

Norcros

(“Norcros” or “the Group”)

Results for the year ended 31 March 2009

Norcros, the home consumer products group with operations primarily in the UK and South Africa, announces its preliminary results for the year ended 31 March 2009.

Financial Summary

	2009	2008
Revenue	£154.2m	£167.9m
Trading profit*	£7.0m	£16.0m
Profit before tax**	£2.9m	£13.0m
(Loss)/profit before tax	(£4.8m)	£9.9m
Earnings per share**	1.0 p	10.7 p
Net cash generated from operations	£6.8m	£13.7m

* Operating profit before exceptional items and other operating income

** Pre-exceptional items

- Performance of business stabilised in challenging market conditions:
 - UK operations resilient in face of sharply falling market demand
 - Very weak market and underperformance of tile manufacturing lead to losses in South African business
- Ongoing focus on cash management, cost initiatives and efficiency:
 - Annualised cost savings of £3.5m to £4.0m implemented across the Group
 - Net debt reduced by £0.7m to £45.8m
- Revised terms agreed on £80m committed banking facilities through to October 2012
- Given the continued economic uncertainty and the Group’s trading performance no final dividend is proposed

John Brown, Chairman, commented:

"Norcros has faced extremely challenging trading conditions but I am pleased to report that our ongoing cost reduction and new product initiatives have enabled us to maintain our leading market positions and to stabilise the performance of our business."

"We expect that conditions will continue to be tough in the current year but having stabilised the performance of the business we are aiming to improve returns. We are well positioned in the UK shower, UK tile and South African tile markets, the medium term growth prospects for which remain attractive. Having renegotiated the Group banking facilities on viable, albeit more expensive, terms we can now focus on a longer term recovery strategy for the business and the restoration of shareholder value."

31 July 2009

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Chairman's statement

Overview

Norcros faced extremely challenging trading conditions but I am pleased to report that our ongoing cost reduction and new product initiatives have enabled us to maintain our leading market positions and to stabilise the performance of our business.

As reported in our pre-close trading statement on 27 March 2009, our performance principally reflects sharply falling demand in both the UK and South Africa, combined with operational difficulties in one of our South African businesses. The management team moved quickly to adjust the Group's cost base to reflect the lower levels of demand and took decisive action to resolve the operational issues in the South African businesses. We will take further steps as required.

With market conditions expected to remain very difficult, our focus remains on cutting costs and conserving cash, whilst also maintaining the strong market positions of our businesses through new product introductions and targeted marketing initiatives.

Results

Revenue for the year was £154.2m (2008: £167.9m), a decrease of 8.2%, principally reflecting declines in UK revenues together with a smaller decline in South African revenues, which benefited from new store openings. Reported revenue was marginally impacted by a weakening in the South African Rand to Sterling exchange rate. At constant exchange rates revenue fell by 7.1%.

Trading profit of £7.0m (2008: £16.0m) was slightly ahead of the expectation in our pre-close trading statement in March 2009, albeit 56.2% lower than the prior year. Trading profit in the UK operations remained strong at £8.9m, despite the impact of lower levels of market activity and higher energy costs, but in South Africa the combination of a weak market, investment in new and existing stores, higher energy costs and underperformance of tile manufacturing resulted in a trading loss of £1.7m. Pre-tax profitability was also impacted by a £2.5m share of the loss in our Greek associate. Strategic options to realise value for this business are currently being evaluated. Profit before tax and exceptional items was lower at £2.9m (2008: £13.0m).

Finance costs before exceptional interest costs were down from £6.9m to £4.5m, reflecting the full year impact of the post flotation capital structure. Total financing costs were also £4.5m (2008: £10.7m) with no repeat of the 2008 exceptional interest costs relating to the write-off of capitalised costs on previous debt facilities.

The net exceptional operating charge of £7.7m (2008: £0.7m credit) reflects £3.5m of restructuring costs in the UK and South Africa, and property provisions of £7.0m relating to the Group's onerous leases, in part offset by a £1.5m past service pension credit and a £1.3m profit on the sale of our investment in H & R Johnson Tiles (India) Limited.

Basic earnings per share before exceptional items were 1.0p (2008: 10.7p). After exceptional items the Group made a basic loss per share of 4.2p (2008: earnings of 7.9p).

Net cash generated from operations in the period was £6.8m (2008: £13.7m) and investment in capital expenditure was £4.7m (2008: £10.4m). Major items of non-replacement capital expenditure related to new product development at Triton, new store openings and store refurbishment in South Africa, and new technology in the UK tile business in order to enhance the product range. As a result of the tight control of costs, working capital and capital expenditure, net borrowings reduced from £46.5m at 31 March 2008 to £45.8m at 31 March 2009.

In anticipation of worsening trading conditions during the year, the Group entered into discussion with its banking syndicate in respect of its £80m banking facility due to expire in July 2012. As disclosed in the pre-close trading statement, we agreed an amendment and reset of our covenants at the 31 March 2009 test date. Furthermore, the Board is pleased to report that revised terms to the £80m facility, extended to October 2012, have been agreed following a detailed review by the banks and their advisers of the Group's businesses, operational plan, and financial projections. The key terms are summarised in the Business Review. The Board believes these arrangements provide a sound financing structure for the medium term albeit the new terms, as expected in the current environment, are significantly more expensive than the original facility. In addition the Group will incur one-off costs of approximately £3.5m which will be amortised over the life of the facility.

Dividends

The Board has concluded that it would not be appropriate to pay dividends in the current year due to the Group's trading performance, the continuing economic uncertainty and the relative level of indebtedness. As part of the new banking terms the Group is not permitted to resume the payment of any dividend until leverage is reduced. The Board will look to return to a progressive dividend policy as soon as practicable dependent upon the market environment, earnings, cash flow and within the restrictions of its revised banking terms.

Initiatives

We remain highly focused on our ongoing efficiency initiatives including reducing costs, controlling working capital and conserving cash. We will also continue to invest in targeted marketing programmes and other initiatives with the aim of ensuring that the Group's businesses drive profitable revenue growth and gain market share. Of particular importance is the focus on new product development and customer service. These actions and our results-driven culture should ensure the emergence of stronger and more efficient businesses which are well placed to take advantage of the upturn when it occurs.

The Group has taken strong action to address the operational issues in South Africa by installing new management and closing inefficient capacity. Some of these measures will inevitably take time to bear fruit but the Board believes the actions taken will strengthen our business and position it to take advantage of the medium term growth prospects in the South African market. In addition, a range of cost reduction measures has been implemented throughout the Group's operations that have produced savings of around £2m in the year ended 31 March 2009. The impact of these, combined with other measures, are estimated to give rise to annualised savings in the region of £3.5m to £4m at a one-off cash cost of approximately £2.5m. The savings include significant headcount reduction from restructuring and tight control of discretionary spend. The Board is monitoring developments very closely to ensure delivery of these plans and reviewing the need for any further action.

Employees

The increased demands from market challenges and the impact of restructuring programmes during the year have required extremely high levels of professionalism, dedication and tenacity. On behalf of

the Board I wish to thank all our employees for their contribution. In difficult markets it is of crucial importance to delight customers and deliver outstanding levels of customer service, and this can only be achieved by the ongoing commitment and enthusiasm of our employees. The strong market positions of our businesses are evidence of the success of our approach at every level of the organisation.

Summary and outlook

We expect that conditions will continue to be tough in the current year but having stabilised the performance of the business we are aiming to improve returns. We are well positioned in the UK shower, UK tile and South African tile markets, the medium term growth prospects for which remain attractive. Having renegotiated the Group banking facilities on viable, albeit more expensive terms we can now focus on a longer term recovery strategy for the business and the restoration of shareholder value.

J. E. Brown

Chairman

31 July 2009

Business review

Trading Performance

Overview

In the year ended 31 March 2009 we experienced reduced demand in many of the markets in which the Group operates, resulting in an extremely challenging trading environment for Norcros. However, notwithstanding the significant decline in demand across all the Group's businesses, we produced Group trading profits of £7.0m.

This reflected a particularly resilient performance from our UK businesses despite the impact of the downturn in the housing market and the decline in consumer confidence and spending. Furthermore, substantial increases in energy costs and the weakness in Sterling significantly impacted profitability. We responded decisively by cutting costs and increasing selling prices. At the same time we continued to invest in new product and marketing programmes with the result that we were able to produce a good trading performance for the year.

In South Africa, performance was adversely impacted by market softness, higher energy costs, investment in new and existing stores and by under-performance in our tile manufacturing business. The latter issues have been decisively addressed following senior management changes and the closure of the inefficient wall tile facility.

UK

Our UK businesses have continued to trade resiliently against a backdrop of increasingly softer market conditions and higher energy costs experienced in the period. Overall revenue declined 12.2% to £94.6m and trading profits were 35% lower at £8.9m (2008: £13.7m), with operating margins of 9.4% (2008: 12.7%).

Triton Showers

Triton, our market-leading domestic shower business, delivered a very robust trading profit and significant cash generation, continuing to reflect the resilience of its business model and the decisive management actions taken to counteract the weak trading conditions. Triton experienced a decline in revenues of 17.8% with a decline in UK revenues of 16.5 % and export revenues lower by 23.1%. Relative to the overall decline in the UK market, revenue in the trade sector held up well with revenue growth in electric showers in the national and independent merchant segment. The success reflects our effective promotional programmes and strong new product introductions. In retail, performance across the specific channels continued to be mixed, with significant destocking at a number of accounts persisting longer than expected and more than offsetting growth in revenue in other

accounts. The decline in export sales continued to reflect the weak market conditions in Ireland, Triton's largest export market.

Triton's UK performance must be considered in the context of an estimated 17% decline in the UK shower market and the significant destocking in the retail segment. Against this backdrop Triton has maintained its overall leading UK market position.

We continue to invest significantly in new product development, marketing and promotional programmes. As a result over 70% of Triton's revenue continues to be derived from products introduced in the last three years. The business has maintained its market-leading position reflecting the breadth of its customer base and the strength of its product offering. Its position in the trade segment reflects the added focus in the care market, the key relationships with local authorities, housing associations and the success with projects such as the "Decent Homes" initiative. The range of thermostatic electric showers and the T80 range of electric showers have underpinned our position in this segment. The "affordable style" range of electric showers, offering inspirational products at affordable prices, has continued to sell well in both the trade and retail sectors, appealing to a large proportion of consumers.

In terms of operational performance, we have reduced employee costs by 10% by flexing direct labour and through a number of redundancy programmes. Overheads were 10% lower by tight control of costs and by flexing discretionary expenditure proportionately with demand.

Trading profit was significantly lower than last year, principally reflecting the decline in the market and substantial destocking, albeit the management actions taken to recover input cost increases through sales price increases and the significant reduction in costs ensured that profit margins were largely maintained.

The ability of Triton to deliver a robust profit performance and significant cash generation, despite the challenging trading environment, reflects the resilience of its operating model, the flexibility of its cost structure and the strength of its brand and franchise. Our leading presence in the mature electric shower market, where replacement is a key driver of demand, has underpinned activity levels and we believe will continue to do so. Triton remains well positioned to take advantage of any improvement in market conditions, by our continuing drive to offer exciting and affordable new products backed up with our excellent customer service.

Johnson Tiles

In the face of tougher trading conditions in the second half of the year our UK tile business, Johnson Tiles, held up well. Following an overall revenue decline of 9.5% in the first half, the decision to focus our resources on the national retail accounts in order to secure volumes proved successful, with the second half revenue decline limited to 5.0%. As a result full year revenues declined by 7.2%. UK revenues declined 9.5% compared to an estimated decline in the market of 11% and our export revenues finished the year strongly at 7.9% ahead with particularly strong performances in Eastern Europe, France and the Middle East.

Our investment in a new state-of-the-art inkjet printing facility earlier in the year is proving a success. This equipment is unique to the UK and has resulted in both higher quality products and faster process of new product introductions, which in turn has led to new product listings in both the key UK distributors and major DIY accounts.

Another key focus has been the creation of a new product offering to target the private sector specifier. Following market research and feedback from the customer base of our Material Lab we launched, the "Absolute" product range at the 100% Design exhibition in September 2008. This range is primarily targeted at the architectural and interior design markets and has been well received.

To further supplement our private sector package we launched our new website in September 2008. This has been welcomed by specifiers and we believe that this initiative together with our product offering and our highly trained sector-specific field sales team have strongly positioned us to achieve our goal of becoming the market leader in this segment.

Early and decisive management action was taken to mitigate the impact of the volume decline and the £2.4m increase in energy costs. A comprehensive cost reduction programme was implemented in the first half year and further additional contingency plans were implemented in the second half including a 5% pay reduction and redundancies of approximately 70.

These actions limited the impact on performance of the significant increase in energy costs, the decline in market activity and the adverse impact on input costs of the sharp weakening in Sterling in the last quarter, and ensured the business generated positive operating cash despite a small trading loss.

As a result of the decisive commercial and cost actions taken during the year, together with the decline in energy prices currently being enjoyed, the business is well positioned to benefit from any upturn in the market when it occurs.

Norcros Adhesives

Our UK adhesive business continued to make very sound progress particularly given the softer market conditions in the second half of the year. Revenues increased by 32% reflecting a significant increase in new account openings and the initial benefits of new business in the DIY retail sector. This success was achieved as a result of a significant new product programme and additional investment in sales and marketing resources. Following the investment in our own manufacturing facility early last year we are now producing in-house approximately 80% of our total adhesive revenues. These products have been well received by the market and the decision to invest in own manufacture has contributed to both revenue growth and an improvement in underlying profitability. Overall the business recorded a small trading profit reflecting the revenue growth and tight control of costs.

Looking forward, our plans involve the formulation and launch of a new range of self-levelling compounds following on from the recent successful launch of an enhanced range of grouts and silicone sealants. Despite the softer construction market we are confident of continuing to build on the progress this year with specific prospects identified in the public sector housing improvement projects and the infrastructure development for the 2012 Olympics.

South Africa

Our South African operations were impacted by a sharp downturn in market activity, increased overhead costs from committed investment in new and existing stores, higher energy costs, higher input costs resulting from the weaker Rand exchange rate, and by underperformance in our tile manufacturing business.

Gross Domestic Product in South Africa reduced from 5.1% growth in 2007 to 3.1% in 2008 reflecting a sharp decline of 1.8% in the final quarter of 2008. This declining trend has accelerated with a 6.4% contraction in the first quarter of 2009, with the construction industry particularly hard hit despite an increase in government infrastructure spending. Building plan approvals have slowed markedly and cement sales, another key indicator, fell by 8.3% for the year ending March 2009. Notwithstanding these issues and the economic background, the overall revenue of our South African business grew, in constant currencies, by 2.1%, principally reflecting the benefit of the prior and current year new store openings, targeted marketing initiatives and selective sales price increases.

Tile Africa delivered revenue growth of 2.3% but incurred a small trading loss, largely reflecting lower like-for-like sales and increased costs associated with new store openings. Despite the tough market, good progress has been made in selectively improving our retail footprint with the successful opening of our Pinetown, Ballito, Greenstone and Centurion branches. This expansion reflects commitments made in the 2008 financial year and no further new store commitments have been made pending recovery in the trading environment. During the second half of the financial year we closed our underperforming store at Ormonde and completed the sale of our old store at Bloemfontein following a restructuring of its operations. As previously reported we restructured the Pietermaritzburg and Somerset West stores, realising £1.0m gross proceeds from their disposal in the first half of the financial year.

Focus on securing further operational improvements in our stores is being maintained with increased training across all levels of the business. Early benefits have already been seen with our customer

service independently rated as top in the sector. We are also pressing ahead with further plans to reduce our operating cost structure, removing approximately 40 additional positions through efficiency and productivity improvements at a low cost with the redeployment of staff in our new stores. This follows on from the similar exercise carried out early in the year where we redeployed 65 personnel to support our new store programme. The estate now comprises 36 "owned" stores and five franchise operations.

TAL, our adhesive operation, was also impacted by the softer trading conditions but still managed to grow overall revenues marginally, reflecting particularly strong growth in the building construction segment on the back of new product introductions, partly offset by flat tile adhesive revenues and a small decline in the industrial adhesive segment. Our business continues to benefit from our success in product innovation underpinned by our superior technical expertise in both our cementitious and general adhesive ranges. As a result we expect to continue to grow our market share in both the rapid set and hot melt markets. Our rapid set technology has been a key driver in our success in tile adhesive and is now being successfully applied to the epoxy and cementitious flooring market. The size of this market is significant and any opportunities gained can be accommodated from our existing plant capacity in the short to medium term. Our hot melt market share is approximately 15% and we believe good growth opportunities exist in the growing Fast Moving Consumer Goods sector. The very competitive trading environment and the under recovery of input cost increases, particularly raw materials and distribution charges, led to a reduction in trading profit but the business continues to provide an excellent return on investment and strong cash generation.

JTSA, our tile manufacturing operation, experienced a very difficult year. Despite constant currency revenue growth of 4%, the effect of significantly higher energy costs and imported raw materials compounded by higher distribution costs and plant inefficiencies resulted in a significant operating loss for the year. In response we have implemented a significant restructuring programme including changes in senior management and the closure of inefficient wall tile plant in December 2008, resulting in a headcount reduction of approximately 17% of the total workforce. We have taken further corrective action to improve our production volumes and efficiencies and have announced additional measures to reduce headcount by a further 35. This further phase was completed at the end of May 2009. We also plan to automate aspects of our quality control process which will result in a further reduction in headcount of 16, together with material cost savings. We are confident that the actions taken will both improve manufacturing productivity and reduce our cost base which should deliver a significant improvement in operating performance.

Rest of the World

Our Australian business, Johnson Tiles, continued to make good progress against a background of difficult market conditions with revenues, on a constant currency basis, increasing by 2.9%. Our actions to get the business onto a stable and profitable platform through a series of sales and marketing initiatives and a programme of cost base restructuring are bearing fruit. We took action in August 2008 to close our unprofitable New Zealand branch generating annualised savings of £0.2m, and from October 2008 to February 2009 we implemented a series of redundancies across the administration and distribution functions including the closure of the decorating facility. In total we have reduced our headcount by 19, or 35%.

The sales generation initiatives have included the distribution of Artistic Stone, a new range of decorative product which is a combination of natural stone, glass and metallic finishes, the opening of a new trade centre and warehouse in New South Wales, a new factory outlet in Thomastown which has been established at the premises of our adhesive supplier, the opening of a new commercial showroom and cash and carry drive-through at the premises of one of our key customers in Melbourne; and investment in improving and enhancing the website. We remain confident that the actions taken will position the business onto a more sustainable profit platform and allow strategic options to be evaluated.

Greece

The performance of Philkeram Johnson, our 50% owned Greek tile and adhesives associate, was impacted by a severe downturn in building activity.

The tile manufacturing operation experienced a very challenging year. Revenues in local currency, declined by 14.2% which, together with considerably higher energy and distribution costs, and the action taken to curtail production, resulted in a significant operating loss for the year. In response an extensive restructuring programme has been implemented, including a reduction of approximately 18% of the total workforce. Furthermore action has been taken to cut production volumes by around 35% in order to reduce inventory levels and preserve cash.

The performance of the adhesive operation was also affected by the tough trading environment with local currency revenues 9.1% lower. The breadth of the product portfolio, encompassing adhesives, grouts, surface preparation and aftercare products, and the variety of end-user applications supported a more resilient revenue performance. Despite the revenue decline and higher distribution charges, the adhesives business recorded a trading profit in the year, albeit lower than the prior year.

The Group equity accounts for its share of the results of the Greek associate and its share of the post-tax loss was £2.5m (2008: £0.2m loss). Whilst this loss is a non-cash item the Board are evaluating options to realise value for this business.

Summary

The markets in which Norcros operates are expected to continue to be adversely impacted by negative macro-economic forces throughout the balance of 2009 and into 2010. Against this background we will continue to run the business tightly, focusing on driving increased revenue and cash generation, whilst ensuring the cost base is aligned to the market circumstances. We are confident that the combination of the measures already taken, combined with our strong market positions and product and marketing initiatives, have positioned us well to take advantage of opportunities as they arise.

Financial review

Revenue

Group revenues declined on a reported basis by 8.2% or by £13.7m to £154.2m (2008: £167.9m). The underlying decline on a constant currency basis was lower at 7.1% or £11.8m (2008 restated to constant currency: £166.0m), principally reflecting the translation impact of the weaker South African Rand/Sterling exchange rate between the two periods. The Group recorded declines in revenue in the UK and South Africa although growth was experienced in our Australian tiles business.

Trading and Operating Profit

Trading profit, as reported, declined by 56.2% to £7.0m (2008: £16.0m) and on a constant currency basis by 55% (2008 restated to constant currency: £15.7m). Our UK businesses remained profitable overall and the losses experienced in the Australian tile operation were further reduced. However our South African operations recorded an overall loss, reflecting the market conditions and the operational issues referred to earlier. Trading profit margins declined from 9.5% to 4.5%. Operating losses were £0.7m (2008: profit of £16.8m).

Finance Costs

Finance costs reduced significantly to £4.5m from £6.9m in 2008. This reduction reflects the full-year benefit of the Company's 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. In addition the Group now denominates all its borrowings in Sterling rather than a mix of Sterling and South African Rand as in previous years, leading to a significant saving in finance costs.

Finance income largely reflects the net income relating to our UK defined benefit pension scheme which amounted to £2.3m compared to £3.4m last year. The decline reflects the reduction in the pension scheme surplus brought forward at 31 March 2008 and the increase in the discount rate from 5.7% to 6.9% this year.

Share of loss of associates

The Groups 50% share in its Greek associate resulted in a post tax loss of £2.5m (2008: loss of £0.2m).

Profit before tax

Profit before tax and exceptional items was £2.9m (2008: £13.0m) reflecting the fall in trading profits noted above. The Group reported a loss before tax and after exceptional items of £4.8m (2008: profit of £9.9m).

Exceptional Items

The exceptional net charge of £7.7m in 2009 is detailed in note 3. The major items comprise a £7.0m increase in the provision relating to legacy onerous lease obligations dating back to the disposal of a number of businesses in the early 1990s and a £3.5m charge for restructuring the Group's businesses to mitigate the impact of the decline in Group revenues. These costs are partially offset by a £1.3m profit on the sale of our 19% share in H & R Johnson (India) Limited and a £1.5m credit relating to changes in pension scheme rules which enable pensioners to withdraw a greater portion of their pension up front in return for lower annual increases in the future.

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.

Taxation

The taxation charge for 2009 amounts to £1.5m (2008: £0.4m) and principally reflects the write-off of a £0.9m deferred tax asset recognised on the Consolidated Balance Sheet at 31 March 2008. This asset related to the recognition of tax losses in South Africa but the current economic climate has increased the uncertainty surrounding the potential use of these losses going forward. The Group has therefore prudently decided not to recognise such assets in 2009.

Earnings per Share

Earnings per share, based on earnings before exceptional items of £1.5m (2008: £12.8m), amounted to 1.0p (2008: 10.7p). After exceptional items the Group made a basic loss per share of 4.2p (2008: earnings of 7.9p).

Dividends

Given the current economic conditions no interim or final dividends have been proposed this year, this compares to interim and final dividends of 0.56p per share and 2.66p per share respectively for the previous year.

Pension Schemes

The Group contributed £2.1m into its UK defined benefit pension scheme during the year, which included a £1.0m additional contribution to the 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 £1.1m (2008: £1.4m).

The gross defined benefit pension scheme surplus on the UK scheme reduced during the year by £8.4m to £1.3m.

The reduction principally reflects the decrease in asset values, partly offset by a decrease in the value of the scheme liabilities caused by changes in the applicable discount rate from 5.7% in 2008 to 6.9% this year.

The Group's contributions to its defined contribution pension schemes were £0.9m (2008: £0.8m).

Cash flow and financial position

Taking into account the reduction in profitability, the Group has recorded a year of solid cash generation from its operations amounting to £6.8m (2008: £13.7m) and net cash generated after tax and interest of £3.8m (2008: £9.2m). 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

	2009	2008
	£m	£m
Cash flow from operations	6.8	13.7
Interest and tax	(3.0)	(4.5)
Free cash flow available for investment	3.8	9.2
Net proceeds from equity issue	—	72.2
Capital expenditure	(4.7)	(10.4)
Dividends	(4.0)	(0.8)
Proceeds from sale of shares in investments	4.0	—
Other items including other disposal proceeds, foreign exchange and amortised financing costs	1.6	(3.8)
Movement in net debt	0.7	66.4
Opening net debt	(46.5)	(112.9)
Closing net debt	(45.8)	(46.5)

Despite the decline in profitability in 2009 the Group reduced its debt by £0.7m during the year.

Included within the figure of £6.8m, cash generated from operations is an increase in working capital of £0.5m (2008: increase of £3.5m). This reflects the results of management actions to tightly control working capital in the current economic conditions.

Of the capital expenditure of £10.4m in 2008, £3.8m was the final payment relating to the strategic decision to exercise the option to purchase 14 freehold and two leasehold TAF retail stores. Therefore, on a like-for-like basis, capital expenditure of £4.7m in 2009 represents 71% of that in the prior year.

Bank funding

As set out in the Chairman's Statement the Group has agreed with its banks to revise the terms of its £80m banking facility. Following this revision the Group will have available the following:

- a £60m revolving credit facility of which £40m is available as cash drawings, this facility is subject to a margin of between 3% and 5% above LIBOR; and
- a £20m term loan facility attracting a cash paid margin of 6% above LIBOR together with rolled up interest of between 7% and 11%.

The Group's banking covenants (interest cover, leverage cover, debt service cash cover and capital expenditure) have been reset at levels that provide adequate headroom and flexibility.

The Group paid an arrangement fee of 1.5% of the total facility. Overall the costs relating to the revision of the facility are expected to be approximately £3.5m which will be amortised over the life of the facility. The facility is available until October 2012.

The Group has also granted warrants to its banks equivalent to 5% of its fully diluted share capital. These warrants are exercisable at 10p per share at any time up to July 2017.

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 £	
	2009	2008
South African Rand	14.32	14.03
Australian Dollar	2.05	2.31
Euro	1.2	1.41
US Dollar	1.71	2.01
	Closing rate vs £	

	2009	2008
South African Rand	13.71	16.08
Australian Dollar	2.06	2.17
Euro	1.12	1.26
US Dollar	1.48	1.99

The movement in average exchange rates compared to 2008 had the effect of reducing 2008 reported Group revenue and trading profit by £1.9m 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 2009 and 2008 are as follows:

	2009	2008	Change
	£m	£m	%
Revenue*	154.2	166.0	(7.1)
Trading profit*	7.0	15.7	(55.4)
Profit before tax and before exceptional items	2.9	13.0	(77.7)
Basic earnings per share before exceptional items – pence	1.0p	10.7p	(90.7)
Dividend per share – pence	—	3.22p	—
Cash generated from operations	6.8	13.7	(50.4)
Net debt	45.8	46.5	1.5

* Expressed in constant currencies.

Details of the Directors' remuneration and their interests in the share capital of the Company may be found in the Remuneration Report within the Group's Annual Report and Accounts for the year ended 31 March 2009 which will be published on the website www.norcros.com today.

J. Matthews

Group Chief Executive

N. P. Kelsall

Group Finance Director

Responsibility Statement

Each of the directors, whose names and functions are listed below, confirms that, to the best of their knowledge:

- The consolidated financial statements, prepared in accordance with the applicable United Kingdom law and in conformity with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The business review includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole.

Directors: John Brown (Chairman), Joe Matthews (Group Chief Executive), Nick Kelsall (Group Finance Director), David Hamilton (Director and Company Secretary), Les Tench (Non-Executive Director), and Jamie Stevenson (Non-Executive Director)

Consolidated income statement

year ended 31 March 2009

	Notes	2009 £m	2008 £m
Continuing operations			
Revenue	2	154.2	167.9
Operating (loss)/profit		(0.7)	16.8
Trading profit*		7.0	16.0
Exceptional operating items	3	(7.7)	0.7
Other operating income		—	0.1
Operating (loss)/profit		(0.7)	16.8
Finance costs	4	(4.5)	(6.9)
Exceptional interest costs	3	—	(3.8)
Total finance costs		(4.5)	(10.7)
Finance income	4	2.9	4.0
Share of loss of associates		(2.5)	(0.2)
(Loss)/profit before taxation		(4.8)	9.9
Taxation		(1.5)	(0.4)
(Loss)/profit for the period	7	(6.3)	9.5
(Loss)/earnings per share			
From continuing operations:			
Basic (loss)/earnings per share	5	(4.2)p	7.9p
Diluted (loss)/earnings per share	5	(4.2)p	7.9p

* 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 2009

	2009 £m	2008 £m
(Loss)/profit for the period	(6.3)	9.5
Actuarial losses on retirement benefit obligations	(4.8)	(4.4)
Foreign currency translation adjustments	6.4	(1.9)
Total recognised income and expense for the year	(4.7)	3.2

Consolidated balance sheet at 31 March 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Goodwill		22.9	22.3
Investment in associates		2.1	4.2
Financial assets		4.3	4.3
Trade investments		1.7	4.4
Property, plant and equipment		45.4	45.6
Investment properties		5.6	5.8
Deferred tax asset		—	0.9

		82.0	87.5
Current assets			
Inventories		36.5	32.7
Trade and other receivables		31.3	33.6
Derivative financial instruments		1.5	0.6
Pension scheme asset		0.5	0.7
Cash and cash equivalents		7.3	3.3
		77.1	70.9
Current liabilities			
Trade and other payables		(35.1)	(36.4)
Derivative financial instruments		(1.7)	—
Current tax liabilities		(0.6)	(0.6)
Financial liabilities – borrowings		(2.4)	(2.2)
		(39.8)	(39.2)
Net current assets		37.3	31.7
Total assets less current liabilities		119.3	119.2
Non-current liabilities			
Financial liabilities – borrowings		(50.7)	(47.6)
Other non-current liabilities		(1.1)	(1.1)
Provisions		(17.2)	(11.4)
		(69.0)	(60.1)
Net assets		50.3	59.1
Financed by:			
Ordinary share capital	6	14.9	14.9
Share premium	7	63.4	63.4
Retained earnings and other reserves	7	(28.0)	(19.2)
Total equity	7	50.3	59.1

Consolidated cash flow statement
year ended 31 March 2009

	Notes	2009 £m	2008 £m
Cash generated from operations	8	6.8	13.7
Income taxes paid		(0.4)	(0.2)
Interest received		0.8	1.0
Interest paid		(3.4)	(5.3)
Net cash generated from operating activities		3.8	9.2
Cash flows from investing activities			
Acquisition of businesses, net of overdraft acquired		—	(0.6)
Proceeds from disposal of investments		4.0	—
Dividends received from associates and trade investments		—	0.1
Purchase of property, plant and equipment		(4.7)	(10.4)
Proceeds from sale of property, plant and equipment		2.0	0.6
Net cash generated from/(used in) investing activities		1.3	(10.3)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		—	72.2
Repayment of borrowings		—	(128.3)
Drawdown of new borrowings		2.8	57.2
Dividends paid to Company's shareholders		(4.0)	(0.8)
Net cash (used)/generated in financing activities		(1.2)	0.3
Net increase/(decrease) in cash at bank and in hand and bank overdrafts		3.9	(0.8)
Cash at bank and in hand and bank overdrafts at beginning		1.1	2.1

of the period		
Exchange movements on cash and bank overdrafts	(0.1)	(0.2)
Cash at bank and in hand and bank overdrafts at end of the period	4.9	1.1

Notes to the group accounts year ended 31 March 2009

1. Basis of preparation

This preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS's) and IFRIC interpretations as adopted by the EU and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS as adopted by the European Union. The preliminary announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The auditors have reported on the Group's statutory accounts for each of the years ended 31 March 2008 and 31 March 2009 under section 235 of the Companies Act 1985. These reports do not contain statements under section 237(2) or section 237(3) of the Companies Act 1985 were unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports. The statutory accounts for the year ended 31 March 2008 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 31 March 2009 will be filed with the Registrar in due course.

2. Segmental reporting

Primary Segment

Continuing operations – year ended 31 March 2009

	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue	94.6	52.6	7.0	154.2
Trading profit/(loss)	8.9	(1.7)	(0.2)	7.0
Exceptional operating items	5.8	(1.0)	(0.9)	(7.7)
Operating profit/(loss)	3.1	(2.7)	(1.1)	(0.7)
Finance costs				(4.5)
Finance income				2.9
Share of loss of associates				(2.5)
Loss before taxation				(4.8)
Taxation				(1.5)
Loss from continuing operations				(6.3)
Segment assets	104.9	47.8	6.4	159.1
Unallocated assets				—
Total assets				159.1
Segment liabilities	(43.4)	(10.1)	(1.6)	(55.1)
Unallocated liabilities*				(53.7)
Total liabilities				(108.8)
Capital expenditure	2.3	1.9	0.1	4.3
Depreciation	4.0	2.3	0.1	6.4

* Unallocated liabilities include borrowings and tax liabilities.

Continuing operations – year ended 31 March 2008

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

* Unallocated assets include deferred tax assets.

**Unallocated liabilities include borrowings and tax liabilities.

Secondary segment

Continuing operations

	Showers £m	Tiles and adhesives £m	Group £m
Year ended 31 March 2009			
Revenue	47.2	107.0	154.2
Segment assets	40.9	105.7	146.6
Unallocated assets*			12.5
Total assets			159.1
Capital expenditure	0.7	3.6	4.3
Year ended 31 March 2008			
Revenue	57.4	110.5	167.9
Segment assets	46.2	106.4	152.6
Unallocated assets*			5.8
Total assets			158.4
Capital expenditure	0.9	9.5	10.4

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

3. Exceptional items

Exceptional operating items

	2009 £m	2008 £m
Pension curtailments credit ¹	—	0.7
Past service pension credit ²	1.5	—
Restructuring costs ³	(3.5)	—
Property provisions ⁴	(7.0)	—
Profit on disposal of investments ⁵	1.3	—
	(7.7)	0.7
Exceptional interest costs		
Write-off of capitalised financing costs ⁶	—	(3.8)

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

² The pension credit relates to the impact of changes in pensioners' benefits in the UK defined benefit pension scheme.

³ Restructuring costs relate to redundancies and asset write-downs following the implementation of a programme of restructuring initiatives throughout the Group's business units.

⁴ The provision to cover the Group's onerous property leases was increased by £7.0m in the year.

⁵ Profit on disposal of the Group's 19% investment in H & R Johnson (India) Limited.

⁶ Following the refinancing of the Group's banking facilities £3.8m of costs relating to the previous banking arrangements were written-off in the prior year.

4. Finance income and costs

	2009 £m	2008 £m
Finance costs		
Interest payable on bank borrowings	3.4	4.9
Interest payable on shareholder loans	—	1.1
Amortisation of costs of raising debt finance	0.1	0.4
Movement on fair value of derivative financial instruments	0.5	—
Discount on property lease provisions	0.5	0.5
Total finance costs	4.5	6.9
Finance income		
Bank interest receivable	(0.6)	(0.5)
Other finance income	(2.3)	(3.4)
Movement on fair value of derivative financial instruments	—	(0.1)
Total finance income	(2.9)	(4.0)
Net finance costs	1.6	2.9

5. 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 Norcross Employee Benefit Trust.

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 2009 the potential dilutive ordinary shares amounted to nil (2008: 664) as calculated in accordance with IAS 33.

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

	2009 £m	2008 £m
Basic and diluted:		
– (loss)/profit for the financial year	(6.3)	9.5
Basic and diluted before exceptionals:		
– (loss)/profit for the financial year	(6.3)	9.5
– exceptional items (net of taxation)	7.8	3.3
	1.5	12.8

	2009 Number	2008 Number
Weighted average number of shares for basic earnings per share	148,417,884	120,040,103
Share options	—	664
Weighted average number of shares for diluted earnings per share	148,417,884	120,040,767

2009	2008
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Basic (loss)/earnings per share	(4.2)p	7.9p
Diluted (loss)/earnings per share	(4.2)p	7.9p
Basic earnings per share before exceptionals	1.0p	10.7p
Diluted earnings per share before exceptionals	1.0p	10.7p

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

6. Ordinary called up share capital

	2009	2008
	£000	£000
Authorised		
200,000,000 (2008: 200,000,000) ordinary shares of 10p each	20,000	20,000
Issued and fully paid		
148,717,884 (2008: 148,717,884) ordinary shares of 10p each	14,872	14,872

7. 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 2007	0.1	5.5	(3.6)	(18.2)	(16.2)
Shares issued	14.8	57.9	—	—	72.7
Actuarial loss on retirement benefit obligations	—	—	—	(4.4)	(4.4)
Profit for the period	—	—	—	9.5	9.5
Dividends	—	—	—	(0.8)	(0.8)
Share-based payments	—	—	—	0.2	0.2
Foreign currency translation adjustments	—	—	(1.9)	—	(1.9)
At 31 March 2008	14.9	63.4	(5.5)	(13.7)	59.1
Actuarial loss on retirement benefit obligations	—	—	—	(4.8)	(4.8)
Loss for the period	—	—	—	(6.3)	(6.3)
Dividends	—	—	—	(4.0)	(4.0)
Share-based payments	—	—	—	(0.1)	(0.1)
Foreign currency translation adjustments	—	—	6.4	—	6.4
At 31 March 2009	14.9	63.4	0.9	(28.9)	50.3

8. Consolidated cash flow statements

(a) Cash generated from operations

	2009	2008
	£m	£m
(Loss)/profit before taxation	(4.8)	9.9
Adjustments for:		
– exceptional items included in the income statement	7.7	3.1
– cash flows from exceptional costs	(4.3)	(2.8)
– other operating income	—	(0.1)
– depreciation	6.4	5.5
– difference between pension charge and contributions	(1.0)	(1.0)
– profit on disposal of property, plant and equipment	(0.6)	(0.3)

– finance costs	4.5	6.9
– finance income	(2.9)	(4.0)
– share of loss of associates	2.5	0.2
– share-based payments	(0.1)	0.2
– exchange differences	(0.1)	(0.4)
Operating cash flows before movement in working capital	7.3	17.2
Changes in working capital:		
– increase in inventories	(1.9)	(2.7)
– decrease in trade and other receivables	4.0	0.2
– decrease in payables	(2.6)	(1.0)
Cash generated from operations	6.8	13.7

(b) Outflow related to exceptional items

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

(c) Analysis of net debt

	Net cash £m	Net debt £m	Total £m
At 1 April 2007	2.1	(115.0)	(112.9)
Cash flow	(0.8)	71.1	70.3
Other non-cash movements	—	(4.8)	(4.8)
Exchange movement	(0.2)	1.1	0.9
At 31 March 2008	1.1	(47.6)	(46.5)
Cash flow	3.9	(2.8)	1.1
Other non-cash movements	—	(0.1)	(0.1)
Exchange movement	(0.1)	(0.2)	(0.3)
At 31 March 2009	4.9	(50.7)	(45.8)

Other non-cash movements relate to the movement in capitalised finance costs of £0.1m (2008: £3.8m) together with rolled up interest in relation to shareholder loans of £nil (2008: £1.0m).