



## Results for the year ended 31 March 2008

Norcros, the home consumer products group with operations primarily in the UK and South Africa, announces full year results for the year ended 31 March 2008 reflecting the resilience of the Group's markets and businesses in challenging economic conditions.

### Highlights

	2008 (£m)	2007 (£m)	% change
Revenue	£167.9	£162.4	3.4
Trading profit*	£16.0	£15.3	4.6
Profit before tax**	£13.0***	£7.4	75.7
Profit before tax	£9.9	£5.9	67.8
Earnings per share**	10.7 p***	12.8p	(16.4)
Net cash generated from operations	£13.7	£14.1	(2.8)

\* Operating profit before exceptional items and other operating income

\*\* Pre-exceptionals

\*\*\* Including the effects of the new capital structure

- A robust performance in difficult markets:
  - UK operations resilient in face of downturn in consumer spend
  - Investment in South Africa delivered revenue benefits and strengthened market position
- Selective investment in growth opportunities and marketing initiatives
- Strong emphasis on cash management, cost initiatives and efficiency:
  - Net debt reduced to £46.5m with interest cover at 4.5 times
  - £80m committed banking facilities through to 2012
- Final dividend of 2.66p per share, making 3.22p for the period since listing.

John Brown, Chairman, commented:

***“Norcros made good progress in what was a testing year. Since the year end our markets in the UK and South Africa have continued to soften whilst energy prices continue to increase substantially. We do not anticipate any respite in the short term and are maintaining our focus on cost reduction and cash management.”***

***We nevertheless continue to believe that Norcros has a bright future with strong positions in attractive market segments. This belief is further reinforced by our continued investment in both capital and revenue programmes to support the longer term development of the business”.***

19 June 2008

## **ENQUIRIES**

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For further information please visit the Company website:

[www.norcros.com](http://www.norcros.com)

## **CHAIRMAN'S STATEMENT**

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

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

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

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

### **Results**

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

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

Finance costs before exceptional interest costs were down from £12.0m to £6.9m because of the reduction in net borrowings following the Group's stock market listing and consequent refinancing of its previous debt facilities. The exceptional operating credit of £0.7m is the recognised surplus from our South African defined pension benefit scheme following its closure during the period. The exceptional interest cost of £3.8m relates to the write off of capitalised costs relating to the previous debt facilities.

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

### **Dividend**

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

### **Financial**

The Group remains in a strong financial position with net debt of £46.5m at the end of March 2008 and an £80m banking facility available until 2012.

On 16 July 2007 the Company's shares were admitted to the Official List of the UK Listing Authority and the London Stock Exchange's main market. 128,802,669 ordinary shares were placed at 78p per share raising £100.5m in total, of which £72.0m (after expenses) was raised for the Company. These net proceeds were applied in reducing borrowings and repaying shareholder loans.

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

## **Initiatives**

The Board's priority is to ensure an ongoing twin track focus on managing the Group's cost base whilst at the same time judiciously investing in the Group's businesses for future growth. The Board is implementing a range of measures which it is estimated will achieve annualised cost savings in the region of £2.0m to £2.5m at a one-off exceptional cost of approximately £1.0m. These include a review of staffing requirements and business process programmes designed to improve efficiency.

## **Board**

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

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

## **Employees**

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

## **Summary and Outlook**

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

**John Brown**  
**Chairman**  
**19 June 2008**

## **Business review**

### **TRADING PERFORMANCE**

#### **Overview**

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

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

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

#### **UK**

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

#### **Triton showers**

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

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

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

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

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

## **Business review continued**

### **TRADING PERFORMANCE CONTINUED**

#### **Johnson tiles**

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

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

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

#### **Norcros Adhesives**

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

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

#### **South Africa**

The performance of our South African operations particularly in the second half of the year was impacted by the slowing, and increasingly uncertain, local and global economic environments. The local economy saw the introduction of a National Credit Act, the raising of interest rates by 450 basis points, pushing prime lending rates to 15%, a significant increase in international fuel prices and a reduction in business confidence resulting from the disruption and uncertainty in the supply of electricity. Notwithstanding these difficulties the overall revenue of our South African business grew, in constant currencies, by 12.1%, principally reflecting 11.4% revenue growth in Tile Africa, our retail operation, and 14.7% revenue growth in TAL, our adhesive operation.

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

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

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

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

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

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

### **Rest of the World**

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

### **Summary**

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

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

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

## **FINANCIAL REVIEW**

### **Revenue**

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

### **Trading and Operating Profit**

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

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

### **Finance Costs**

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

Finance income largely reflects the net income relating to our UK defined benefit pension scheme which amounted to £3.4m compared to £2.4m last year. The increase reflects the expected net return resulting from the improvement in the funding position in 2007 compared to the previous year.

### **Profit Before Tax**

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

### **Exceptional Items**

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

The exceptional net charge of £1.5m in 2007 is detailed in note 2. The major items comprise an increase in the provision relating to legacy onerous lease obligations dating back to the disposal of a number of businesses in the early 1990s of £6.0m and a £5.0m exceptional credit relating to changes in pension tax legislation which enable members to withdraw a greater portion of their pension as a lump sum. The Company has assumed members will take advantage of this added flexibility.

### **Taxation**

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

### **Earnings per Share**

Earnings per share, based on earnings before exceptional items of £12.8m (2007: £6.4m), amounted to 10.7p (2007: 12.8p) reflecting the significant increase in the average number of shares in issue to 120.0m from 50.0m in 2007. This increase was primarily due to the placing of 128.8m ordinary shares following the listing of the Company's shares on 16 July 2007. Further details are provided in note 4.

## Dividends

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

## Pension Schemes

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

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

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

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

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

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

## Cash Flow and Financial Position

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

### *Key cash flow components and movement in group net debt*

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

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

Of the capital expenditure of £10.4m (2007: £6.2m), £3.8m was the final payment relating to the strategic decision to exercise the option to purchase 14 freehold and two leasehold Tile Africa retail stores.

The initial consideration of £1.4m was paid in 2007. A further £3.4m was invested in our South African operations, £2.3m on new stores and existing store refurbishment and £1.1m on new plant and equipment to support growth in the hot melt adhesives sector in TAL and operational improvements in JTSA. Leaving aside the expenditure on the property option, the capital expenditure to depreciation ratio was 1.2 compared to 0.8 for 2007.

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

### Foreign Currency Translation

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

	Average rate vs £	
	<b>2008</b>	2007
South African Rand	<b>14.03</b>	13.52
Australian Dollar	<b>2.31</b>	2.49
Euro	<b>1.41</b>	1.48
US Dollar	<b>2.01</b>	1.92
	Closing rate vs £	
	<b>2008</b>	2007
South African Rand	<b>16.08</b>	14.22
Australian Dollar	<b>2.17</b>	2.43
Euro	<b>1.26</b>	1.47
US Dollar	<b>1.99</b>	1.96

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

### J. Matthews

GROUP CHIEF EXECUTIVE

### N. P. KELSALL

GROUP FINANCE DIRECTOR

## Consolidated income statement

Year ended 31 March 2008

	Notes	2008 £m	2007 £m
<b>CONTINUING OPERATIONS</b>			
Revenue		<b>167.9</b>	162.4
<b>OPERATING PROFIT</b>		<b>16.8</b>	14.1
Trading profit*		<b>16.0</b>	15.3
Exceptional operating items	2	<b>0.7</b>	(1.5)
Other operating income		<b>0.1</b>	0.3
Operating profit		<b>16.8</b>	14.1
Finance costs	3	<b>(6.9)</b>	(12.0)
Exceptional interest costs	2	<b>(3.8)</b>	—
Total finance costs		<b>(10.7)</b>	(12.0)
Finance income	3	<b>4.0</b>	3.4
Share of (loss)/profit of associates		<b>(0.2)</b>	0.4
<b>PROFIT BEFORE TAXATION</b>		<b>9.9</b>	5.9
Taxation		<b>(0.4)</b>	(1.0)
<b>PROFIT FOR THE PERIOD</b>	6	<b>9.5</b>	4.9
<b>EARNINGS PER SHARE</b>			
From continuing operations:			
Basic earnings per share	4	<b>7.9p</b>	9.8p
Diluted earnings per share	4	<b>7.9p</b>	9.8p

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

## Consolidated statement of recognised income and expense

Year ended 31 March 2008

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

**Consolidated balance sheet  
at 31 March 2008**

	Notes	2008 £m	2007 £m
<b>NON-CURRENT ASSETS</b>			
Goodwill		22.3	22.0
Investment in associates		4.2	4.1
Financial assets		4.3	4.3
Trade investments		4.4	4.4
Property, plant and equipment		45.6	42.5
Investment properties		5.8	5.8
Deferred tax asset		0.9	1.5
		<b>87.5</b>	<b>84.6</b>
<b>CURRENT ASSETS</b>			
Inventories		32.7	30.8
Trade and other receivables		33.6	32.3
Derivative financial instruments		0.6	0.5
Pension scheme asset		0.7	—
Cash and cash equivalents		3.3	4.1
		<b>70.9</b>	<b>67.7</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(36.4)	(35.0)
Current tax liabilities		(0.6)	(0.8)
Financial liabilities – borrowings		(2.2)	(5.8)
		<b>(39.2)</b>	<b>(41.6)</b>
<b>NET CURRENT ASSETS</b>		<b>31.7</b>	<b>26.1</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>119.2</b>	<b>110.7</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities – borrowings		47.6	75.3
Shareholder loans		—	35.9
Other non-current liabilities		1.1	2.1
Provisions		11.4	13.6
		<b>60.1</b>	<b>126.9</b>
<b>FINANCED BY:</b>			
Ordinary share capital	5	14.9	0.1
Share premium	6	63.4	5.5
Retained earnings and other reserves	6	(19.2)	(21.8)
<b>TOTAL EQUITY/(DEFICIT)</b>	6	<b>59.1</b>	<b>(16.2)</b>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>		<b>119.2</b>	<b>110.7</b>

## Consolidated cash flow statement

Year ended 31 March 2008

	Notes	2008 £m	2007 £m
<b>CASH GENERATED FROM OPERATIONS</b>	7	<b>13.7</b>	14.1
Income taxes paid		<b>(0.2)</b>	(1.3)
Interest received		<b>1.0</b>	0.3
Interest paid		<b>(5.3)</b>	(6.9)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>9.2</b>	6.2
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of businesses, net of overdraft acquired		<b>(0.6)</b>	—
Dividends received from associates and trade investments		<b>0.1</b>	0.3
Purchase of property, plant and equipment		<b>(10.4)</b>	(6.2)
Proceeds from sale of property, plant and equipment		<b>0.6</b>	0.3
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(10.3)</b>	(5.6)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from issue of ordinary share capital		<b>72.2</b>	—
Repayment of loans		<b>(128.3)</b>	(12.6)
Drawdown of new loans		<b>57.2</b>	9.5
Dividends paid to shareholders		<b>(0.8)</b>	—
<b>NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES</b>		<b>0.3</b>	(3.1)
<b>NET DECREASE IN CASH AT BANK AND IN HAND AND BANK OVERDRAFTS</b>		<b>(0.8)</b>	(2.5)
Cash at bank and in hand and bank overdrafts at beginning of the period		<b>2.1</b>	5.1
Exchange movements on cash and bank overdrafts		<b>(0.2)</b>	(0.5)
<b>CASH AT BANK AND IN HAND AND BANK OVERDRAFTS AT END OF THE PERIOD</b>		<b>1.1</b>	2.1

**Notes to the group accounts continued**  
**Year ended 31 March 2008**

**1. SEGMENTAL REPORTING**  
**PRIMARY SEGMENT**  
**Continuing operations – year ended 31 March 2008**

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

\* Unallocated assets include deferred tax assets.

\*\* Unallocated liabilities include borrowings and tax liabilities.

**Notes to the group accounts continued**

**Year ended 31 March 2008**

**1.SEGMENTAL REPORTING CONTINUED**

**PRIMARY SEGMENT CONTINUED**

**Continuing operations – year ended 31 March 2007**

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

\*Unallocated assets include deferred tax assets.

\*\* Unallocated liabilities include borrowings and tax liabilities.

**Notes to the group accounts continued**

**Year ended 31 March 2008**

**1.SEGMENTAL REPORTING CONTINUED**

**SECONDARY SEGMENT**

**Continuing operations**

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

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

**2.EXCEPTIONAL ITEMS**

**EXCEPTIONAL OPERATING ITEMS**

	<b>2008</b> <b>£m</b>	2007 £m
Pension curtailments credit <sup>1</sup>	<b>0.7</b>	—
Past service pension credit <sup>2</sup>	—	5.0
Restructuring	—	(0.1)
Property provisions <sup>3</sup>	—	(6.0)
Aborted transaction costs	—	(0.4)
	<b>0.7</b>	<b>(1.5)</b>

**EXCEPTIONAL INTEREST COSTS**

Write off of capitalised financing costs <sup>4</sup>	<b>(3.8)</b>	—
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<sup>1</sup> Following the closure of the South African defined benefit pension schemes an asset of £0.7m has now been recognised by the Group. The surplus in these schemes had not been recognised in prior years.

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

<sup>3</sup> The provision to cover the Group's onerous leases was increased by £6.0m during last year.

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

## Notes to the group accounts continued

Year ended 31 March 2008

### 3. FINANCE INCOME AND COSTS

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

### 4. EARNINGS PER SHARE

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

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

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

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

## Notes to the group accounts continued

Year ended 31 March 2008

### 4. EARNINGS PER SHARE CONTINUED

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

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

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

### 5. ORDINARY CALLED UP SHARE CAPITAL

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

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

**Notes to the group accounts continued**

**Year ended 31 March 2008**

**6. SHAREHOLDERS' FUNDS AND STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

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

**7. CONSOLIDATED CASH FLOW STATEMENTS**

**(A) CASH GENERATED FROM OPERATIONS**

	<b>2008</b> £m	2007 £m
Profit before taxation	<b>9.9</b>	5.9
Adjustments for:		
– exceptional items included in the income statement	<b>3.1</b>	1.5
– cash flows from exceptional items	<b>(2.8)</b>	(2.1)
– other operating income	<b>(0.1)</b>	(0.3)
– depreciation	<b>5.5</b>	5.6
– difference between pension charge and contributions	<b>(1.0)</b>	0.3
– (profit)/loss on disposal of property, plant and equipment	<b>(0.3)</b>	—
– finance costs	<b>6.9</b>	12.0
– finance income	<b>(4.0)</b>	(3.4)
– share of loss/(profit) of associates	<b>0.2</b>	(0.4)
– share-based payments	<b>0.2</b>	—
– exchange differences	<b>(0.4)</b>	(0.2)
<b>OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL</b>	<b>17.2</b>	18.9

Changes in working capital:

– increase in inventories	<b>(2.7)</b>	(5.0)
– decrease/(increase) in trade and other receivables	<b>0.2</b>	(1.7)
– (decrease)/increase in payables	<b>(1.0)</b>	1.9
<b>CASH GENERATED FROM OPERATIONS</b>	<b>13.7</b>	14.1

## Notes to the group accounts continued

Year ended 31 March 2008

### 7. CONSOLIDATED CASH FLOW STATEMENTS CONTINUED

#### (C) ANALYSIS OF NET DEBT

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

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