shares will commence at 8.00am on the first business day after that exercise and that new share certificates, replacing those relating to Existing Ordinary Shares, will be dispatched to Shareholders who hold their Existing Ordinary Shares in certificated form shortly thereafter. The new share certificates would be sent by pre-paid first class post, at the risk of the relevant holder of ordinary shares, to the registered address of that holder or, in the case of joint holders, to the one whose name appears first in the register of members.

Share certificates for Existing Ordinary Shares would no longer be valid and would need to be destroyed once the new documentation is received. Until a holder of certificated ordinary shares receives a new share certificate, transfers of certificated ordinary shares will be certified against the register of members.

Resolution 11 continued**Share consolidation continued****Effect of the Share Consolidation continued**

Shareholders who hold their entitlement to New Ordinary Shares in uncertificated form through CREST would have their New Ordinary Shares arising as a result of the share consolidation credited to their CREST accounts in respect of Existing Ordinary Shares held in uncertificated form.

SHAREHOLDERS SHOULD NOT DESTROY THEIR SHARE CERTIFICATES FOR THEIR EXISTING ORDINARY SHARES UNTIL THEY HAVE RECEIVED NEW SHARE CERTIFICATES FOR THE NEW ORDINARY SHARES.

Share schemes

As a result of the share consolidation, existing awards granted under the Norcros plc 2011 Deferred Bonus Plan, the Norcros plc 2011 Performance Share Plan and the Norcros plc SAYE Scheme will need to be adjusted to account for the change to the share capital. These adjustments will not have an adverse impact on the participants in any of these plans and it is anticipated that the adjustments will be made by the Company shortly after the share consolidation takes effect.

Taxation

The following summary is intended as a general guide only and is based on current UK tax law and HM Revenue and Customs (HMRC) practice as at the date of this document. It relates only to certain limited aspects of the UK taxation treatment of the share consolidation for shareholders who are individual residents in the UK for tax purposes, who are the absolute beneficial owners of their ordinary shares and who hold them as investments. Shareholders who are in any doubt about their tax position, or who are subject to tax in any jurisdictions other than the UK, should take appropriate independent advice without delay.

It is expected that for the purposes of UK taxation on chargeable gains the share consolidation will be treated as follows:

- (a) The New Ordinary Shares arising from the share consolidation will result from a reorganisation of the share capital of the Company. Accordingly, to the extent that a shareholder receives New Ordinary Shares, the shareholder will not generally be treated as making a disposal of all or part of his or her holding of Existing Ordinary Shares by reason of the share consolidation being implemented, and the New Ordinary Shares which replace a shareholder's Existing Ordinary Shares as a result of the share consolidation (the **new holding**) will be treated as the same asset acquired at the same time as the shareholder's holding of Existing Ordinary Shares was acquired;
- (b) To the extent that a shareholder receives cash by virtue of a sale on his or her behalf of any New Ordinary Shares to which he or she has a fractional entitlement, the shareholder will not, in practice, normally be treated as making a part disposal of his or her holding of Existing Ordinary Shares, the proceeds instead being deducted from the base cost of the shareholder's new holding. This treatment applies where the cash received is 'small' as compared with the value of the shares in respect of which it is made. For this purpose HMRC regard 'small' as meaning 5% or less and additionally regard an amount of £3,000 or less as 'small', regardless of whether or not it would pass the 5% test. In addition, if those proceeds exceed that base cost, however, the shareholder will be treated as disposing of part or all of his or her holding of Existing Ordinary Shares and will be subject to tax in respect of any chargeable gains thereby realised; and
- (c) On a subsequent disposal of the whole or part of the New Ordinary Shares comprised in the holding, a shareholder may, depending on his or her circumstances, have a tax liability on the amount of chargeable gain realised.

Resolution 12**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 23 January 2016 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 12, if passed, will renew the Directors' authority to allot shares in the capital of the Company up to a maximum aggregate nominal value of £3,981,159 (representing 39,811,590 ordinary shares of £0.10 if resolution 11 is passed and put into effect or 398,115,900 ordinary shares if £0.01 if it is not). This represents the Association of British Insurers' guideline limit of approximately two thirds of the Company's issued ordinary share capital as at 17 June 2015 (being the latest practicable date prior to the publication of this document). Of this amount, ordinary shares to an aggregate nominal value of £1,990,579.50 (representing 19,905,795 ordinary shares of £0.10 if resolution 11 is passed and put into effect or 199,057,950 ordinary shares of £0.01 if it is not) which is approximately one third of the Company's issued ordinary share capital as at 17 June 2015 (being the latest practicable date prior to the publication of this document), can only be allotted pursuant to a rights issue.

As at 17 June 2015 (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 2016.

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

Explanatory notes continued

Resolution 13

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 23 January 2016 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 £597,174. This aggregate nominal amount equates to approximately 10% of the issued ordinary share capital of the Company as at 17 June 2015 (being the latest practicable date prior to the publication of this notice of Annual General Meeting). This resolution follows guidance from the Pre-Emption Group's revised Statement of Principles, published on 12 March 2015. Such principles provide the Company with greater flexibility to undertake non pre-emptive issuances in connection with acquisitions and specified investments. In line with the revised Statement of Principles, the Company is seeking authority to issue up to 10% of its issued ordinary share capital for cash without pre-emption rights applying. The Company confirms that it will only allot shares with a nominal value in excess of £298,587 (representing 5% of issued ordinary share capital) pursuant to this resolution where that allotment is in connection with an acquisition or specified capital investment (within the meaning given in the Statement of Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. 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 2016.

In accordance with the Statement of Principles on disapplying pre-emption rights issued by the Pre-Emption Group (which is supported by the Association of British Insurers, the National Association of Pension Funds Limited and The Investment 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.

Resolution 14

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 5,971,740 ordinary shares of £0.10 if resolution 11 is passed and implemented or 59,717,400 ordinary shares of £0.01 if it is not, which, in each case, have an aggregate nominal value of £597,174 (representing approximately 10% of the aggregate nominal value of the issued ordinary share capital of the Company as at 17 June 2015 (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 2016.

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 17 June 2015 (being the latest practicable date prior to the publication of this document), there were warrants and options over 33,585,444 ordinary shares in the capital of the Company, which represent, in aggregate, approximately 5.62% 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 6.25% of the Company's issued ordinary share capital. As at 17 June 2015 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in treasury.

Resolution 15

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 15 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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