

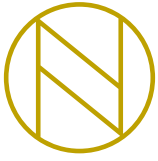


NORCROS

Norcros plc
Annual Report and Accounts 2023

INSPIRING LIVING SPACES





OUR PURPOSE

To inspire and enhance our customers' living spaces.

OUR MISSION

To be a leading supplier of bathroom and kitchen products in selected geographies, offering strong brands, contemporary designs, trusted quality, outstanding service, innovation and a wide product range.

Strategic report

- 03 Highlights
- 04 Investment case
- 06 At a glance
- 10 Markets
- 12 Chair's statement
- 15 Chief Executive Officer's statement
- 18 Business model
- 20 Strategy and objectives
- 22 Key performance indicators
- 23 Business performance
- 24 UK business review
- 32 South Africa business review
- 35 Chief Financial Officer's report
- 39 Risk management
- 40 Principal risks and uncertainties
- 45 Viability statement
- 46 Environmental, social and governance
- 78 Stakeholder engagement

Corporate governance

- 82 Board of Directors
- 84 Corporate governance
- 88 Audit and Risk Committee report
- 93 Nomination Committee report
- 94 Remuneration Committee annual statement 2023
- 97 Directors' remuneration policy report
- 105 Annual report on remuneration
- 114 Directors' report
- 117 Statement of Directors' responsibilities

Financial statements

- 119 Independent auditor's report
- 125 Consolidated income statement
- 126 Consolidated statement of comprehensive income
- 127 Consolidated balance sheet
- 128 Consolidated cash flow statement
- 129 Consolidated statement of changes in equity
- 130 Notes to the Group accounts
- 160 Parent Company balance sheet
- 161 Parent Company statement of changes in equity
- 162 Notes to the Parent Company accounts

FRONT COVER

Grant Westfield: Recent acquisition of Multipanel business for low maintenance alternative to tiles, completely grout free with unique tongue and groove installation and Hydrolock connection.

PICTURED OPPOSITE AND ON BACK COVER

Grant Westfield: New Tile Collection launched in August 2022, making it the first and only manufacturer of tile-effect wall panels to be both made in Britain and Forest Stewardship Council certified. Looks like tile, performs like panel.







Johnson Tiles: Rigid luxury vinyl tiles offer a deep structured decorative layer to provide the authenticity of premium hardwood flooring, without the extensive care regime.

Klix can be cleaned using steam cleaners and wet mops for easy maintenance. Plus, this collection is fitted with an industry-leading Armor coating, which provides technology made from a proprietary formula of active ingredients, bringing extreme hardness along with superior scratch, wear and stain resistance.

STRATEGIC REPORT

- 03 Highlights
- 04 Investment case
- 06 At a glance
- 10 Markets
- 12 Chair's statement
- 15 Chief Executive Officer's statement
- 18 Business model
- 20 Strategy and objectives
- 22 Key performance indicators
- 23 Business performance
- 24 UK business review
- 32 South Africa business review
- 35 Chief Financial Officer's report
- 39 Risk management
- 40 Principal risks and uncertainties
- 45 Viability statement
- 46 Environmental, social and governance
- 78 Stakeholder engagement

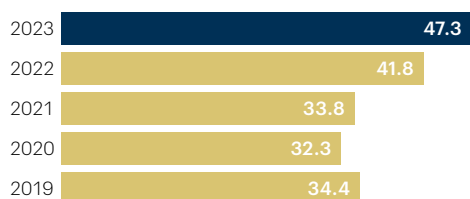


HIGHLIGHTS

Record revenue and underlying operating profit and a strong financial position.

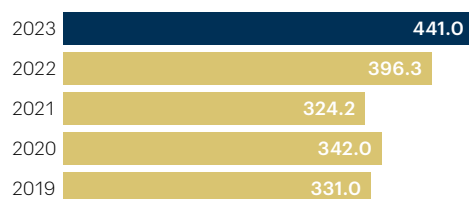
Underlying operating profit £m

£47.3m +13.2%



Total revenue £m

£441.0m +1.5%¹



¹ On a constant currency like for like basis after adjusting for Grant Westfield, acquired 31 May 2022.

Year to 31 March 2023 highlights

- Resilience of the Group's business model in challenging market conditions
- Strong execution of strategy
- Record full year revenue of £441.0m (2022: £396.3m), 11.3% higher than prior year on a reported basis and 1.5% higher on a constant currency like for like basis after adjusting for Grant Westfield
- Record underlying operating profit² of £47.3m, 13.2% higher than prior year (2022: £41.8m)
- Operating profit of £27.5m (2022: £36.2m) after acquisition related costs and exceptional items
- Underlying net debt² of £49.9m (2022: net cash of £8.6m)
- Underlying ROCE² of 18.5% (2022: 23.9%)
- Diluted underlying EPS² of 37.4p (2022: 38.2p)
- Progressive dividend at 10.2p for the year (2022: 10.0p)
- The acquisition of Grant Westfield completed in May 2022, successfully integrated and performing strongly

Current trading

- Group revenue in the two months to the end of May 2023 was 1.3% ahead of the strong prior year comparator on a reported basis and 3.6% below on a constant currency like for like³ basis (UK +1.3%, SA -12.7%) with South Africa impacted by electricity supply interruptions, which are being actively managed. Market conditions are likely to remain uncertain. However, the Board is confident that our market leading brands and strong execution of strategy will continue to deliver outperformance, leading to further progress and market share gains in line with its expectations in the year ahead.

² Definitions and reconciliations of alternative performance measures are provided in note 8 to the financial statements.

³ Adjusted for Grant Westfield and Norcros Adhesives.

Key messages

- Our record performance is a testament to our proven business model and the dedication of our employees
- The Group has delivered record revenue and underlying operating profit
- UK – a strong performance benefiting from the contribution from Grant Westfield, the breadth of distribution channels, stock availability and market leading service levels
- SA – a robust performance reflecting leading positions, stock availability and enhanced product offer against challenging market conditions in the second half
- The Group has extended its £130m multicurrency revolving credit facility for a further year until October 2026
- We remain confident that the Group's proven business model, leading customer service proposition, leading brands and highly experienced management teams will continue to deliver market share gains in the year ahead



INVESTMENT CASE

Why we outperform? It's in our DNA.

We have a clear investment case and a resilient business model; we are well positioned for future growth.



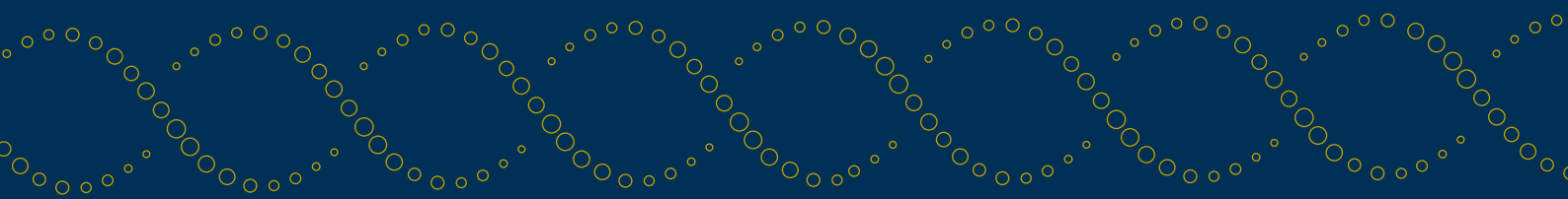
Focused operating model

A leading supplier of bathroom and kitchen products in selected geographies.



Leading market positions and brands

Our brands and products hold market leading positions or have a significant share of the markets we operate in.



Experienced management team

Our management team has considerable years of experience of successfully operating in our markets and segments.



Group-scale advantages versus smaller competitors

A well-developed and leading supply chain infrastructure, joint product development sharing costs and strong balance sheet to support business growth.



5

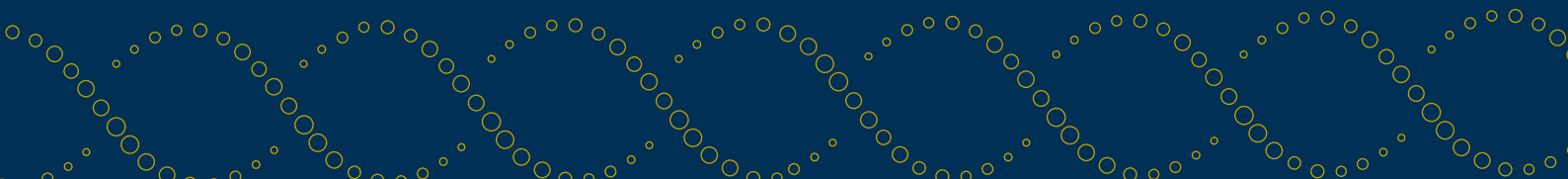
Balanced and diversified business portfolio

Multi-product, broad channel coverage, wide market positioning and geographical diversification.

7

Innovation and new product development

We constantly invest in innovation and developing our product portfolio to better meet our customer requirements and refresh our offering.



6

Flexible and capital light model

Focusing investment where our expertise achieves the best return for investors.

8

Clear and focused strategy

£600m revenue by 2025, 50% of revenues derived from overseas and sustainable ROCE of >15%.

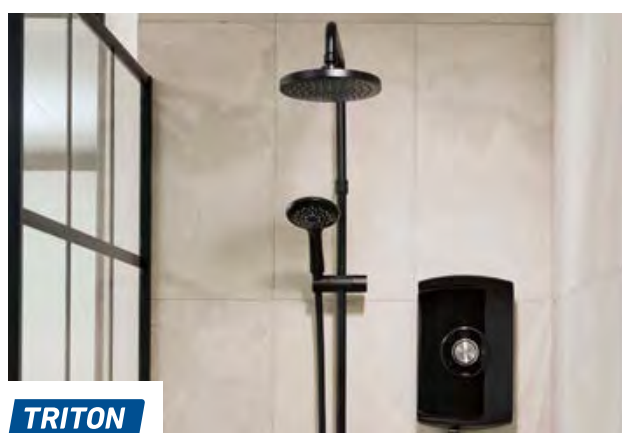


AT A GLANCE

A portfolio of market leading businesses with strong brands.

UK

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



Market leader in the manufacture and marketing of showers in the UK



The UK and Ireland's number one supplier of shower enclosures and trays to the residential, commercial and hospitality sectors



Grant Westfield is a leading manufacturer of high end waterproof bathroom wall panels



Leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves



➤ Read more about our UK businesses on pages 24 to 31

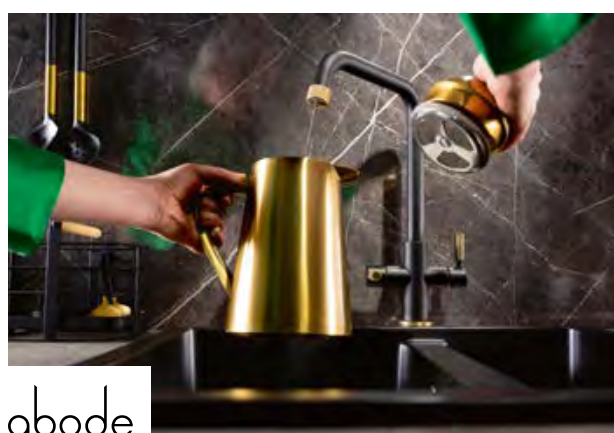


Market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories

£25.5m
revenue FY 2023



6%
of Group revenue

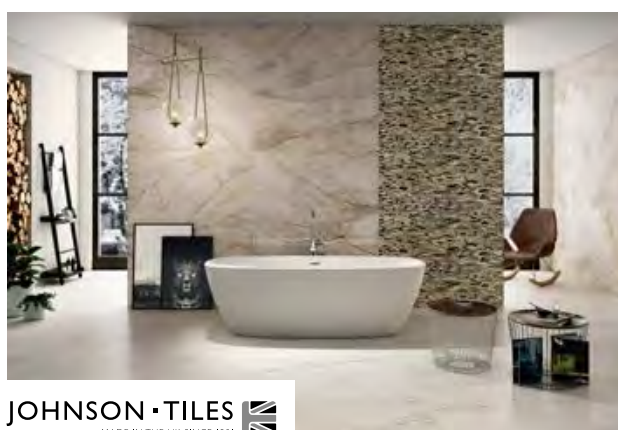


Leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks

£17.7m
revenue FY 2023



4%
of Group revenue



Leading manufacturer and supplier of ceramic tiles in the UK

£35.3m
revenue FY 2023



8%
of Group revenue



AT A GLANCE CONTINUED

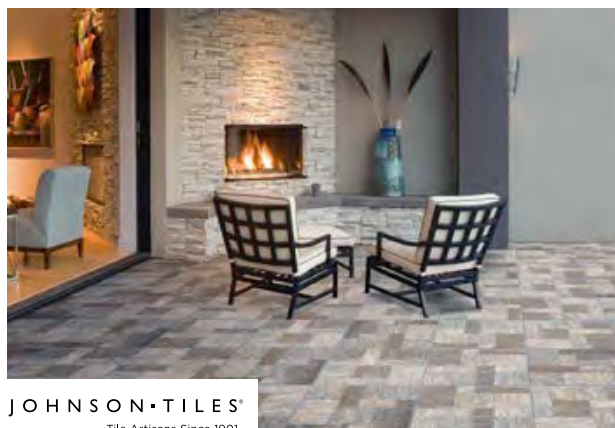
South Africa

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

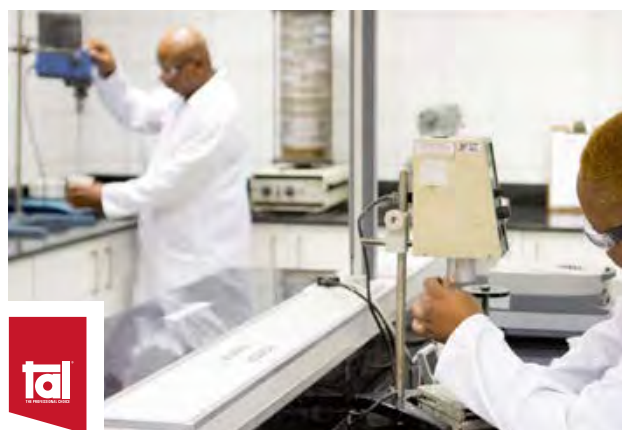
➤ Read more about our South African businesses on pages 32 to 34



Leading chain of retail stores focused on tiles, and associated products, such as sanitaryware, showers and adhesives



Leading manufacturer of ceramic and porcelain tiles



Leading manufacturer of ceramic and building adhesives



Market leading supplier of specialist plumbing materials focused on the specification and commercial sectors





ABODE



TAKING ECO-CONSCIOUS CHIC TO THE NEXT LEVEL

The new Industria 3 IN 1 Steaming Hot Water Tap serves the growing demand for industrial style kitchens while reducing energy and water wastage.

Abode's Pronteau offers a range of WRAS approved steaming hot water taps, regulated and approved under the Water Regulatory Advisory Scheme, to provide assurance that the products are rigorously tested for safe use. All components are also WRAS approved.

The new Pronteau Industria 3 IN 1 delivers domestic cold, hot and filtered steaming hot water via a specially designed dual-stage handle for optimum safety.

It is also part of the free of charge Abode filter recycle scheme. Users can return expired filters to Abode, via Royal Mail, at no cost and for added peace of mind, the new Industria 3 IN 1 Steaming Hot Water Tap is covered by a five-year warranty.

MARKETS

Opportunities to grow share in all markets.

Key market drivers

UK and South Africa market demand is dependent on:

- New building activity
- Repair, maintenance and improvement (RMI) activity

Influenced by macroeconomic factors:

- Consumer confidence
- Economic growth
- Interest and inflation rates
- Government expenditure

The Group offers a wide range of quality bathroom and kitchen products for both domestic and commercial applications across the UK, Ireland, South Africa and a number of export markets.

The UK overall bathroom market is large and mature and is highly fragmented with no dominant or global player across all product categories. Many of the market product category sub-segments are also highly fragmented with no one company serving all segments and channels. Shower enclosures, bathroom furniture and accessories sub-markets are particularly fragmented, characterised by a significant number of SME players.

The South African overall bathroom market is large although more concentrated than in the UK, albeit selected market segments (e.g. plumbing) are regionally fragmented with limited national players. Both Norcros and the other market leader deploy integrated business models from production to retail to reach all segments and channels.

In both the UK and South Africa, market demand is dependent on new building activity and RMI activity in both the public and private sectors. This is in turn influenced by macroeconomic factors, such as GDP, interest rate fluctuations, inflation rates, availability of credit, equity market conditions, unemployment rates, consumer confidence, changes in government policy and housing shortages.



Merlyn: Arysto by Merlyn's Wall Hinge Shower Door with Inline Panel and Side Panel is perfect for emulating the stylish designs associated with designer bathrooms. Featuring toughened safety glass with Mershield Stayclear easy clean protected glass, together with a lifetime guarantee.



UK

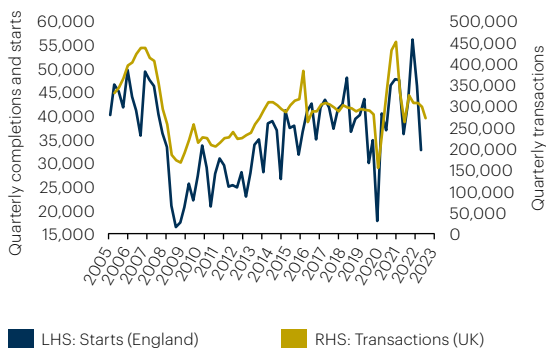
Large fragmented market

Significant consolidation opportunity

- Large target market – c. £2.1bn @ MSP¹
- Shortage of housing
- Fragmented by product and channel
- Norcros market leading positions
- No overall dominant or global player
- No one company serving all segments and channels
- Complementary kitchen market segments
- Further opportunity to grow market share

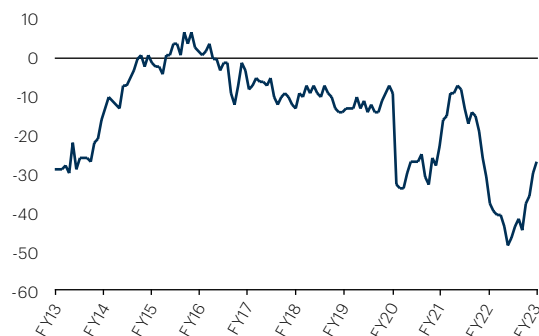
Quarterly housing completions and transactions

Sources: GOV.UK (March 2023) and HMRC – (Q1 2023)



UK GfK consumer confidence

Source: Growth for Knowledge – May 2023



South Africa

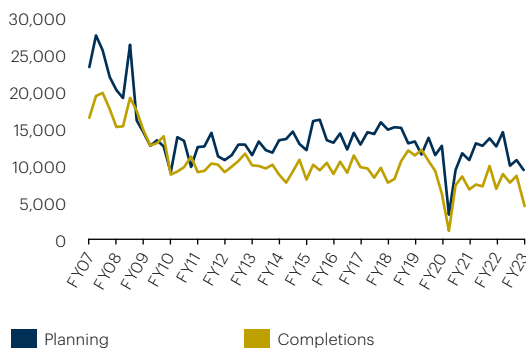
Medium-term potential

Market leading positions

- Sizeable target market – c. £1.6bn @ MSP¹
- Supportive dynamics:
 - Shortage of housing
 - Construction levels are still less than half 2007 peak
 - Favourable long-term socio-economic demographics
- Integrated business models – Norcros market leading positions
- Complementary sub-markets alternative coverings
- Further opportunity to grow market share

Quarterly – dwellings completed and plans passed

Source: SA Stats – Q1 2023



FNB/BER consumer confidence index

Source: FNB/BER – Q1 2023



1 MSP = manufacturer's selling price.

CHAIR'S STATEMENT

Another record performance, reflecting the resilience of the Norcros business model.



“

The Group has outperformed in its markets against a backdrop of challenging market conditions. This is a testament to our strategy and importantly our team and their commitment to delivering on our strategic priorities.”

David McKeith
Acting Board Chair

Overview

I am pleased to report another record performance for the Group with results at the top end of market expectations. Norcros has continued to demonstrate resilience and growth in our markets despite challenging conditions. The Group's business model and strategy have proven to be highly effective through a sustained period of macroeconomic uncertainty.

Group revenue for the year was £441.0m (2022: £396.3m), 11.3% higher than the prior year on a reported basis and 1.5% higher on a constant currency like for like basis.

Underlying operating profit was at a record level of £47.3m (2022: £41.8m), 13.2% ahead of the prior year reflecting the contribution from Grant Westfield and further market share gains.

The Group finished the year with net debt of £49.9m (2022: net cash of £8.6m), the year on year movement reflecting the successful acquisition of Grant Westfield, partially offset by strong cash generation in the period.

Strategy

Notwithstanding the macro challenges in recent years of Brexit, COVID-19, the war in Ukraine and the UK "mini budget" in September 2022, we have made strong strategic progress and our focused growth strategy continues to be valid and relevant. Our performance during the period demonstrates our focus upon sustaining a pre-tax return on underlying capital employed of 15% over the economic cycle and this continues to be key in how we evaluate opportunities and deploy capital. We made the decision to close our UK Adhesives business during the year, and whilst this was a difficult decision, it will improve the Group's financial performance going forward. Our business model, strategy and core capabilities including sustainable product design and innovation, well developed sourcing partnerships, and market leading customer service have again delivered excellent results. The business will continue to drive market share growth in our existing businesses while taking advantage of further acquisition opportunities in what remain fragmented markets.

Dividend

For the year ended 31 March 2023, the Board is recommending a final dividend of 6.8p (2022: 6.9p) per share. When combined with the interim dividend of 3.4p (2022: 3.1p) per share, which was paid on 10 January 2023, this will make a total dividend for the year of 10.2p (2022: 10.0p) per share, a 2.0% increase on the previous year whilst maintaining a prudent level of dividend cover.

Environmental, social and governance (ESG)

The Board is committed to embedding sustainability within our business strategy. We are proud of our history of environmental and social leadership, our achievements in setting industry leading standards in our products, and the support we provide to the communities in which we live and work.

I am pleased we have made significant progress this year. We have extensively updated our ESG strategy around eight priority ESG themes which are commented on in detail later in the report, finalised a 2040 Net Zero Transition Plan and made enhancements to our emissions and energy data collection process. We are pleased to have further developed our report aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which outlines our approach to managing climate-related risks and opportunities across the Group.

Pension scheme

The net position relating to our UK defined benefit pension scheme (as calculated under IAS 19R) remains in a surplus of £14.9m at 31 March 2023 (2022: £19.6m). Deficit repair contributions were £3.8m in the year.

The pension scheme is mature, with an average member age of 78, and experienced a reduction in member numbers in the year from 6,002 to 5,641. We remain confident that our pension obligations continue to be appropriately funded and well managed. The Group recognises that the pension scheme is a key stakeholder and the Group and the Trustee continue to work constructively together.

Board changes and senior management appointments

In January 2023, I was appointed Acting Board Chair until the Group appoints a new Non-executive Director as Board Chair and we are pleased to confirm that, as announced, Steve Good will be appointed a Director from 1 July 2023 and will become Board Chair Designate from that date. Steve Good will be seeking election at the AGM and if elected he will assume the Board Chair role at the conclusion of the AGM. I will not be seeking re-election at the AGM.

Thomas Willcocks was appointed to the Board as Chief Executive Officer with effect from 1 April 2023 following Nick Kelsall's retirement. Thomas joined Norcros in 2006 and was promoted to Managing Director of Norcros South Africa in 2009 and has overseen the sustained and profitable growth of our South African business. On 1 August 2021, Thomas became our Group Business Director – UK before joining the Board. I have worked closely with both Nick and Thomas as we have developed and grown the Norcros business, and it has been a pleasure to be able to stand back and recognise the success achieved. I would like to thank Nick for his focused and determined leadership over this time and wish him and his family the very best in his retirement. Nick has handed over to an experienced team led by Thomas and James Eyre (CFO), which is testament to his development of the Norcros business and team throughout his tenure.

Stefan Allanson was appointed to the Board on 1 January 2023 as a Non-executive Director and Chair (Designate) of the Audit and Risk Committee. Stefan is the Chief Financial Officer of MJ Gleeson plc and has held senior finance roles at Keepmoat Ltd, Tianhe Chemicals Ltd, The Vita Group Ltd and Honda Motor Company.

The Board composition can be found on pages 82 and 83.

The Group Executive Committee comprises our CEO (Thomas Willcocks), CFO (James Eyre) and Group Counsel and Company Secretary (Richard Collins). The search for a replacement Group Business Director – UK, who will also join the Executive Committee, is well advanced.

OBITUARY

Gary Kennedy, former Chair



With great sadness, Norcros announced that Gary Kennedy, the Board Chair and a Non-executive Director of Norcros plc, passed away on 13 February 2023. The Board of Directors on behalf of the entire Group expresses its sincere condolences to Gary's family and many friends.

Gary joined the Board as Non-executive Chair on 8 December 2021. Gary had a remarkable career with extensive executive experience, along with a wealth of non-executive director experience. He was also non-executive chair at Greencore Group plc, where he assumed the role of executive chair from 31 March 2022 until the appointment of the new CEO. Gary was chair of Goodbody Stockbrokers (Ireland) and also served as chair of Connect Group plc and on the boards of Green REIT plc, Elan plc, Allied Irish Bank, Friends First Holdings and the IDA Ireland. He was also government appointed director of Irish Bank Resolution Corporation.

Gary also made a major contribution, achieving great results in promoting women at senior levels. He strongly believed in using all the talent available and understood that diversity of views and experience enhanced and enriched the overall effectiveness and decision making process in companies.

Nick Kelsall, former Chief Executive Officer, praised Gary for his contribution to the goals of the Group and was moved by the number of people who expressed sadness at Gary's passing.

"Although Gary was with us for only a short period of time, he quickly got to know our business and our people. His engagement was always warm, trusting and genuine and he swiftly gained the respect of the Board and the people that worked closely with him. A very fine person that we will all miss."



CHAIR'S STATEMENT CONTINUED

Governance

As Acting Board Chair, one of my primary responsibilities is ensuring that the Group continues to operate to the highest standards in all governance and risk management aspects. Our aim at Norcros has always been to operate in line with our values and the "Norcros DNA" which sets us apart from our competitors while ensuring that proper operating procedures and internal controls are always maintained. Transparency is central to this objective, and you will find more detail about our approach and further progress over the last year in the Corporate Governance section on pages 84 to 87.

“

I would like to thank the Group's employees for their dedication and contribution over the last twelve months.”

David McKeith
Acting Board Chair

People

Our employees are our most valuable asset. Given our entrepreneurial, design and service led business model, the Group remains committed to ensuring a safe and positive working environment within an open, transparent and entrepreneurial culture and de-centralised operating model. On behalf of the Board, I would like to specifically thank the teams in each of our businesses who have helped to deliver on the Group's strategic objectives over the last twelve months. Recognising the central part that our people at all levels play, I am pleased to announce that we have also created the position of Chief People Officer. The position will help accelerate the Group and individual businesses' development of our internal talent and future recruitment. In further developing our talented team, we remain committed to being the employer of choice in our markets, including increasing our focus on ensuring that our businesses attract and retain diverse and inclusive teams.

Current trading

Group revenue in the two months to the end of May 2023 was 1.3% ahead of the strong prior year comparator on a reported basis and 3.6% below on a constant currency like for like basis (UK +1.3%, SA -12.7%) with South Africa impacted by electricity supply interruptions, which are being actively managed.

Summary

The Group has delivered another record performance despite the ongoing economic challenges. The Board remains confident that our highly experienced management teams, leading customer service propositions and strong financial position, will drive further market share growth in line with its expectations in the year ahead.

David McKeith
Acting Board Chair
14 June 2023



CHIEF EXECUTIVE OFFICER'S STATEMENT

Record Group performance reflects the strength of our entrepreneurial design led business model.



“

Norcros has again grown market share and I am pleased to report record levels of revenue and underlying operating profit.”

Thomas Willcocks
Chief Executive Officer

Overview

I was delighted to join the Board from 1 April 2023 and would like to thank my predecessor, Nick Kelsall, for his outstanding commitment and leadership over a Norcros career spanning 30 years. This well managed transition comes at a time when the business is financially sound and has once again delivered record levels of revenue and underlying operating profit.

Norcros has continued to build on the progress of recent years. The performance in the current year reflects the strength of our leading brands, supply chain infrastructure, stock availability, and financial strength.

Group revenue at £441.0m (2022: £396.3m) increased by 11.3% on a reported basis and by 1.5% on a constant currency like for like basis. The strong trading performance in the first half of the year continued into the second half with further revenue growth in the UK and a robust full year performance in South Africa.

Group underlying operating profit for the year increased by 13.2% to a record level of £47.3m (2022: £41.8m) reflecting the increased revenue in the year and an operating margin slightly ahead of last year at 10.7% (2022: 10.5%).

UK

Revenue in the UK was £295.8m for the year (2022: £256.7m), 15.2% higher than the prior year on a reported basis and broadly in line on a like for like basis. A resilient trade sector in the period offset softer demand in the retail sector, which was particularly impacted by customer destocking in the first half of the year.

All businesses, other than the UK Adhesives division, performed well in the year with particularly strong performances at Triton and Merlyn. Our UK businesses continued to capitalise on their strong market positions and excellent customer service. We have successfully developed our portfolio in the year. On 31 May 2022, we completed the acquisition of 100% of the share capital of Granfit Holdings Limited and its subsidiaries including Grant Westfield Limited, trading as Multipanel. Grant Westfield is a quality business with a strong track record of profitability and cash generation. Since the acquisition, the business has been successfully integrated and made a strong contribution to the Group through its complementary range of waterproof bathroom panels. In addition, we have also taken decisive action at our UK Adhesives division, announcing the closure of this small but loss making business. Against a backdrop of lower current and uncertain short-term demand for our locally produced tiles, we have made the decision to impair the carrying value of the assets at Johnson Tiles. Further detail can be found in the Chief Financial Officer's Report on page 35.

UK underlying operating profit for the year was another record at £37.2m (2022: £30.9m) with an improved underlying operating margin of 12.6% (2022: 12.0%). Underlying operating profit growth was supported by the contribution from Grant Westfield.

Operating cash flow was higher than the prior year driven by the increased level of operating profit and higher underlying operating cash conversion supported by our continued focus on working capital.



CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

South Africa

Revenue in South Africa increased by 4.7% on prior year on a constant currency basis, and by 4.0% on a Sterling reported basis, to £145.2m (2022: £139.6m). All divisions delivered revenue growth on the prior year.

This revenue growth was mainly driven by robust demand in the housebuilding sector and the full year impact of the expansion of our House of Plumbing branch portfolio. An exceptional performance over the first half was diluted by heightened levels of loadshedding (electricity rationing), especially in the fourth quarter and we continue to manage this in the current year. The breadth of our revenue channels once again benefited our performance.

South African underlying operating profit for the year was robust at £10.1m (2022: £10.9m), reflecting our market leading positions and share growth in a difficult market, particularly in the second half of the year. Underlying operating margin was 7.0% (2022: 7.8%). We are accustomed to the higher levels of variability in this developing market and have a proven experienced team with a track record in this region.

Operating cash flow was lower than prior year largely as a result of continued investment into working capital (primarily inventory) to support our service levels and stock availability.

Strong financial position

The Group continues to have a strong balance sheet with net debt of £49.9m (2022: net cash of £8.6m). The year on year movement reflects the acquisition of Grant Westfield and a planned investment into working capital in the year of £13.3m to further support business growth and customer service, with a resultant underlying operating cash inflow of £44.8m (2022: £28.6m) in the year.

The Group has extended its £130m multicurrency revolving credit facility (RCF) for a further year. The facility has a three year and seven-month term to October 2026, with a further year extension available. It also includes the option for an uncommitted accordion facility of £70m. The Group therefore remains well positioned to progress its growth strategy.

Following the acquisition of Grant Westfield in May 2022, leverage at the 2023 year end is circa 1.0x EBITDA on a pre-IFRS 16 basis.

Strategy

In April 2018 the business launched a refreshed strategy for growth and a 2023 vision for the Group, including an updated set of strategic targets which were: to increase Group revenue to £600m by 2023; to maintain revenue derived outside of the UK at approximately 50% of Group revenue; and to sustain a pre-tax return on underlying capital employed of more than 15% over the economic cycle. The previous timescale of 2023 was extended to 2025 reflecting the COVID-19 disruption. This growth strategy has delivered strong organic and acquisition driven growth at above targeted returns:

- Group revenue increased by 11.3% to £441.0m, supported by the acquisition of Grant Westfield on 31 May 2022.
- On a Sterling reported basis, Group revenue derived outside of the UK was 40.6%.
- Group underlying return on capital employed was 18.5% on a pre-IFRS 16 basis.

The Group's strong performance and the decisive response to the inflationary and supply chain challenges and market conditions continue to demonstrate the resilience of our business model and the effectiveness of our strategy.

Norcros has a strong and scalable position in the bathroom and kitchen product markets. The markets in our existing and adjacent geographies remain highly fragmented with significant consolidation opportunities to either broaden our product portfolio or further consolidate our current offerings. The significant strength of the balance sheet means the business is well placed to take advantage of further acquisitions or organic growth opportunities as they arise. Norcros' proven record of growing existing and carefully selected acquired businesses remains a core business strength.

Sustained investment in our in-house new product development programmes will continue to drive organic growth alongside our market leading brands, customer service and best in class quality. Our product vitality rate (the percentage of revenue in the period derived from new products launched in the last three years) remained high at 24% (2022: 29%) but short of our demanding target of 30% mainly due to the COVID-19 related disruption to supply chains. Our vitality rates are nonetheless market leading and we continue to invest in our pipeline as new product launches return to pre-COVID-19 levels.

ESG

Sustainability is a key priority for the Group and we continue to work closely with our businesses to drive progress in line with our previously mentioned updated ESG strategy.

Further progress was made in the year as we continue the journey to net zero. For the first time, we have set scope 1, 2 and 3 carbon emissions targets. Data collection, measurement and visibility will continue to be developed internally and with our partners. Further details of our ESG strategy can be found on pages 20 to 21.

Our well developed social and governance programs are detailed later in the report, with a notable example being our SAFE bathrooms initiative in underprivileged South African schools.



Summary and outlook

Norcros has made excellent progress in our markets despite the challenging conditions and again delivered record results. Our Group performance demonstrates the strength of our business model and the calibre and support of all our employees. Our businesses, both in the UK and South Africa, continue to make strong progress, gain market share and benefit from the ongoing development of our leading brands, supply chain infrastructure and stock availability. Grant Westfield has been an excellent addition to our portfolio and has performed well in the year.

Our UK businesses performed well with strong second half growth year on year. The market leading positions and continuing excellent service levels, ensured that key retail customers were retained with new account wins. The trade and specification sector demonstrated ongoing resilience and continues to represent an important opportunity for the group, including the recently acquired Grant Westfield business, going forward.

Our South African business has continued to deliver revenue growth, notwithstanding the challenging market conditions experienced in the second half of the year. The business remains in a strong competitive position to grow market share, particularly in bathrooms.

The markets in which we operate in the UK and South Africa remain fragmented and attractive for organic and acquisitive growth opportunities. Our acquisition in the year of Grant Westfield demonstrates the Group's ability to capitalise on growth opportunities and leverage off the existing Group businesses, and especially our broad and well established distribution channels.

In summary, we have ended the year strongly, outperforming our markets and, once again, delivered record levels of revenue and underlying operating profit. While market conditions remain uncertain, especially in South Africa, the Board believes that the Group's proven business model and highly experienced management teams will continue to deliver market share growth in line with its expectations in the year to 31 March 2024.

Thomas Willcocks
Chief Executive Officer

14 June 2023



Nick Kelsall, former CEO

After 30 years of service with the Norcros Group, Nick Kelsall, Chief Executive Officer, notified the Board of his intention to retire with effect from 31 March 2023.

Nick was appointed CEO in April 2011 and over the last twelve years has transformed the Group through the successful execution of a focused growth strategy into a highly profitable and resilient market leading business with strong brands. The Group has delivered an enviable track record of sustained domestic and international growth during Nick's leadership, through his strategic vision and business acumen.

Nick previously served as the Group's Chief Financial Officer from October 1996, having joined Norcros in 1993. To ensure a smooth and effective handover, Nick will remain an employee until 31 January 2024.

Commenting on these changes, David McKeith, Acting Board Chair, said: "Nick has devoted the majority of his career to Norcros and has converted it into the resilient, profitable and market leading business it is today. I know that all Norcros shareholders, Directors and staff will join me in thanking him profusely for everything he has done for the Group. We all wish him well for the future."

Nick Kelsall commented: "It has been both a privilege and an honour to lead the Norcros business which has been a huge part of my life. Norcros has been transformed and is unrecognisable from the business that I joined 30 years ago. The business is in great shape with huge opportunities, and I am immensely grateful for the support of the very talented colleagues that I have worked with right across our business globally. I wish them every success for the future."



BUSINESS MODEL

Maximising shareholder value through continuous investment.

We have a well-established, successful track record of serving consumers, architects, designers, developers, retailers and wholesalers. Our emphasis is on strong branding, contemporary designs, trusted quality, outstanding service, innovation and breadth of product range.





What makes us different	The value we create
<p>We base our business on understanding our customers' needs. Norcros is a substantial and growing international Group with consistent, high quality standards and considerable resources.</p> <hr/> <ul style="list-style-type: none"> Design We design great products that are of high quality and desirable for customers. <hr/> Sourcing Our products are sourced and manufactured to the highest standards and are quality monitored at each stage of the supply chain. <hr/> Customer service Building customer relationships, providing outstanding service and unrivalled technical support. <hr/> Market leading brands Our broad brand positioning facilitates channel development and acquisition of new accounts. <hr/> Complementary products, channels and regions Our complementary and extensive product range provides a one-stop-shop to our existing customer base and is important in attracting new customers. <hr/> Successful acquisition strategy We target acquisitions in complementary product, market and industry segments exhibiting attractive returns on capital. 	<p>The key areas of value creation across our stakeholder base are below:</p> <hr/> <p>Shareholders</p> <ul style="list-style-type: none"> Progressive and resilient return of value to shareholders Continued execution of growth strategy with strong pipeline of opportunities Strong financial position with robust cash-generative businesses Return on capital employed maintained above strategic target <hr/> <p>Customers</p> <ul style="list-style-type: none"> Over 7,500 business customers supplied during the year with innovative high quality branded products Continued innovation and deployment of technology to service our customers Sustained investment in our leading brands to ensure longevity Customer-focused approach delivering outstanding customer service and unrivalled technical support <hr/> <p>Employees</p> <ul style="list-style-type: none"> Nearly 2,400 employees around the world Focus on training and development Experienced, devolved management teams and well-established local trading relationships Empowering culture to enable our people to meet their aspirations <hr/> <p>Society</p> <ul style="list-style-type: none"> Playing a key role in the communities we serve by supporting local businesses, schools and colleges, through education and training schemes Supporting the local communities with a range of charitable events <hr/> <p>Environment</p> <ul style="list-style-type: none"> Committed to monitoring and minimising our environmental impacts and encouraging our suppliers to do the same Committed to adapting our business to changing consumer demands for our products



STRATEGY AND OBJECTIVES

A focused growth strategy delivering strong sustainable results.

About our strategy

The Board believes the execution of this growth strategy will enhance shareholder value. The strategy is balanced between organic growth and building on our proven acquisition track record.

Organic growth will continue to be driven by capitalising on our leading market positions in the UK, South Africa and new export markets. Our organic growth initiatives are focused on continued development of our market leading, design led brands and market positions. We will reinforce our in-house design capability, building on our sustainability credentials, while accelerating cross-selling synergies and the development of our Group operating efficiencies. Increased investment in our team and systems will underpin our current and future growth plans.

Acquisitions are an area where our team has a proven track record. We have a well developed acquisition pipeline and will continue targeting complementary market and regional segments exhibiting attractive returns on capital. Our focus is on complementary bathroom and kitchen product categories with strong exposure to commercial and specification segments. Our robust financial position allows us to move forward with confidence as we continue to consolidate increasingly fragmented markets following a sustained period of economic headwinds. We will simultaneously continue managing our existing portfolio to ensure the best possible returns as demonstrated by the closure of the loss making UK Adhesives business this year. The successful acquisition and integration of Grant Westfield, Vado, Croydex, Abode, Merlyn and the House of Plumbing businesses all demonstrate our ability to drive profitable growth through acquisitions.

1

Portfolio Development

Continue to target acquisitions in complementary product markets with attractive returns on capital

Progress in 2023

- Successful acquisition and integration of Grant Westfield – a leading UK designer and supplier of waterproof bathroom wall panels, operating under the renowned Multipanel brand
- Closure of Norcros Adhesives – reallocating capital for the long-term benefit of our businesses and shareholders

Priorities for 2024

- Progressing our well-developed acquisition pipeline
- Broadening our portfolio of brands and product categories to offer a “one-stop-shop” for bathrooms
- Further developing our international pipeline
- Driving scale based operational efficiencies
- Maintaining our disciplined approach to leverage and capital allocation

2

Organic Growth

Accelerating organic growth through cross-selling, new product development and customer relationships

Progress in 2023

- UK and SA market share growth during challenging year, particularly in Triton, Merlyn, Abode and Tile Africa
- Further development of cross-selling synergies across our business portfolio
- New key accounts added, especially in the trade and specification channels
- Grant Westfield introduced to, and growing, significant new accounts

Priorities for 2024

- Drive increased revenue synergies through cross-selling opportunities, including in the export market
- Driving further progress in our overall customer proposition
- Investment in NPD
- Further investment in key account management
- Building on our head start as an engaged supplier through our ESG strategy to grow share



3

ESG

Develop already high standards of corporate governance and social responsibility, while placing sustainability at the heart of our business

Progress in 2023

- Updated ESG strategy, confirming 8 ESG Priority Themes and associated KPIs
- Reported against Task Force on Climate-related Financial Disclosures (TCFD)
- Developed 2040 Net Zero Transition Plan including targets for scope 1, 2 and 3 carbon emissions
- Triton, Abode and Vado achieved Carbon Neutral status

Priorities for 2024

- Validation of our Carbon Targets by SBTi
- Delivery against our Net Zero Transition Plan
- Disclose through CDP for the first time
- Building on our social agenda with a specific focus on D&I credentials
- Increased focus on health and safety, facilities and wellbeing to enhance employee value proposition

4

Operational Excellence

Driving efficiency and effectiveness through Group synergies and increased investment in operating systems and facilities

Progress in 2023

- Significant freight benefits through Group wide collaboration
- Modernisation of financial, operating and digital platforms with increased divisional alignment and standardisation
- TAF's successful introduction of Nuvo bathroom ranges utilising Group supply chain
- Cross divisional collaboration on channel specific product range design, especially colour matching

Priorities for 2024

- Scale cross-selling synergies
- Margin development by further leveraging Group sourcing and logistics scale opportunities
- Increased investment in simplifying and modernising our systems to drive operational efficiency and engagement
- Group forums continue to drive accelerated group wide adoption of best practices
- Increase alignment in our new product development programs

5

Talent

Our teams are the key differentiator in our decentralised business model

Progress in 2023

- Chief People Officer role created to increase alignment and accelerate development of our teams
- Reviewed talent plans to ensure that we can successfully deliver our strategy
- Excellent further progress made in SA, addressing historical racial and gender imbalances
- Flick online training platform launched across the UK businesses

Priorities for 2024

- Group people strategy to be refreshed and relaunched
- Centrally coordinate accelerated progress in our D&I programme
- Embed new group wide approach to learning and development
- Continue to actively address team wellbeing challenges that have been exacerbated by COVID-19 and geo-political related pressures



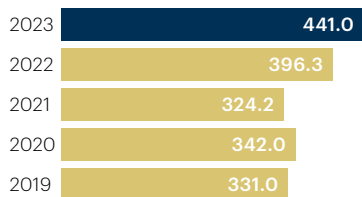
KEY PERFORMANCE INDICATORS

Measuring our progress.

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

Total revenue £m

£441.0m +11.3%



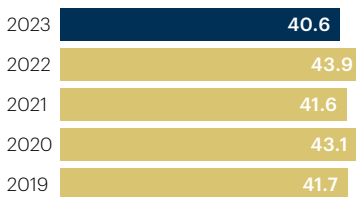
Link to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

Definition Reported Group revenue for the year.

Performance Total revenue for the year increased by 11.3% on a reported basis and by 1.5% on a constant currency like for like basis.

Group revenue outside the UK %

40.6% -330bps



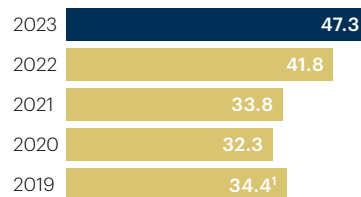
Link to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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

Performance Group revenue outside the UK has decreased in the year to 40.6%, reflecting the acquisition of Grant Westfield in the year. In constant currency terms from when the targets were set we are more closely in line with the strategic target (of 50%) at 43.8% (2022: 47.0%).

Underlying operating profit £m

£47.3m +13.2%



Link to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

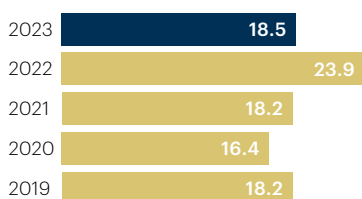
Definition Reported operating profit as adjusted for IAS 19R administrative expenses, acquisition related costs and exceptional operating items, as defined in note 8 to the financial statements.

Performance Underlying operating profit increased by £5.5m (+13.2%). This reflected the contribution from Grant Westfield and a strong trading performance in the UK and in South Africa.

¹ On a pre-IFRS 16 basis.

Underlying return on capital employed %

18.5% -540bps



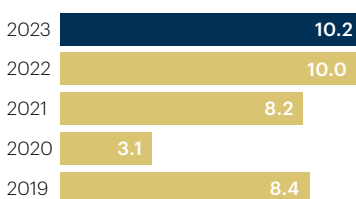
Link to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

Definition Underlying operating profit on a pre-IFRS 16 basis expressed as a percentage of the average of opening and closing underlying capital employed (as defined in note 8 to the financial statements).

Performance Underlying ROCE remained above the strategic target of 15% over the economic cycle.

Dividend per share p

10.2p +2.0%



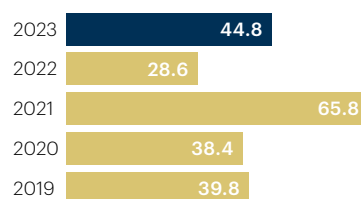
Link to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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

Performance In line with the Board's progressive albeit prudent dividend policy, the dividend per share increased 2.0% to 10.2p per share from 10.0p per share.

Underlying operating cash flow £m

£44.8m +56.6%



Link to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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

Performance Underlying operating cash generation increased to £44.8m reflecting a strong trading performance and a reduced investment into working capital.



BUSINESS PERFORMANCE

A record performance for the Group.

	2023 £m	2022 £m
Revenue	441.0	396.3
Operating profit	27.5	36.2
IAS 19R administrative expenses	1.6	1.7
Acquisition related costs	8.4	4.8
Exceptional operating items	9.8	(0.9)
Underlying operating profit	47.3	41.8
	2023 £m	2022 £m
Revenue – UK	295.8	256.7
Revenue – South Africa	145.2	139.6
Revenue – Group	441.0	396.3
Underlying operating profit – UK	37.2	30.9
Underlying operating profit – South Africa	10.1	10.9
Underlying operating profit – Group	47.3	41.8
Underlying operating profit margin – UK	12.6%	12.0%
Underlying operating profit margin – South Africa	7.0%	7.8%
Underlying operating profit margin – Group	10.7%	10.5%
	2023 £m	2022 £m
Underlying operating profit	47.3	41.8
Depreciation of right of use assets	4.6	4.1
Lease costs	(6.4)	(5.7)
Depreciation and underlying amortisation (owned assets)	5.0	5.2
Underlying EBITDA (pre-IFRS 16)	50.5	45.4
Net working capital movement	(13.3)	(23.6)
IFRS 2 charge	1.2	1.1
Operating profit impact of IFRS 16	1.8	1.6
Depreciation of right of use assets	4.6	4.1
Underlying operating cash flow	44.8	28.6
	2023	2022
Basic underlying earnings per share	38.0p	38.9p
Diluted underlying earnings per share	37.4p	38.2p

The Group makes use of a number of alternative performance measures to assess business performance and provide additional useful information to shareholders. Definitions and reconciliations of these alternative performance measures are provided in note 8.



UK BUSINESS REVIEW

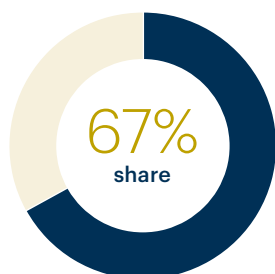
Record revenue and operating profit.

During the second half of the year, revenue grew 3.3% on a like for like basis as we benefited from our brands' leading market positions.

Highlights 2023

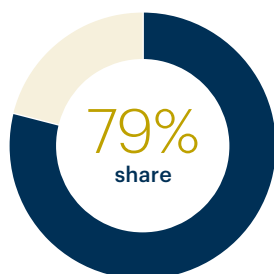
Share of Group revenue

£295.8m



Share of Group underlying operating profit

£37.2m



In the UK, full year revenue was 15.2% higher than the prior year on a reported basis at £295.8m (2022: £256.7m) reflecting the contribution from Grant Westfield, market share gains and selling price increases to recover higher input costs.

On a like for like basis, full year revenue was broadly in line with the strong prior year comparator with growth in the second half of the year of 3.3%.

Over the year, our UK businesses delivered a strong performance, benefiting from the diverse customer base and an increased focus on the trade and specification sector.

Compared to the strong prior year comparator, the retail sector was impacted by softer demand and some customer destocking in the first half. The market did improve in the second half of the year and we are well positioned to continue to grow market share.

The trade sector, where we enjoy market leading positions, proved resilient with a particularly strong fourth quarter. Sales to national and independent merchants and housebuilders were robust. Representing a smaller proportion of our revenue, export was lower year on year reflecting softer first half demand in our export markets.

New product development remains a focus at all of our UK businesses. This core in-house strength is a key driver in our strategy to grow our brands' long-term leading market positions.

Strong progress has been made on our ESG strategy with a number of businesses achieving the Environmental Management standard ISO 14001 in the year, a key milestone on the path to net zero. We have also set targets and KPIs to align our businesses to our ESG strategic priorities. Further detail is included in the ESG section.

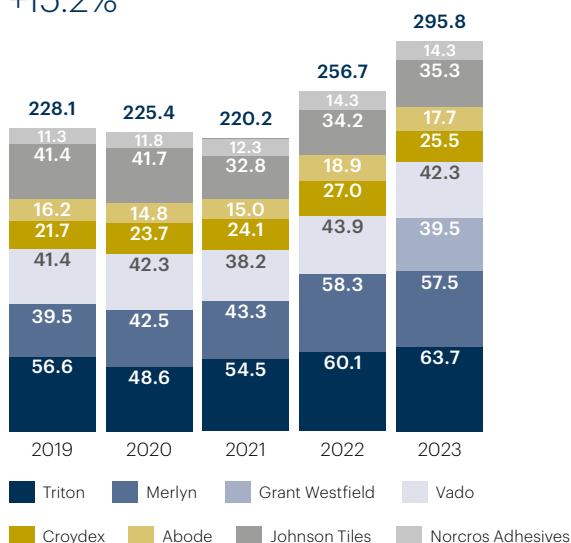
Underlying operating profit for the year grew by £6.3m to a record level of £37.2m (2022: £30.9m) with an operating margin of 12.6% (2022: 12.0%). This increase in profitability mainly reflected the contribution from Grant Westfield and the return to profitability at Johnson Tiles in the period.

Operating cash conversion was significantly ahead of the prior year supported by our continued focus on working capital.

UK revenue £m

£295.8m

+15.2%





TRITON

TRITON LAUNCHES NEW DUELEC®

Triton's DuElec® system is the solution for homeowners wanting an efficient electric shower which doesn't compromise on style and luxury experience.

The innovative solution allows the user to easily switch between a typical handheld shower head and an additional, large overhead drencher, to enjoy a rainfall shower experience.

Triton's Amore DuElec™ offers an energy efficient way to heat and use water, for a cleaner conscience when showering. By heating instantly and on demand, it avoids unnecessary wastage without compromising on performance. An average family of four could save up to 48,000 bottles of water over a year by switching from mixer to electric, which is the equivalent of 0.31 tonnes of carbon.



UK BUSINESS REVIEW CONTINUED

Triton

Revenue at Triton, the UK's market leader in showers, was £63.7m (2022: £60.1m), 6.0% higher than the prior year reflecting market share gains in the period driven by our market leading sustainability programme.

Triton has benefited from strong retail sales over the last three years by ensuring excellent product availability and maintaining high customer service levels. Second half retail revenue was particularly strong after experiencing some destocking in the first half from larger retail customers. Full year retail sector revenue was up by 4.6% compared to the prior year.

Trade sector revenue was 11.7% higher than the prior year, reflecting the strengthening of our team in this market segment, with growth continuing in contract business and Triton taking share in the social housing and local authority market. Export revenue also recovered in the second half albeit full year revenue was 2.5% behind the prior year reflecting first half customer destocking.

New products continue to be a key driver in maintaining Triton's long-term leading market position where ongoing investment and new product launches have proven successful. Notable revenue growth in the year was delivered from the DuElec® range of dual outlet electric showers and the introduction of new finishes.

Proud to be manufactured in Britain for almost 50 years and a member of the "Made in Britain" scheme since 2014, Triton is known as a leader in electric shower innovation with a focus on its environmental credentials. Investment in brand and marketing campaigns continued with the "Every Drop Makes a Difference" theme, raising awareness about the efficiency and sustainability benefits of electric showers. The campaign achieved a Special Recognition in Driving Behaviour Change Award from the Bathroom Manufacturers Association and was Highly Commended at the HVAC Industry Energy Savings Awards. Triton's Enrich electric shower also won the inaugural Screwfix sustainability award. During the year Triton achieved Carbon Neutral status and continued to work towards its target to be net carbon zero by the end of 2035.

Triton again delivered an underlying operating profit ahead of the prior year.

Merlyn

Merlyn, the UK and Ireland's number one supplier of shower enclosures and trays to the residential, commercial and hospitality sectors, performed strongly and recorded revenue of £57.5m (2022: £58.3m), slightly behind the strong prior year comparator. The business continued to grow its market share, leveraging its leading position in the UK through its leading design, quality product offering, stock availability and exceptional customer service.

UK revenue was in line with the prior year. The retail sector improved in the second half, driven by new customer wins and organic growth, with revenue finishing the year broadly in line with the prior year.

Trade revenue increased by 2.0% with growth across a number of existing customers, in addition to a number of new contracts including Vistry and Larkfleet, offset by slightly reduced sales to national merchants. Merlyn renewed agreements with all of the major buying groups and national merchants in the year. Exports decreased by 12.7% in the year reflecting customer destocking in Ireland and France.

New product development remains an integral component of Merlyn's growth strategy with the successful launch of the Sleek modern shower enclosure range. Further investment in Merlyn's online presence was reflected in the launch of the new Merlyn website with a new "find your perfect solution" feature. Recognising the strength of the brand, Merlyn was shortlisted at the BKU Awards for Shower Brand of the Year after winning the prestigious award plus Best Sales Representative in 2022. Merlyn has further developed its environmental credentials during the year and has now, amongst other initiatives, eliminated the use of single use plastics with fully recyclable alternatives.

Merlyn recorded underlying operating profit ahead of the prior year.

“

Revenue at Triton, the UK's market leader in showers, was £63.7m (2022: £60.1m), 6.0% higher than the prior year reflecting market share gains in the period.”



MERLYN

MERLYN PATENT

Merlyn's "one-person-fit" shower enclosures remove the struggle to assemble the frame off the tray and lift into place – often with another person's help.

The unique aspects of the design centre around two key features. Firstly, the slot and lock connection device simplifies the assembly, where traditionally several screws had to be used. Secondly, the patent incorporates the frame adjustment into the connection device; whereas before two overlapping profiles were used, it is now replaced with a single profile with the frame being adjusted and locked by an Allen key.

The patent is granted to Merlyn by the British Patent Office for the IQ/Easy quick fit system used on sliding, quadrant and corner doors – published on 1 February 2023 for up to 20 years.



VADO

RED DOT WINNER FOR PRODUCT DESIGN 2022

Arrondi, designed by the internationally renowned architects and interior designers, Conran and Partners, who collaborated with Vado to define a new aesthetic direction in a market which typically sees a strict delineation between the “traditional” and “contemporary”.

With a shared commitment to sustainability, Vado and Conran and Partners have worked together to ensure Arrondi meets with each business’ core environmental credentials.

- All basin mixers are fitted with industry leading H₂O eco flow regulators, delivering controlled water use at 5 litres per minute (at 1.0 bar MP) without compromising performance
- All packaging is 100% recyclable and plastic free – in line with Vado’s sustainability commitment
- Circular design approach using market leading components to maximise longevity and reduce impact on the environment
- Reassuring 15-year guarantee, making Arrondi an investment range you can trust



UK BUSINESS REVIEW CONTINUED

Grant Westfield

Grant Westfield, our recently acquired market leading manufacturer of high end waterproof bathroom wall panels, recorded revenue for the ten months post-acquisition in line with expectations at £39.5m, ahead of the equivalent prior year period.

The business was successfully integrated in the first half of the year and has continued to develop, working with other Norcros businesses on several customer and channel opportunities. This collaboration has resulted in a new and developing relationship with Topps Tiles. The majority of Grant Westfield's revenue is through the trade channel with a small level of export revenue. Sales through the national merchants such as City Plumbing, Wolseley Group and Travis Perkins were strong. The online channel is growing and has performed well.

The Multipanel Tile collection, which was successfully launched post acquisition, has been well received and has reinforced the reputation of Grant Westfield for product innovation and quality. It is the only tile effect panel manufactured in the UK. The business achieved the Environmental Management standard ISO 14001 in the year.

Grant Westfield delivered an underlying profit performance in line with expectations.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded revenue of £42.3m for the year (2022: £43.9m), 3.6% lower than the strong prior year comparator.

In the UK, our retail sector revenue was impacted in the period with revenue 14.7% lower than the prior year, albeit performance improved significantly in the second half of the year. The trade sector performed robustly, with revenue up 9.4% on prior year. This was driven by continuing to work with all existing key customers along with several contract wins, particularly in the second half of the year, such as The Cocoa Works, apartments at Silverstone and with Berkeley Homes. Export revenue was broadly in line with the

prior year. Reduced sales in Ireland were offset by strong sales in the Middle East in the second half of the year.

Following the successful launch of the Arrondi range which was created in partnership with Conran and Partners and won a Red Dot Design award, the business continued to invest in new product development with further market leading launches in the flush plate, frames, and cistern markets.

Vado generated an underlying operating profit ahead of prior year.

Croydex

Croydex, our market leading, innovative designer, manufacturer, and distributor of high quality bathroom furnishings and accessories, recorded revenue of £25.5m (2022: £27.0m) for the period, 5.6% lower than the strong prior year comparator. Pleasingly, performance in the second half was ahead of prior year as a result of operational improvements.

Retail sector revenue in the first half of the year was significantly impacted by customer destocking and whilst the second half improved significantly, full year revenue was 22.1% behind the prior year. E-commerce sales were soft in the first half against a strong comparator of the prior year but were stronger at the end of the year including new listings with Dunelm online. The trade sector continued to perform well with strong sales across the national and independent merchants. Revenues were 16.3% ahead of the prior year. Export sales were below prior year by 7.7% largely as a result of reduced demand from the USA.

Underlying operating profit was marginally behind the prior year albeit the second half was ahead of the prior year.

“

Grant Westfield, our recently acquired market leading manufacturer of high end waterproof bathroom wall panels, recorded revenue for the ten months post-acquisition in line with expectations at £39.5m, ahead of the equivalent prior year period.”



JOHNSON TILES S

NEW PROCESSES PROVIDE TEXTURE, STRUCTURE AND INTEREST

Johnson Tiles' launch of the Luxx range draws inspiration from striking marble patterns and on-trend animal textures, bringing a sense of glam and style, echoing the Johnson Tiles Astral range.

Luxx offers a variety of different prints available to suit any design scheme. Options range from Pinto Marble and Carbon Quartz to the four featured animal prints of Turtle, Snake, Cheetah and Zebra. These all have a distinctive and bold appearance.



UK BUSINESS REVIEW CONTINUED

Abode

Abode, our leading designer and distributor of high quality hot water taps, bathroom mixers, kitchen sinks and taps, recorded revenue of £17.7m for the year (2022: £18.9m), a 6.3% decrease on prior year largely reflecting a strong prior year comparator and the exit from some low margin business in the year.

The business continued to benefit from its strong market positions with key customers, which were further developed in the year with the launch of the loyalty scheme "Abode Accumulate". The business has continued to grow market share over the period and retail growth has been supported by MasterChef champion Shelina Permalloo who became a brand ambassador in the year. Her "Cook with Pronteau" features have increased awareness of the Abode Pronteau hot water taps helping drive market share gains in this attractive segment.

Abode celebrated its 20th anniversary in the year and achieved Carbon Neutral status as a result of its focus on developing sustainable products that provide customers with "water the way you want it", sustainably. Abode has a strong new product pipeline going into the new financial year.

Underlying operating profit was higher than prior year as a result of an improved customer mix and a strong focus on operational efficiencies.



Abode, our leading designer and distributor of high quality hot water taps, bathroom mixers, kitchen sinks and taps celebrated its twentieth anniversary and continued to grow market share over the period."

Johnson Tiles

Johnson Tiles, our UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, recorded revenue of £35.3m (2022: £34.2m), 3.2% higher than the prior year.

Trade sector revenue was up 14.0% on the prior year. Johnson Tiles' strong relationships with the national house developers continued, including Barratt, David Wilson, Persimmon, Charles Church, Redrow and Countryside. Major projects in the commercial and public specification sectors included Buckingham Palace and the National Portrait Gallery. Retail sector revenue was down 9.3% on the prior year, driven primarily by the continued exit of lower margin product categories. Export revenue, a small contributor to the overall business, was 25.0% below prior year due to reduced revenues on low margin products in the Middle East and France.

Johnson Tiles has developed a market leading position on sustainability over many years focusing strongly on recycling energy, water, and waste. The business achieved Gold status at the Supply Chain Sustainability School and became the first tile factory in the world to achieve BES 6001 (Responsible Sourcing in Construction).

The business returned to profitability in the year after incurring a significant energy related loss in the prior year, testament to the experience and focus of our team's early intervention. However, against a backdrop of uncertain and potentially lower demand for our locally produced tiles, a decision has been taken to impair the carrying value of the associated assets. Further detail can be found in the Chief Financial Officer's Report on page 35.

Norcros Adhesives

Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products recorded revenue of £14.3m (2022: £14.3m), in line with prior year.

As mentioned earlier, we have taken the difficult but necessary decision to close the business. The revenue of £14.3m (2022: £14.3m) and the loss in the year of £2.7m have been included in the underlying results for the current and prior year. An exceptional restructuring cost of £4.8m has also been recognised in the year in relation to the costs associated with the closure. Further detail can be found in the Chief Financial Officer's Report on page 35.



SOUTH AFRICA BUSINESS REVIEW

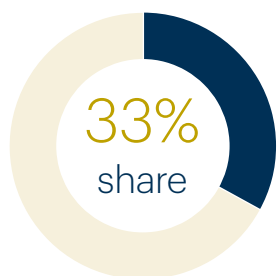
Market share gains.

The strong start to the year was offset by energy disruptions, especially in the fourth quarter. The business continued to take market share.

Highlights 2023

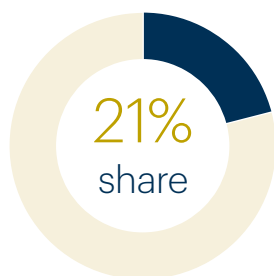
Share of Group revenue

£145.2m



Share of Group underlying operating profit

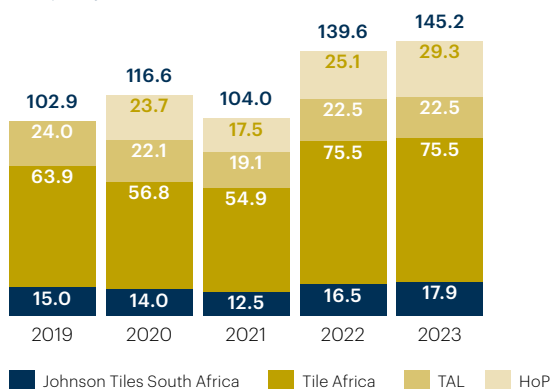
£10.1m



South Africa revenue £m

£145.2m

+4.7%¹



¹ On a constant currency basis.

Revenue for the year increased by 4.7% on prior year on a constant currency basis and increased by 4.0% on a Sterling reported basis to £145.2m (2022: £139.6m) compared to the strong prior year comparator.

Revenues on a constant currency basis increased year on year across all South African divisions, and the business continued to take market share by capitalising on its leading market positions and excellent customer service. Market conditions in the second half of the year were more challenging as energy supply constraints increased. The local management team have actively managed the impact of these energy interruptions. The businesses are well invested in terms of backup power generation. Market share growth continues to be driven by new product development and accelerated growth into the bathroom and plumbing channels.

Underlying operating profit for the year was £10.1m (2022: £10.9m), the reduction largely reflecting a record prior year comparator and reduced retail demand as consumer renovation spend has been replaced in the short term by domestic energy backup and saving projects. Cash generation was below prior year due to lower underlying operating profit and further investment in both working capital and capital expenditure. The business remains in a strong competitive position and is well placed to continue to gain market share in its respective markets.

“ Revenue for the year increased by 4.7% on prior year on a constant currency basis.”



TILE AFRICA

UNIQUE FLOOR COVERING

Tile Africa's (TAF) Commercial division has expanded its range of floor coverings to include alternative floor coverings, such as the STB Epoxy Power Trowel Flooring System, a unique floor covering made of glacial quartz and resin that has been gaining popularity.

TAF Commercial recently installed 1,850m² of this flooring application for the Spar group at the new Superspar in Wonderboom near Pretoria in South Africa. This flooring is ideal for high traffic areas due to its high strength, seamless appearance and slip-resistant nature, making it perfect for large retail environments. Additionally, the flooring requires little maintenance and is easy to clean, making it an excellent choice for busy spaces where downtime for cleaning is limited.

The Spar group's decision to opt for the Epoxy Power Trowel Flooring System is a testament to the quality of TAF Commercial's offering and the benefits of choosing alternative floor coverings.



SOUTH AFRICA BUSINESS REVIEW CONTINUED

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business, recorded revenue of £17.9m (2022: £16.5m), an 8.5% increase on a reported basis and 9.1% higher on a constant currency basis.

Strong levels of manufacturing output continued during the year as productivity and efficiency initiatives delivered a good performance against a backdrop of energy and water supply challenges. Whilst demand in the retail sector has reduced in the second half of the year, this has been offset by resilient demand in the housebuilding sector, where the business holds a leading market position.

The new product development pipeline remains an important growth driver, with an increasing focus on sustainability. Products were specified and installed in leading developments across the country, including in a number of quality residential developments developed by national market leaders Central Development Properties and Balwin Properties in Johannesburg, Cape Town, and Durban.

Underlying operating profit was ahead of the prior year.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, sanitaryware and bathroom fittings, recorded revenue of £75.5m (2022: £75.5m), in line on a reported basis and 0.5% higher on a constant currency basis.

Market share gains were driven through further improvements in operations leading to better than market stock availability. The business also continues to benefit from the focus on the bathroom sector, offering a compelling one-stop-shop for retail and commercial customers. The two private label bathroom ranges, Nuvo and Evox, continue to grow revenue at higher margins, benefiting from the international supply chain synergies. The introduction of quality bathroom furniture is performing well.

A growing number of alternative floor covering installations were completed in the year and the appeal and demand for our alternative coverings continues to grow. The larger commercial contracts sector remains subdued but we continue to make progress supplying national and regional housebuilders and growing our position as the specialist partners of choice for commercial customers in retail and hospitality.

Tile Africa currently operates from thirty-three owned stores and two franchise stores. No new Tile Africa stores were opened in the year as we focused on store upgrades (bathrooms and alternative flooring) and investing in our value for money stores under the HomeXpress sub-brand. This process has been completed with five stores moving into this category. A full upgrade of our Tile Africa Store in Nelspruit was successfully completed incorporating a full bath store within a store and alternative floor section.

Tile Africa's underlying operating profit was in line with the prior year.

TAL

TAL, our market leading adhesives business, recorded revenue of £22.5m (2022: £22.5m), in line with the prior year on a reported basis and a 0.9% increase on a constant currency basis.

TAL has retained all its key accounts albeit large commercial new build projects remained subdued, which impacted demand for TAL's high specification rapid setting adhesives and system-driven construction products. Retail sales were impacted by lower consumer confidence and considerable competitor activity, including new capacity, in the market.

Notwithstanding market conditions, TAL remains the leading brand in South Africa, with the business supplying market leading products and technical expertise to several construction projects during the year, including a new mall in Pretoria North, Marino Mall in Ermelo, Midlands Mall in Kwazulu-Natal, refurbishment of schools and hospitals in Mahikeng and Kwazulu-Natal and the Setari residential apartments in Cape Town.

TAL's underlying operating profit was below the prior year.

House of Plumbing

House of Plumbing, our market leading supplier of specialist plumbing materials into the specification and commercial sector, recorded full year revenue of £29.3m (2022: £25.1m), 16.7% higher than the prior year on a reported basis and 17.7% higher on a constant currency basis.

The business has leveraged its increased national footprint to deliver revenue growth despite the softer commercial projects sector. House of Plumbing now operates eight branches with focus on providing expert technical advice and consistent stock availability with the business planning to continue to extend its geographical footprint.

During the year, House of Plumbing supplied several landmark projects, including Unilim Student Housing in Mankweng, Coca Cola Factory in Durban, Ekangala Housing Project, Frimax Factory in Tongaat and the University of Venda.

House of Plumbing's underlying operating profit was marginally lower than the prior year.



CHIEF FINANCIAL OFFICER'S REPORT

Underlying operating profit increased by 13.2% to £47.3m, a new record for the Group.



“

The Group is in a strong financial position and is well placed to further progress its strategic priorities.”

James Eyre
Chief Financial Officer

- Group revenue increased by 11.3% to £441.0m (2022: £396.3m)
- Group underlying operating profit increased by 13.2% to £47.3m (2022: £41.8m)
- Group operating profit was £27.5m (2022: £36.2m)
- Group underlying profit before tax was £41.8m (2022: £39.3m)
- Group profit before tax was £21.7m (2022: £33.0m)
- Underlying operating cash flow of £44.8m (2022: £28.6m), 89% of underlying EBITDA (2022: 63%)
- Net debt of £49.9m (2022: net cash of £8.6m)
- Pension scheme in a surplus position of £14.9m (2022: £19.6m)

Financial overview

	2023 £m	2022 £m
Revenue	441.0	396.3
Underlying operating profit	47.3	41.8
IAS 19R administrative expenses	(1.6)	(1.7)
Acquisition related costs	(8.4)	(4.8)
Exceptional operating items	(9.8)	0.9
Operating profit	27.5	36.2
Net finance costs	(5.8)	(3.2)
Profit before taxation	21.7	33.0
Taxation	(4.9)	(7.3)
Profit for the year	16.8	25.7

Revenue

Group revenue at £441.0m (2022: £396.3m) increased by 11.3% on a reported basis and by 1.5% on a constant currency like for like basis after adjusting for Grant Westfield, acquired on 31 May 2022.

Underlying operating profit

Underlying operating profit increased by 13.2% to £47.3m (2022: £41.8m). Our UK businesses recorded an underlying operating profit of £37.2m (2022: £30.9m), and our South African businesses recorded an underlying operating profit of £10.1m (2022: £10.9m). Group underlying operating profit margin was 10.7% (2022: 10.5%).

IAS 19R administrative costs

These costs represent the costs incurred by the Trustee of administering the UK defined benefit pension scheme and are reflected in the Income Statement under IAS 19R. Costs of £1.6m are lower than the prior year (2022: £1.7m) largely as a result of the additional fees incurred in the prior year relating to the triennial actuarial valuation.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Acquisition related costs

A cost of £8.4m (2022: £4.8m) has been recognised in the year and is analysed as follows:

	2023 £m	2022 £m
Intangible asset amortisation	6.2	3.7
Advisory fees	1.4	1.1
Deferred remuneration	0.8	—
	8.4	4.8

Intangible asset amortisation has increased from £3.7m to £6.2m following the acquisition of Grant Westfield.

The advisory fees relate to the costs incurred in relation to acquisition activity.

In accordance with IFRS 3, a proportion of the contingent consideration is treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred. In the current year this represents a cost of £0.8m in relation to the Grant Westfield acquisition.

Exceptional operating items

An exceptional operating charge of £9.8m (2022: credit of £0.9m) has been recognised in the year.

	2023 £m	2022 £m
Restructuring costs	4.8	—
Impairment	5.0	—
Release of UK property provision	—	(0.9)
	9.8	(0.9)

Norcros Adhesives

The exceptional restructuring cost charge of £4.8m was incurred in relation to the aforementioned restructuring programme implemented at Norcros Adhesives. £4.8m (of which circa £2m represents the gross cash cost) represents a provision for the costs associated with closure including the write down of current and non-current asset values and costs such as redundancy. As a result of realisations on assets, the net impact on cash is not expected to be material.

The revenue of £14.3m, representing approximately 3% of Group revenue (2022: £14.3m) and the loss in the year of £2.7m (following a small loss in the prior year) have been included in the underlying results for the current and prior year.

Johnson Tiles

The Group reviews all cash-generating units to determine whether any of the assets related to our operations are impaired. These reviews are performed by comparing the estimated future cash flows generated by the divisions with the carrying value of the assets generating those cash flows. The future cash flows are sensitised for items including reduced margins, increasing energy costs and working capital variances to illustrate a value in use for the business. As a result of these reviews and a reduction in demand for our locally produced tiles, tangible and right of use assets within the Johnson Tiles UK business have been impaired with a non-cash impairment charge of £5.0m recognised as an exceptional item in the Income Statement.

During the prior year, the release of UK property provision related to the settlement of a legacy onerous property lease and the release of the surplus provision.

Finance costs

	2023 £m	2022 £m
Interest payable on bank borrowings	3.7	0.8
Interest on lease liabilities	1.8	1.7
Amortisation of costs of raising debt finance	0.3	0.2
Discounting of contingent consideration	0.6	—
Discounting of property lease provisions	—	0.1
Finance costs	6.4	2.8
IAS 19R finance (credit)/cost	(0.6)	0.4
Net finance costs	5.8	3.2

Net finance costs for the year of £5.8m compares to £3.2m in 2022. This movement is mainly due to the increase in the level of borrowings in the year relating to the Grant Westfield acquisition and the increase in Bank of England base rates in the UK.

The Group has recognised a £0.6m IAS 19R interest credit in respect of the UK defined benefit pension scheme surplus (2022: cost of £0.4m) due to the surplus throughout the year.

Underlying profit before tax

Underlying profit before tax was £41.8m (2022: £39.3m), mainly reflecting the increase in underlying operating profit noted above, partially offset by the increased interest costs.

Taxation

The tax charge for the year of £4.9m (2022: £7.3m) represents an effective tax rate for the year of 22.6% (2022: 22.1%). The increase in the effective tax rate mainly relates to the increase in non-deductible acquisition related costs in 2023.

The standard rates of corporation tax in the UK, South Africa and Ireland in the period were 19% (2022: 19%), 28% (2022: 28%) and 12.5% (2022: 12.5%) respectively.

Dividends

In light of the strong performance in the year, the Board recommends a final dividend of 6.8p per share (2022: 6.9p). This, combined with the interim dividend of 3.4p per share (2022: 3.1p), results in a total dividend of 10.2p per share (2022: 10.0p). The total dividend is equivalent to a dividend cover of 3.7 times, broadly in line with the year ended 31 March 2022 (3.8 times). The cash cost of the total dividend is £9.1m.

This final dividend, if approved at the Annual General Meeting, will be payable on 4 August 2023 to shareholders on the register on 30 June 2023. The shares will be quoted ex-dividend on 29 June 2023. Norcros plc operates a Dividend Reinvestment Plan (DRIP). If a shareholder wishes to use the DRIP the latest date to elect for this in respect of this final dividend is 14 July 2023.



Balance Sheet

The Group's Balance Sheet is summarised below.

	2023 £m	2022 £m
Property, plant and equipment	24.8	29.0
Right of use assets	20.0	19.9
Goodwill and intangible assets	167.1	90.3
Deferred tax	(15.0)	(9.4)
Net current assets excluding cash and borrowings	80.6	68.2
Pension scheme surplus	14.9	19.6
Lease liabilities	(24.7)	(24.0)
Other non-current assets and liabilities	(7.4)	(1.9)
Net (debt)/cash	(49.9)	8.6
Net assets	210.4	200.3

Total net assets increased by £10.1m to £210.4m (2022: £200.3m). Net current assets increased by £12.4m largely reflecting the cash investment into working capital to support business growth.

Property, plant and equipment decreased by £4.2m to £24.8m and included additions of £5.4m (2022: £5.3m) and acquired assets of £1.1m. The Group recognised an impairment charge of £4.1m (2022: £nil), the depreciation charge was £4.9m (2022: £5.1m) and foreign exchange losses were £1.7m (2022: gain of £0.8m) relating to assets held in South Africa.

Right of use assets increased by £0.1m to £20.0m (2022: £19.9m), reflecting the acquisition of Grant Westfield offset by the impairment of Johnson Tiles assets. Lease liabilities of £24.7m (2022: £24.0m) increased by £0.7m.

The deferred tax liability increased by £5.6m to a liability of £15.0m (2022: liability of £9.4m). The increase is mainly the result of the deferred tax arising on acquired intangibles.

Pension schemes

On an IAS 19R accounting basis, the gross defined benefit pension scheme valuation of the UK scheme showed a surplus of £14.9m compared to a surplus of £19.6m last year. The present value of scheme liabilities decreased by £83.3m primarily due to an increase in the discount rate to 4.90% (31 March 2022: 2.75%) and benefit payments made in the period. The value of scheme assets decreased by £88.0m largely due to benefit payments made in the period and reduced asset valuations.

As agreed at the 2021 triennial valuation, deficit repair contributions are £3.8m per annum from 1 April 2022 to March 2027 (increasing with CPI, capped at 5%, each year).

The Group's contributions to its defined contribution pension schemes were £4.0m (2022: £3.7m).

Cash flow and net debt

Underlying operating cash flow was £16.2m higher than in the prior year at £44.8m (2022: £28.6m).

	2023 £m	2022 £m
Underlying operating profit	47.3	41.8
Depreciation and underlying amortisation (owned assets)	5.0	5.2
Depreciation of right of use assets	4.6	4.1
Lease costs	(6.4)	(5.7)
Underlying EBITDA (pre-IFRS 16)	50.5	45.4
Net working capital movement	(13.3)	(23.6)
IFRS 2 charge add-back	1.2	1.1
Lease costs	6.4	5.7
Underlying operating cash flow	44.8	28.6
Underlying operating cash conversion	89%	63%

The main drivers of the improvement in underlying operating cash flow were the increased level of underlying operating profit and a continued focus on working capital. Underlying operating cash conversion in the year was 89% of underlying EBITDA (2022: 63%).

	2023 £m	2022 £m
Underlying operating cash flow	44.8	28.6
Cash flows from exceptional items and acquisition related costs	(3.3)	(1.7)
Pension fund deficit recovery contributions	(3.8)	(3.3)
Cash flow generated from operations	37.7	23.6
Net interest paid	(5.5)	(2.5)
Taxation	(7.7)	(6.5)
Net cash generated from operating activities	24.5	14.6
Acquisition of subsidiary undertaking (net of cash acquired)	(78.3)	—
Capital expenditure	(6.0)	(5.4)
Dividends	(9.2)	(9.1)
Share transactions	18.1	0.1
Principal element of lease payments	(4.6)	(4.7)
Exchange movement	(2.9)	1.6
Movement in costs of raising finance	(0.1)	1.0
Net cash movement	(58.5)	(1.9)
Opening net cash	8.6	10.5
Closing net (debt)/cash (pre-IFRS 16)	(49.9)	8.6

Cash generated from operating activities was £9.9m higher than the prior year at £24.5m, largely due to the £16.2m increase in underlying operating cash flows, partially offset by higher interest payments.

Cash flows from exceptional items and acquisition related costs in the current year primarily relate to the advisory fees for the acquisition of Grant Westfield.



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Cash flow and net debt continued

Capital expenditure at £6.0m (2022: £5.4m) includes investment in new product programmes, store upgrades, IT systems and manufacturing facilities.

The Group ended the year with net debt of £49.9m (2022: net cash of £8.6m) on a pre-IFRS 16 basis after a net cash outflow of £58.5m. Net debt inclusive of IFRS 16 lease liabilities was £74.6m (2022: £15.4m).

Funding and liquidity

The Group extended its multicurrency revolving credit facility by a further year in the period. The Group has committed banking facilities of £130m (plus a £70m uncommitted accordion) with a maturity date of the facility of October 2026 with a further year extension available.

James Eyre
Chief Financial Officer
14 June 2023

	Average rate vs £	
	2023	2022
South African Rand	20.40	20.28
Euro	1.16	1.18
US Dollar	1.21	1.37

	Closing rate vs £	
	2023	2022
South African Rand	21.94	19.20
Euro	1.14	1.19
US Dollar	1.24	1.31

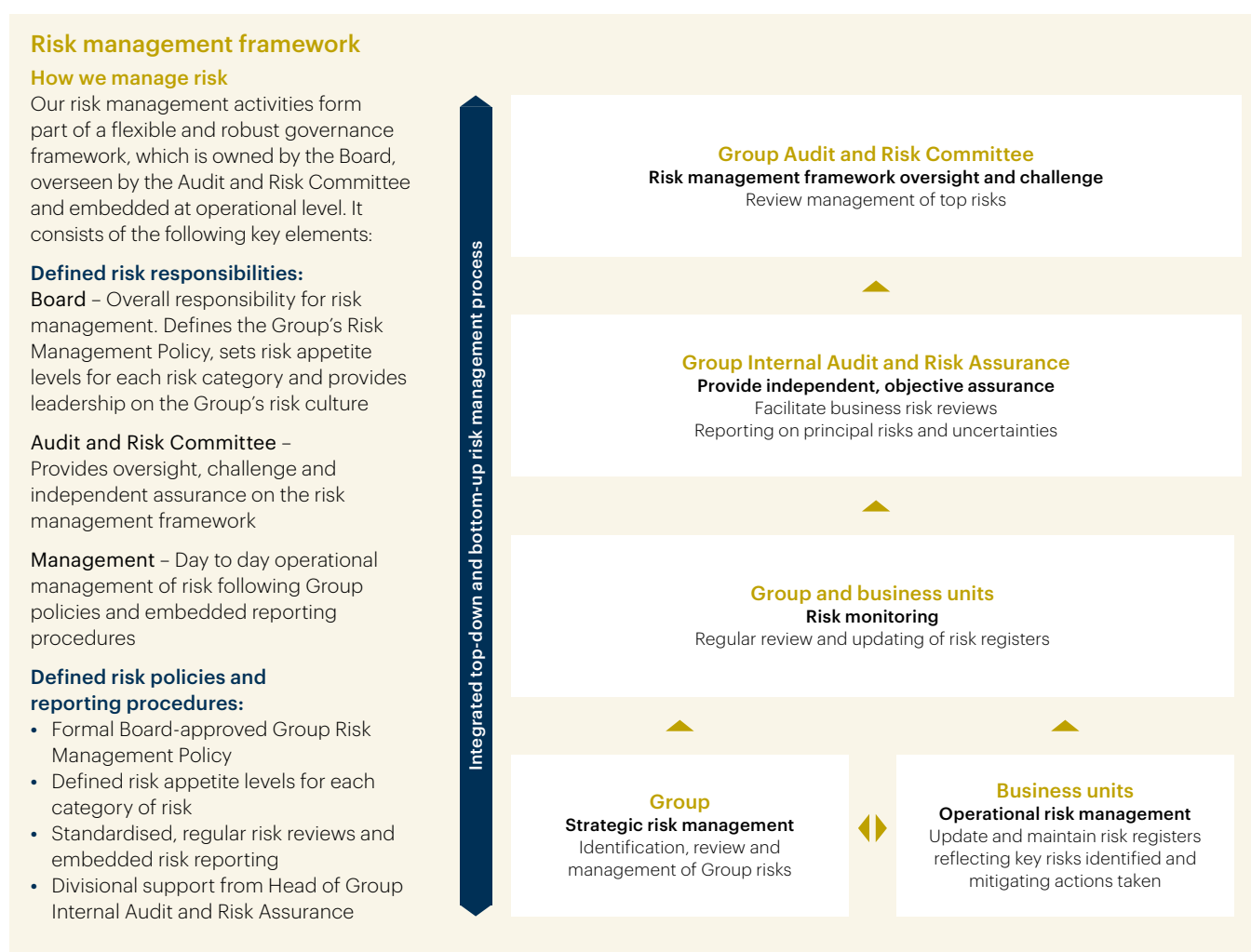
	2023	2022	Change
Revenue (£m)	441.0	396.3	11.3%
Underlying operating profit (£m)	47.3	41.8	13.2%
Underlying profit before tax (£m)	41.8	39.3	6.4%
Underlying diluted earnings per share (pence)	37.4	38.2	(2.1%)
Underlying return on capital employed (%)	18.5	23.9	(540bps)
Underlying operating cash flow (£m)	44.8	28.6	56.6%
Net (debt)/cash (£m)	(49.9)	8.6	(58.5m)



RISK MANAGEMENT

Supporting sustainable business objectives through embedded risk management.

Risk management remains a priority for the Group to help sustain the success of the business in the future. There is a range of potential risks and uncertainties which could have a material impact on the Group's performance. The objective of our risk management framework is to support the business in meeting its strategic and operational objectives through the identification, monitoring and mitigation of risks within clearly defined risk appetite levels for each risk category.



What we monitor

Risk landscape

Current risks:

Risks that could affect our business, customers, supply chain, employees and other stakeholders and impact the achievement of our strategic goals

Emerging risks:

"New" risks with relatively unclear potential future impact or likelihood, identified through the embedded internal risk assessment process

Risk categories

- Strategic
- Commercial
- Operational
- Financial
- People
- Regulatory and legal
- Fraud
- Health and safety
- Information technology and cyber
- Environmental, social and governance (includes climate change)

What we assess

Risk appetite: Acceptable level of risk, defined by the Board, for each category of risk

Risk ownership: Each risk has a named owner

Risk scoring: Each risk is assessed in terms of its financial and reputational impact, and its likelihood, using a standard scoring scale

Inherent (gross) risk score: Assessment before mitigating controls or actions are applied or taken

Residual (net) risk score: Assessment after mitigating controls or actions are applied or taken

Actions: Required actions to address risks that exceed risk appetite, including defined timelines



PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties

Our risk management framework identifies the principal risks and uncertainties that we consider may threaten the Group's business model, future performance, solvency or liquidity. These are explained in further detail in the table below, including how they are being managed. The Board has carried out a robust assessment of the principal risks and taken them into consideration when assessing the long-term viability of the Group and Company on page 45. The list does not comprise all the risks that the Group may face, and they are not listed in any order of priority.

During the past three years, many of our existing principal risks were affected by the COVID-19 global pandemic. The perceived risks from COVID-19 have now diminished to such an extent that the World Health Organization has officially declared an end to the global COVID-19 emergency. However, we remain of the opinion that uncertainty resulting from pandemics more widely, including new or mutated strains of COVID-19, is likely to remain a potentially significant risk for the foreseeable future; we therefore continue to identify pandemics as a principal risk and uncertainty.

Strategic risks

Pandemics (including COVID-19)

Risk movement



Reducing

Description

The ongoing effects of the COVID-19 pandemic have reduced to such an extent that the World Health Organization has declared an end to the global COVID-19 emergency. While measures such as travel restrictions, social lockdowns and business closures are no longer in place, we recognise that there remains a risk that a global pandemic, including a resurgence of the COVID-19 virus, or a variant of it, could continue to be a source of uncertainty in the short term.

Failure to adapt quickly and respond to the impacts of future pandemics, and their implications in the markets in which we operate, may result in disruption to our supply chain, affect employee attendance and physical or mental health, and could adversely impact our operations and financial results.

Impact

While the Group performed robustly throughout the global COVID-19 pandemic, the mid- to long-term financial impact of the pandemic, and any other future pandemics, on our main markets remains uncertain.

Outbreaks of new, novel viruses, COVID-19 variants that are vaccine resistant, or vaccine supply issues that impact the rollout of vaccinations in some of our key markets could lead to the reintroduction of restrictions or other impacts that could be detrimental to our trading in the short term.

Mitigation

We demonstrated, during the COVID-19 pandemic, that our business continuity plans enabled us to quickly safeguard our employees and limit the financial impact on the business through a range of measures including the temporary suspension of operations, bringing forward planned factory maintenance shutdowns and reducing discretionary expenditure. We ensured that those employees who could continue to do their jobs from home were technologically enabled to do so securely, and we provided safe systems of work for those who could not practically work from home.

We could reintroduce any or all of these measures again should the need arise.

We continue to monitor global developments related to pandemics, including COVID-19.

Strategic risks continued

Acquisition risk

Risk movement



Stable

Description

Part of the Group's strategy is to grow through selective acquisitions.

The impact of significant global events may affect the cost, timing or availability of potential acquisitions, and the availability of equity or bank funding. However, such events may also provide additional opportunities that would not otherwise have existed.

The Group might fail to successfully integrate acquisitions into its existing business model.

Impact

The operational performance of acquired businesses may not reach expectations impacting Group profitability and cash flow, as well as affecting the Group's reputation.

Mitigation

The Group has detailed target appraisal procedures in place, including appropriate due diligence, and has senior management experienced in M&A work. The Group also has robust Board approval procedures in place to ensure independent review of proposals.

Integration plans are finalised prior to acquisitions completing to ensure newly acquired businesses are integrated efficiently and swiftly after acquisition. Group Internal Audit and Risk Assurance conducts post-integration audits to ensure operations are fully integrated. Past acquisitions provide demonstrable evidence of the Group's ability to successfully integrate new businesses and this was demonstrated again in 2022, following the acquisition of Grant Westfield and its integration into the Group.

Environmental, social and governance (ESG) risk

Risk movement



Increasing

Description

The need to develop more sustainable ways of doing business is vital. Investors, customers and a wide range of other stakeholders are increasingly wanting to form relationships with companies that have a clear plan and framework to improve their ESG credentials.

A significant part of ESG risk is related to climate change and the potential effects of both physical and transition climate-related risks. See the TCFD section on pages 68 to 77.

There is a risk from failing to meet increasing regulatory and reporting requirements.

Impact

Failure to adequately mitigate ESG risks or to satisfactorily meet reporting requirements could lead to the Group losing customers, investors or support from other stakeholders that would negatively impact our reputation, future profits or funding opportunities that could further limit future growth.

Mitigation

The Group has a history of being focused on providing sustainable value creation whilst being committed to operating in an ethical, entrepreneurial and responsible manner with the highest standards of corporate governance.

In recognition of the importance of ESG, the Group has established an ESG governance structure and continues to develop this through implementing Group policies, strengthening carbon data reporting and developing our wider ESG reporting capabilities (see the ESG section on pages 46 to 77).

People risk

Staff retention and recruitment

Risk movement



Increasing

Description

The Group currently employs 2,358 people worldwide. The Group's ability to grow and increase its market share depends significantly on its continuing ability to recruit and retain highly skilled employees in each area of its activities and to be an employer of choice in the communities where it operates.

The current employment landscape, including high levels of employment, rising inflation, increasing national minimum and living wage rates and flexible working demands, continues to present uncertainty in the recruitment and retention of appropriately skilled employees.

Impact

Future growth plans may be restricted or delayed by difficulties experienced in recruiting and retaining appropriate employees.

Mitigation

Group policy is to remunerate employees in line with market rates and practices. In addition to competitive salaries, employees are offered bonus schemes, share option schemes and other benefits.

Executive and key management are incentivised through an Approved Performance Share Plan (APSP). A grant of options under the APSP has taken place annually since 2011.

The Group offers employees appropriate training and development opportunities and has a demonstrable track record of internal promotion.

A Chief People Officer role was created in the year.



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Commercial risks

Market conditions

Risk movement



Increasing

Description

Demand in our markets is dependent on new building activity and repair, maintenance and improvement (RMI) activity in both the public and private sectors. This is in turn influenced by macroeconomic factors, consumer confidence and government spending policy in our key markets.

The global economy continues to recover slowly with a range of negative factors affecting its recovery from the unprecedented impact of the COVID-19 pandemic. These include inflation and the increased cost of living, and the ongoing conflict in Ukraine affecting energy and food prices during the year. On the positive side, freight costs and the shipping container issues experienced previously have eased during the year.

The disposable income of consumers may be adversely impacted by rising inflation especially in food, household energy bills and fuel and transport costs.

Impact

Demand for our products remains robust despite the current macroeconomic pressures. However, demand could still weaken in the short to medium term as consumer spending patterns change, impacting profitability and cash generation.

In the short to medium term, ongoing increasing inflationary pressures could lead to reduced profitability, as customers' discretionary spending reduces.

Mitigation

There are a number of mitigating factors in place that could limit the impact of potential changes in consumer spending patterns on the Group. These include the breadth of products offered, the geographical spread of our businesses, a flexible cost base and supply chain, investment in new product development and the replacement cycle of several of our key products.

We maintain appropriate headroom against our borrowing facilities and covenants, maintain strong working capital and capital expenditure controls and have disciplined planning, budgeting and forecasting processes.

Our businesses actively manage their supply chains and monitor input costs whilst liaising with their customers. They mitigate risks through proactive sourcing and pricing strategies.

Loss of key customers

Risk movement



Stable

Description

While the Group has a diverse range of customers there are nevertheless certain key customers which account for higher levels of revenue.

The deterioration in market conditions noted elsewhere continues to heighten the risk that key customers could go out of business, or that they could change their business models, e.g. they may move to an online, or other alternative, model and we may miss this opportunity if we fail to adapt to such changes.

Impact

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

Mitigation

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

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

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

Each of our businesses continues to develop and evolve its digital and online offering in response to the changing trading environment.

Competition

Risk movement



Stable

Description

The Group operates within a highly competitive environment in all its markets. The actions of our competitors, including their marketing strategies and new product development, could lead to them gaining competitive advantage in key products and markets.

Impact

The Group recognises that there is a risk to its results and financial condition caused by the actions of its competitors.

Mitigation

To help identify and manage such risks, the competitive environment, the specific business marketplace and the actions of particular competitors are reviewed and discussed at both Group and operating divisional Board meetings. In addition, each market is carefully monitored to identify any significant shift in policy by any competitor, any change in the routes to market, or any indication of new competitors and/or new product technology entering the market.

Operational risks

Reliance on production facilities

Risk movement



Stable

Description

The Group operates a number of facilities for the manufacture of tiles and adhesives.

Impact

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

Mitigation

The Group has a well-established ongoing preventative maintenance programme as well as a comprehensive and flexible “annual shutdown” programme throughout its manufacturing operations.

Furthermore, the Group has experienced, globally co-ordinated product sourcing functions, which could mitigate the risk of failure.

Finished goods inventory holdings across the operations provide limited “buffer” stocks in the event of operational failure. Disaster recovery plans are in place and business continuity plans have been developed and are tested.

Additionally, a business interruption insurance policy is in place to mitigate losses caused by a serious insurable event affecting manufacturing capability.

Loss of key supplier

Risk movement



Stable

Description

The Group’s extended supply chain, with its dependency on interconnected third parties for manufacturing, has several potential points of failure. Raw materials, components and energy represent a significant proportion of the Group’s input costs. The potential lack of availability of, or poor quality standards in, these key elements represents a significant risk.

Reliance on a single supplier within the supply chain, or on several suppliers in close geographical proximity, could lead to a failure to acquire the required quantity or quality of essential resources.

Impact

The lack of supply of raw materials such as clay or sand, components such as electronics, glass or brassware, or gas or electricity could have significant impacts on the Group’s ability to manufacture product. The risk of energy supply interruption is elevated in South Africa as its utility infrastructure is less well developed than in the UK.

Mitigation

The Group manages supply chain risks through long-term relationships with key suppliers, audits of key suppliers, dual supply of critical materials or components, where considered appropriate, and holding appropriate levels of finished goods stock.

The Group maintains strict product quality standards and has dedicated procurement and quality control resource in China to ensure these standards are adhered to. The Group aims to mitigate risks on energy supply where these arise. The Group regularly reviews the geographical concentration of its supplier base and mitigates risks arising where it is commercially and economically practical to do so.

Information technology and cyber security

Risk movement



Increasing

Description

The Group relies heavily on several processes and automated systems to manage data and conduct its business. The continuing prevalence and increasing sophistication of cyber-crime and data loss incidents, along with stringent data protection legislation compliance requirements, present risks to all businesses and organisations across the globe. The risk from state-backed cyber-attacks has increased recently.

The evolution of home and remote working methods presents increased cyber security risks due to remote system access from potentially less secure working environments and unfamiliar working practices.

Impact

A major failure of systems or a successful cyber-attack could result in a temporary inability to conduct operations or a loss of commercial and/or customer data. Such an incident may result in regulatory breaches, financial loss, operating disruption or damage to the reputation of the Group.

Mitigation

During the year, the Group employed the services of a third party cyber security specialist company to carry out an independent evaluation of our cyber security maturity. The review led to improvement roadmaps being established for each of the businesses reviewed, and for the Group as a whole, which are being worked on to improve our security posture across the business.

The latest network and security protocols are deployed, updated and regularly tested. Dedicated business cyber security managers monitor services and networks in line with established policies and procedures.

Each business maintains remote backups of data. The Group undertakes annual penetration testing conducted by certified third parties and conducts ongoing vulnerability scanning, which takes place regularly throughout the year.

Data protection regulation compliance reviews are undertaken to confirm the effectiveness of the relevant processes and controls. Data protection representatives have been nominated at each business to help co-ordinate the Group’s approach to data protection and provide local advice.

The Group operates an online awareness training programme with cyber security, information security and data protection training mandated for all users of IT equipment.

A third-party specialist incident response provider is retained to assist the Group with an appropriate and quick response to any cyber breach or data breach incidents that may occur.

New equipment, and security tools and methods such as virtual private networks and multi-factor authentication, are employed to mitigate remote working risks.



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Financial risks

Exchange rate risk

Risk movement



Stable

Description

The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates. In particular, the Group sources a significant proportion of its components and goods for resale from the Far East and Europe which are denominated in foreign currencies (primarily the US Dollar, Euro and Renminbi).

Impact

Should Sterling or the South African Rand weaken against these currencies this could result in an increase in future input costs.

Mitigation

The Group typically seeks to hedge its foreign exchange transactional flows for up to twelve months forward, which largely removes the effects of day to day exchange rate volatility on our businesses.

Regular monitoring of exchange rates and market conditions, together with frequent dialogue with suppliers, allows our businesses time to negotiate revised commercial terms with customers to mitigate the impact of longer-term changes in exchange rates.

The Group may, where it is considered appropriate, denominate some of its borrowings in other currencies to hedge translational asset risk.

Funding and liquidity risk

Risk movement



Stable

Description

The Group's ability to grow and adapt its business is dependent, in part, on its ability to source funding through bank financing facilities. Whilst the Group has committed funding until October 2026 it is possible that the Group may find it difficult to obtain financing on commercially acceptable terms in the longer term.

Impact

The inability to source adequate longer-term funding could impact our longer-term growth strategy whilst a breach of one or more of the banking covenants could result in the Group's debt becoming immediately repayable.

Mitigation

The Group completed a refinancing of its banking facilities last year. We reforecast our liquidity and funding requirements and covenant performance monthly. Senior executives and divisional management teams review, monitor and track short-term liquidity weekly and covenant performance monthly.

Pension scheme risk

Risk movement



Stable

Description

The Group's pension position is subject to a number of risks including changes in interest rates, asset values, inflation and mortality (see note 24 for more detail).

Impact

These risks could increase the assessed pension scheme liability adversely or affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations.

Mitigation

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

All asset investments are managed by professional fund managers and a diverse asset portfolio is maintained to spread risk and return.

Executive Management regularly monitors the funding position of the scheme and is represented on the Trustee board to monitor and assess investment performance and other risks to the Group.

The Group considers each valuation (IAS 19R and technical provisions basis) and reassesses its position regarding its pension commitments in conjunction with external actuarial advice.

The Group's financial results show a net surplus in this scheme, as at 31 March 2023, of £14.9m (2022: surplus of £19.6m) assessed in accordance with the accounting standard IAS 19R. The present value of scheme liabilities decreased by £83.3m due to an increase in the discount rate to 4.90% (31 March 2022: 2.75%) and benefit payments made in the period. The assets' value reduced due to benefit payments made in the period and reduced asset valuations.

Last year, the Group reached agreement with the Trustee on the 2021 triennial actuarial valuation for the UK defined benefit scheme and on a revised deficit recovery plan. The actuarial deficit at 31 March 2021 was £35.8m (2018: £49.3m). Deficit repair contributions were agreed at £3.8m per annum from 1 April 2022 to March 2027 (increasing with CPI, capped at 5%, each year).



VIABILITY STATEMENT

In accordance with provision 31 of the 2018 revision of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a longer period than the twelve months required by the “going concern” provision. Taking into account the Group’s current position and the nature of the principal risks and uncertainties it faces, the Board has decided to assess the viability of the Group over a three-year period to 31 March 2026. The Board considers this period appropriate as it believes it is not possible to credibly forecast beyond this time horizon and it is also the period over which long-term incentives are set for Executive Directors and senior management.

A viability statement financial model was developed on a bottom-up basis by taking the output of the annual budgeting process built up by individual businesses, then subjected to review and challenge by the Board and then applying conservative general and business-specific assumptions to build years two and three. The Board considers the outputs from this financial model, including the Group’s cash flows, headroom under existing financial facilities, dividend cover and other key financial

ratios over the three-year period. The financial model has then been stress tested by modelling the most extreme but plausible scenario, that being a global pandemic similar in nature to COVID-19, which at its peak saw a revenue reduction of 25% on the prior year over a six-month period. The Directors have considered the impact of this scenario on the Group’s financial performance (specifically headroom on our financial facilities and covenants) after taking account of mitigating actions that could be made, with the result being that the Group maintains the necessary liquidity levels and complies with the facility covenants despite the impact of significant declines in revenues, earnings, cash outflows and increasing leverage.

Reverse stress testing has also been applied to the model, which represents a further decline in sales compared with the reasonable worst case. Such a scenario, and the sequence of events which could lead to it, is considered to be implausible and remote.

Therefore, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet their liabilities as they fall due over the period to March 2026.



VADO

New Dubai showroom

The Hydrologics Dubai showroom supports Vado’s growing customer base in this key region.

The new facility provides the Export team with additional support for new and existing customers – a great base for educating architects and designers about Vado’s product portfolio and brand.

Sustainability is at the centre of our strategy.

EMBEDDING SUSTAINABILITY



Why sustainability matters

At Norcros, sustainability forms a core part of our strategic planning and decision making processes and is increasingly providing a competitive advantage. We will continuously develop our environmental and societal contribution and we will continue to conduct business to the highest governance standards.

We have a history of environmental and social leadership. We also recognise that there are meaningful opportunities to accelerate our contribution to the environment and society. We are increasingly designing and supplying sustainable products that not only create commercial returns but also reduce our suppliers and customers carbon footprints, energy and water consumption and bills. Our products have a relatively low but increasing level of recycled material, as we take a more circular approach to what we do. We pride ourselves on reducing our operational environmental impact through energy saving, recycling and waste management schemes. We also play an active role in our communities.

The business has reviewed our ESG strategy, focusing on eight key issues that are highlighted in our ESG Management Information (MI) Framework. A key component in the framework is our Net Zero Transition Plan, including setting carbon emission reduction targets for the first time.

Achievements and priorities

Achievements since our last Annual Report include:

- **Development of a new ESG strategy and KPIs.** We have identified eight priority themes, each with a Norcros ambition and a series of KPIs. This is already helping us to align our business behind our ESG priorities. Our Sustainability Report is aligned to these eight priority themes.
- **We have developed our Net Zero Transition Plan.** We have set a target of achieving net zero by 2040.
- **We have set carbon emissions targets.** In addition to our Net Zero target, we have set interim targets for scope 1 and 2 and scope 3 carbon emissions for 2028. We have developed our end-to-end carbon footprint methodology, which includes a full scope 3 analysis for years ended March 2022 and March 2023. We have set targets in line with the approach outlined by SBTi.
- **The business has started the process of validating our science-based emissions targets.** We have signed a commitment letter to join the Science Based Targets initiative (SBTi) indicating that we will work to set a science-based emission reduction target aligned with the SBTi's target-setting criteria. We will work with the SBTi to validate our targets.
- **We continue to invest in carbon reduction initiatives and minimise our environmental impact across our portfolio of businesses.** Recent examples include Triton reducing gas consumption by c25% on the previous year, saving c50 tCO₂e, following the installation of a Heat Recovery and Ventilation system in January 2022. Johnson Tiles UK was awarded the "Decarbonisation in Action: Deeper Decarbonisation" award for "Paving the Way to a Sustainable Future with Barratt Zed House" project and introduced Environmental Product Declaration certificates for all products manufactured in the UK. Our Triton, Vado and Abode businesses have achieved Carbon Neutral status. Grant Westfield has achieved certification of their Environmental Management system to the ISO 14001 standard and are contributing to the circular economy with all post production being converted into biomass fuel. These specific examples provide a flavour of an authentic and broader programme covering carefully identified areas where we can make a meaningful difference, including packaging, plastics and fuel.



- **We have created the new role of Chief People Officer and started the process of developing a Group people strategy.** Recognising the critical importance of our team, especially in our decentralised business model, we have decided to improve the co-ordination of our talent, D&I, and wellbeing programmes in line with the Talent & Workforce Development and Diversity & Inclusion themes in our updated ESG strategy.
- **We continue to make progress on enhancing our supply chain practices.** We have historically strong and long serving partners who are working with us as we continue to develop our ESG strategy and related policies. A Group Supply Chain Policy will follow in 2023/24. Of note this year, Johnson Tiles UK achieved Gold status at the Supply Chain Sustainability School and became the first tile factory in the world to achieve BES6001 (Responsible Sourcing in Construction) certification.
- **We continue to innovate in the development of low carbon products.** Our businesses and products have a strong leaning to energy and water meaning that we play an increasingly meaningful role developing products that reduce and re-cycle. Triton's Enrich Electrical Shower received the Screwfix 'Most Sustainable Product' award.
- **Embedding our ESG strategy across the Norcros Decentralised Business Model.** A group wide ESG Forum, co-ordinated from the centre, has met on a monthly basis to share best practice and help us develop our baseline scope 1, 2 and 3 emissions, set our science-based targets and develop our Net Zero Transition plan. We have also updated our capital allocation criteria to make ESG impact a key factor as we prioritise new investments or expenditure, with the electrification of our vehicles being one such example.
- **We have reported against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations** for the second time, building on our disclosure from 2022 and expanding on our risks and opportunities identified.
- **38% of the Group's electricity consumption came from renewable sources.**

Looking forward, our ESG priorities are to:

- **Continue to embed our ESG strategy across our organisation,** further developing our ESG Forum, monitoring our ESG themes & KPIs and continuing to make our ESG themes a priority in our strategic and operational decision making;
- **Continue to deliver the programme of initiatives** we have undertaken across our business units to support their staff and their communities. This covers activities across all eight of our priority ESG themes that cut across Environmental, Social and Governance impacts;
- **Further develop our Net Zero Plan.** This involves publication of our net zero transition plan aligned to the Transition Plan Taskforce (TPT) draft standards. We will also continue to deliver on the detailed underpinning initiatives that drive carbon reduction across our business;
- **Keep the KPIs reported in our MI Framework under review** as we measure and monitor them in the first year. We will specifically review the coverage of some of the KPIs we have implemented across our Group including revenue from low carbon products, waste data and percentage of packaging used from recycled materials;
- **Continue to focus on sustainability as part of our new product development programmes,** looking to increase the development of low carbon products to meet consumer demands;
- **Report against CDP** for the first time; and
- **Keep asking new questions and stretching ourselves** as we continuously develop our key ESG themes.



EMBEDDING SUSTAINABILITY CONTINUED

Sustainability governance

The Board of Norcros plc is responsible for ensuring key sustainability policies, such as the Code of Ethics and Standards of Business Conduct, are communicated, understood and observed by all Group businesses, employees and associates. Day to day responsibility for promoting and implementing these policies is delegated to business unit senior management. Last year, we established our group ESG Forum (previously divisional only) to provide more structure to our sustainability management process. Throughout the year we have held monthly ESG Forum meetings which allow us to prioritise our impact through organisational workstreams and to monitor progress against our plans across the Group. The continuity of the ESG Forum has accelerated the development of our sustainability strategy and has enabled sharing of best practice across the Group. Full details of our sustainability governance model and its responsibilities are outlined in the Taskforce on Climate-related Financial Disclosures (TCFD) Report (page 68).

Materiality assessment and ESG MI Framework

During 2023, to better align with the evolving ESG challenges and our stakeholder led materiality assessment, we have extensively revised our ESG strategy, providing structure and focus for our actions. We have used our materiality analysis results from 2022 (Annual Report 2022, page 44) to direct our ESG strategy on issues that matter most to the Group from a financial and business purpose perspective, and that impact society and our stakeholders. The material issues we identified have been developed into eight Priority ESG themes, which shape our ESG strategy, priorities and reporting and are the basis of our ESG MI Framework.

Our MI Framework enables us to monitor our ESG journey and ensure we execute our strategy. This is our first year of reporting and measurement. The Board will track our progress throughout the year. Below is a summary of the eight Priority ESG Themes and the metrics that we are using to track each theme. We are planning to set targets on these in the remainder of 2023 and as we further develop our ESG strategy we may look to expand the scope of reporting against these themes to include more metrics.

Priority ESG themes



HEALTH AND SAFETY



TALENT AND WORKFORCE DEVELOPMENT



DIVERSITY AND INCLUSION



CLIMATE CHANGE AND EMISSIONS



INNOVATIVE AND EFFICIENT PRODUCTS



PRODUCT QUALITY AND SAFETY



SUPPLY CHAIN MANAGEMENT



ETHICAL CONDUCT AND INTEGRITY



Norcros ambition	Indicator	Progress in Financial Year 2022/23	Read more
Working to be incident and injury free	1. Accident Incidence Rate (Reportable injuries per 100,000 employees)	781	Page 51
	2. Fatalities	0	Page 50
Employer of choice in the kitchens, bedrooms and bathrooms (KBB) sector	1. Average number of training hours per employee	52 hours	Page 53
	2. Total employee turnover	13.5%	Page 53
Diversity & Inclusion are at the heart of who we are; we continue to build and develop a team with a variety of backgrounds, skills and views	1. Gender diversity	Male: 68% Female: 32%	Page 55
A sustainable business, reducing our impact on the environment: <ul style="list-style-type: none"> Net zero by 2040 Minimise waste to landfill Reduce energy and water use at our sites Operate at or work towards Environmental Management standard ISO 14001 Minimise toxic emissions and waste 	1. Total scope 1, 2 and 3 emissions	872,497 tonnes CO ₂ e	Page 58
	2. Total waste	15,656 tonnes	Page 63
	3. Water withdrawal	195,266 m ³	Page 63
	4. Water consumption	135,865 m ³	Page 63
	5. Total energy consumption	295,435,941 kWh	Page 58
Be leaders in energy and water efficient processes and green products (with low embedded carbon)	1. Revenue from low carbon products and services	£9.8m	Page 64
	2. Proportion of revenue from products that have been new in last three years	24%	Page 64
	3. Percentage of packaging used from recycled materials	40%	Page 64
Design, manufacture and/or supply high quality and safe products	1. Customer products recalled due to safety issues as a proportion (%) of total products sold	0.003%	Page 65
	2. Customer products recalled due to poor product quality as a proportion (%) of total products sold	0.91%	Page 65
Ensure our supply chain operates in line with our ESG standards by applying a new Norcros Supply Chain Policy	1. Establish Supply Chain Policy in financial year 2023/24	N/A	Page 66
Operate with integrity and respect to regulations and laws in all dealings	1. Proportion (%) of eligible employees who received training on bribery and corruption	76%	Page 67
	2. Total number of reported breaches of Code of Ethics and Standards of Business Conduct in total (and those specifically relating to bribery)	14	Page 67
	3. Total number of investigated breaches of Code of Ethics and Standards of Business Conduct in total (and those specifically relating to bribery)	14	Page 67
	4. Total number of upheld breaches of Code of Ethics and Standards of Business Conduct in total (and those specifically relating to Bribery)	14	Page 67
	5. Percentage of staff disciplined or dismissed due to non-compliance with Anti-Bribery and Corruption Policy	0.37%	Page 67



HEALTH AND SAFETY

Our ambition:

Working to be incident and injury free



Link to SDGs



Safety first

Our Group Health and Safety Policy is driven from the top of the organisation with the Board having ultimate responsibility. The policy, which covers all employees, sets out our commitment to create, maintain and continuously improve a safe and healthy working environment for employees, contractors and visitors. Our working environment is designed to prevent occupational accidents and illnesses. We monitor key health and safety KPIs at operational Board and management meetings.

Six of our business units, covering 54% of turnover, are externally certified to the Health and Safety Management System ISO 45001 standard and we are looking to expand this coverage across the Group.

Many of our employees have access to online health and safety training, which provides a range of training modules as required. In addition, where hands-on or specialist training is required, we use regular “toolbox talks” and provide more specific training where this is identified as being necessary.

Safety performance

We have a proud track record of safety performance, and we are starting to report on this as part of our ESG annual report. There were no fatalities recorded in the year (2022: nil) and there have been no fatalities recorded over the last decade when the current executive team have been in post. We record Accident Incidence Rate (AIR) monthly for each location and for the whole Group; this includes all reported accidents, however minor. We recorded a total of 18 serious reportable accidents in 2023 (2022: five, 2021: four).

“ Our working environment is designed to prevent occupational accidents and illnesses. We monitor key health and safety KPIs at operational board and management meetings.”

Accident Incidence Rate (AIR) – Serious Reportable Accidents

	2023	2022	2021
AIR per 100,000 employees (Serious Reportable Accidents)	781*	232	205

We record the root cause of all accidents across the Group. Significant percentages of all accidents in 2023 were caused by exposure to a harmful substance; hitting something stationary; slips, trips and falls; or by handling, lifting or carrying. We are determined to learn safety lessons from these experiences and to improve our health and safety performance. All accident statistics and their causes are regularly reviewed by the Group Health and Safety Managers' Forum. We maintain externally managed whistleblowing reporting lines that are available to all employees where they can report confidentially, and anonymously should they want to, any concerns they may have in respect of health and safety matters.

* Improved monitoring and reporting and the addition of Grant Westfield (manufacturing).

Health and wellbeing

We treat everyone with respect and encourage them to be themselves. We promote employee wellbeing and reduce stress through several initiatives and support mechanisms. Support is provided to all UK and Ireland employees through our Employee Assistance Programme that extends to all aspects of wellbeing, including free access to various independent support helplines (e.g. stress, health, lifestyle, etc.). Across the Group, we have various other health and wellbeing initiatives which aim to improve the mental wellness of our teams. These include additional "wellness" days off, on-site welfare facilities and mental health first aid training.

Norcros SA's Wellness Centre

Norcros SA runs a well-established Wellness Program with an on-site Wellness Centre at the Olifantsfontein site, providing Primary Health Care, Occupational Health, and professional Wellness Programs and support.



Merlyn's Gut Health Day

Dr Annmarie Eustace Ryan visited Merlyn head office and gave a fascinating talk about the vital importance of gut health and gave insight into the relationship between good gut health, feeling well and preventable illnesses.

Annmarie is a Gut Health Expert and a Consultant Gastroenterologist at Tipperary University Hospital and author of the children's book, Bug of War written to explain to children and parents why eating certain foods and avoiding certain foods is the best way to feel well and to prevent illness.



TALENT AND WORKFORCE DEVELOPMENT

Our ambition:

Employer of choice in the kitchens, bedrooms and bathrooms (KBB) sector



Link to SDGs



This year we have created the role of Chief People Officer. This demonstrates Norcros' focus on becoming an employer of choice, which will help us attract, retain and develop the best talent in the sector and to ensure we are 'fit for the future'. Attracting the most talented individuals from diverse communities is key to ensuring we have the skills and capabilities we need to deliver our strategy. We are placing increased focus and emphasis upon developing, motivating and retaining our people as we seek to safeguard our ability to serve our customers for the long term. We also continue to encourage and enable collaboration across the Norcros Group through shared special interest forums and networks that enable knowledge sharing and learning and create opportunities for personal development.

As we move into 2023/24, we are starting to develop a new Group level People strategy and standardised reporting framework that will continue to focus on talent and workforce development.

Workforce engagement

We engage with employees across the Group through our divisional structure. This ensures that all communication and engagement is appropriate to each business and location. We have a very effective approach to cascading information about business changes, key issues and business performance updates through the organisation using a variety of channels including the line management structure, emails and Microsoft Teams calls.

The Board stays in touch with employees via regular meetings with divisional management and site visits to its operations, as well as regular reports on employee matters. This area of focus is led by Alison Littlely as the designated Non-executive Director for workforce engagement, together with the executive team. In the course of the year Alison Littlely on behalf of the Board had direct engagement with representative groups from six of our businesses, and more such meetings have and will take place in the current financial year.

Talent and career management

All of our businesses have staff training programmes that are suitable for the development of appropriate technical and people skills. We are committed to education and career development, and for those in senior leadership roles, coaching and mentoring have been offered alongside the opportunity to attend courses or other developmental activities. Coaching and mentoring is focused on the individual's unique work challenges and opportunities as well as on the individual's personal style and behaviour. We acknowledge that the world of work is changing for many, and we commit to staying relevant in our approach to careers and talent development.

We implemented our learning platform Flick in 2021 and we have continued to embed this across the business over the last year. Flick is an online awareness training platform covering three mandated training modules on Anti-Bribery and Corruption, Information Security and GDPR. There are a range of other training modules such as Cyber Security and Equality and Diversity that are also available to the Group's UK employees.

“Attracting the most talented individuals from diverse communities is key to ensuring we have the skills and capabilities we need to deliver our strategy.”

Norcros SA – investing in the future generation of skilled artisans

Norcros SA’s social commitment is reflected in its recent partnership with the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) to launch the Youth in Engineering apprenticeship programme. Launched in August last year, the scheme saw 20 apprentices from 6,000 applicants launch their careers as artisans. It is a three-year course that requires learners to fulfil each year’s training criteria before progressing to the next academic year.

Each apprentice will have the opportunity to work at either the TAL or the Johnson Tiles plant at Olifantsfontein for three months, where they can apply their skills and gain practical experience. The ultimate goal of the programme is to train and help learners achieve their Red Seal artisan trade certification, which is proof that they have met the national standard in their trade.



Training statistics

Training time	Total
UK	
Proportion (%) of employees who received training	>90%
Total number of training hours	39,507
Average number of training hours per employee	34
South Africa	
Proportion (%) of employees who received training	66%
Total number of training hours	86,368
Average number of training hours per employee	69
Group total	
Proportion (%) of employees who received training	71%
Total number of training hours	125,875
Average number of training hours per employee	52

The table above outlines the Group’s training statistics for 2023. As part of our ESG MI Framework and our developing People strategy, we will monitor training KPIs, consider targets and manage our business towards the optimum type of training to achieve our strategic objectives.

Labour

All our employees are entitled to a fair salary and other terms and conditions of employment, as appropriate. Our policy is to comply, at the very least, with minimum wage legislation for any job role for all employees and we seek to be competitive as is appropriate to the role and business in question. Legally required benefits such as annual leave, sick leave, maternity leave and normal working patterns and hours are of course applicable to all.

All UK and Ireland employees have access to a save as you earn scheme, which is a savings-related share scheme where employees can buy shares with their savings at a fixed price. Employees are encouraged to be involved in the Company’s performance through employee share schemes, and other means of incentivisation and reward. As per UK regulation, all our UK employees have the option to enrol in our workplace pension scheme.

Employee turnover

	Employee turnover
UK	15.6%
South Africa	11.6%
Total	13.5%

Whilst we have always recorded employee turnover within our business units, we have started to record this KPI on a standard basis across our Group. With our increasing focus on staff retention we will continue to monitor this KPI and our businesses will take appropriate actions.



DIVERSITY AND INCLUSION

Our ambition:

Diversity & Inclusion are at the heart of who we are; we continue to build and develop a team with a variety of backgrounds, skills and views



Link to SDGs



We believe that a diverse and inclusive organisation promotes greater innovation and more effective decision making. Our Code of Ethics and Standards of Business Conduct sets out our overall approach, in which all employees are encouraged to advance within the Group and have equal opportunities to do so subject to their possessing the necessary skills and aptitudes. The Board is committed to gender equality, which includes equality of pay between men and women. The Board is satisfied that there is no pay inequality at Norcros, where men and women are paid equally for equal work.

Norcros is committed to not discriminating in the employment of any person due to race, colour, national origin, family responsibility, trade union membership, sex or gender identity, sexual orientation, age, religion or belief, disability status or any other category protected under applicable legislation in any jurisdiction in which it operates. This commitment applies to all personnel actions including hiring, promotion, termination, transfer and compensation/benefits. We maintain external independent whistleblowing reporting lines where employees can report any concerns they may have in respect of discrimination confidentially and anonymously should they wish to.

In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the Group continues, and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of an able-bodied person.

The Group promotes diversity and inclusion through several initiatives and support mechanisms. For our UK businesses, diversity and inclusion training has been included in our Flick platform for 2023, which included aspects such as unconscious bias and preventing bullying and harassment. In Norcros South Africa, we have women’s forums in each division and have carried out diversity and inclusion surveys to evaluate employee outlook in relation to diversity. The different divisions also have varying special leave policies including compassionate leave, carer leave and study leave, which help employees balance the demands of domestic and work responsibilities at times of either urgent or unforeseen need.

We already deliver a range of D&I initiatives across our business. As we further develop our D&I programme, we are introducing more Group-wide co-ordination, increasing focus on how D&I can contribute to our employee value proposition and improve employee engagement, and we will introduce new KPIs and targets including ethnicity.

Number of staff by year by region

	2023	2022	2021
UK	1,092	1,002	983
South Africa	1,266	1,194	1,072
Total	2,358	2,196	2,055

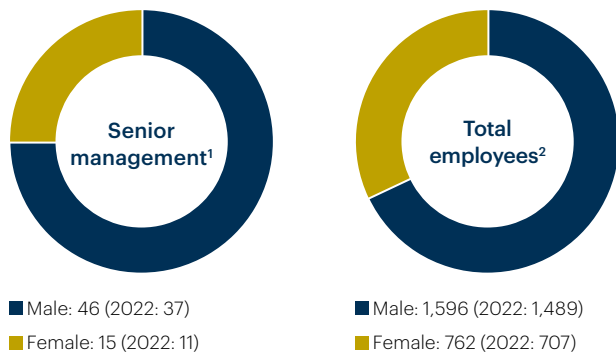
Norcros SA empowers women in plumbing with the WIP Programme

House of Plumbing is proud to empower women in the plumbing industry by launching the Women in Plumbing (WIP) Programme. It aims to bridge the gap for trained and qualified women plumbers and to provide them with more career opportunities. Out of over 4,000 applicants, 20 female apprentices were selected to participate in the three-year programme.

The programme is fully sponsored by Norcros SA and House of Plumbing, with the apprentices receiving theoretical and practical training in college and on site. They also have the opportunity to learn more about plumbing products, industry practices and various career avenues from House of Plumbing suppliers during weekly training sessions.



Gender diversity statistics¹



1 Table outlines senior manager and employee numbers and gender split as required under the Companies Act. Senior manager is defined in line with the Companies Act as a person who – (a) has responsibility for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, and (b) is an employee of the Company. These figures are accurate as of 31 March 2023.

2 Total employee figures include Senior Management and Directors as of 31 March 2023.

Community partnerships

Our commitment to the society in which we operate is deep. All Group businesses have programmes of social engagement, including many charitable activities, and will have a positive impact on the local communities in which they operate. We empower our businesses to support local charities and community projects, and provide local employment. Given our de-centralised structure, business units in the Group are encouraged to become involved in and support local initiatives where possible. The Executive Management of the Group supports this commitment to our society and reviews each business' activities monthly.

Norcros SA employment equity committees

Each of our South African divisions has employment equity committees which are there to ensure that the business promotes equity in the workplace and ensure that all receive equal opportunities. Divisional meetings take place once a quarter and discussion points include identifying barriers to equality and monitoring compliance against employment equity targets.

Norcros South Africa invests in communities with CSI Programme

Norcros South Africa's Corporate Social Investment (CSI) Programme has a mission to invest in the wider community by participating in a country-wide project to provide safe and clean toilets in schools. Its aim is to change the lives of at least 3,000 learners in the next five years by converting a minimum of five schools from pit latrines to safe and healthy ablution facilities.

The company has already made significant progress towards this objective with the successful completion of the 2022 project at Mohlaletse Secondary School in Sekhukhune District, Limpopo. The project is part of the South African Government's Sanitation Appropriate for Education (SAFE) initiative, aimed at eliminating pit latrines at schools.





CLIMATE CHANGE AND EMISSIONS

Our ambition:

A sustainable business, reducing our impact on the environment



Our environmental goals:

- Net zero by 2040
- Minimise waste to landfill
- Reduce energy and water use at our sites
- Operate at or work towards Environmental Management standard ISO 14001
- Minimise toxic emissions and waste

Link to SDGs



We are committed to minimising the environmental impact of our operations, products and services wherever possible. Making progress in improving our energy efficiency and reducing carbon emissions, waste and water use are important for our customers, our staff and our stakeholders. At this stage, our initiatives are delivered within our business units and include action in the following key areas.

Managing environmental performance

Our individual business units track and monitor their environmental impacts. The main vehicles for compliance and improvement across sites are our environmental management systems. Seven of our businesses, covering 61% of turnover, are certified to the Environmental Management ISO 14001 standard and our businesses report regularly on any environmental issues that arise. Amongst other issues, our ISO 14001 certified management system includes our handling of waste and hazardous materials. The Group has not had any environmental fines in the last twelve months (2022: none). This year the Group has been working on a new Environmental Policy which outlines our position on key environmental issues and this will be developed further next year.

Abode achieves Carbon Neutral status through Planet Mark

In March 2022 Abode achieved the Planet Mark Carbon Neutrality Certification. Abode’s achievement of Carbon Neutral status is the first stepping stone on the journey towards net zero carbon and in November 2022, Abode invested in the installation of solar panels at its Barnsley head office. The installation consisted of 125 solar photovoltaic panels with a combined output of 50kWh. These PV panels should generate enough electricity for all of Abode’s current site requirements and Abode will also benefit from being able to sell the excess energy generated in the summer months back to the grid.

Further improvements Abode has made throughout the year include all office lighting being converted to LED and sensor installations to reduce the usage of electric lighting. To support Abode’s target of electrification of the company fleet, there are also plans to install further EV charging points which will benefit from energy generated from the solar panel installation.





Energy management and greenhouse gas emissions

Climate change is one of the biggest challenges of our time and the transition to a low carbon economy has the potential to significantly impact our business as well as our clients and suppliers. Norcros aims to minimise our impact on climate change by reducing our carbon emissions across all operations.

We engaged with CEN-ESG to undertake a review of our carbon management practices in each of our business units. The findings of this review have helped us to determine the carbon hotspots in our operations which led us to develop business unit carbon reduction roadmaps that will result in the Group reducing emissions in line with our emissions reduction targets.

Energy efficiency initiatives

We have a range of initiatives underway across the Group to reduce our carbon footprint and energy consumption. Below are some initiatives that have occurred across the Group during the year:

- Triton has rolled out the first electric vans in its fleet of vehicles (EVs), with 5 of their service engineers now using the electric vehicles to visit and service customers' showers. Triton also utilises 100% certified renewable electricity across the Nuneaton manufacturing site and a new HVAC/heat recovery system installation has helped reduce consumption of gas on the Nuneaton head site by 25% in 2023.
- Abode has increased the number of EVs in their fleet as well as installing two new EV chargers.
- Grant Westfield has upgraded all lighting to LED, installed a solar array on the roof and purchased two EV chargers as well as implementing a policy which requires all company cars to be hybrid or electric.
- Johnson Tiles UK has installed six EV chargers and retrofitted one area of its factory with LED lighting. Johnson Tiles UK also uses 100% certified renewable electricity across its business.
- Merlyn has switched its head office and warehouse operations to 100% renewable electricity.
- Johnson Tiles SA has completed the replacement of 90% of outside lighting with LED lighting and all air conditioning that needs replacing gets changed with more energy efficient inverter conditioning units.
- Tile Africa has converted most of its diesel forklift fleet to electric forklifts and uses evaporative coolers in its new and upgraded CX stores which are significantly more efficient and cost effective than the cassette air conditioning units.
- TAL's supply chain department has embarked on a carbon footprint and efficiency drive by moving towards high capacity trucks that reduce the carbon footprint per kg of product shipped to our customers.

Carbon emissions

The tables on page 58 have been prepared for the reporting period of 1 April 2022 to 31 March 2023 using the reporting period of 1 April 2021 to 31 March 2022 for comparison.

The Group has defined its organisational boundary using an operational control approach. GHG emissions are in CO₂e, including GHGs in addition to carbon dioxide and include our head office and all divisions excluding Norcros Adhesives, which is excluded on the basis of immateriality (below 0.5% of total footprint) and in view of the announced closure. Scope 1 and 2 data has been calculated from monthly measured data (e.g., fuel and electricity use) using the appropriate conversion factors in accordance with the principles and requirements of the World Resources Institute (WRI) GHG Protocol: A Corporate Accounting and Reporting Standard (revised version) and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019). We are reporting our scope 3 emissions for the first time this year, with guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, as required.

In line with the Greenhouse Gas Protocol, we continue to review our reporting in light of any changes in business structure, calculation methodology and the accuracy or availability of data. As a result, we have restated 2022 emissions data to reflect changes in methodology and data. Due to recognised inherent uncertainties in calculating scope 3, we have adopted a continuous improvement approach. We will continue to review our processes and disclose any restatements in a timely and transparent manner.

Absolute scope 1 and 2 emissions increased 20% and absolute energy consumption increased 21% year on year. This is in part due to the purchase of Grant Westfield but principally due to an increased manufacturing output in our South African divisions, more normalised operating conditions after the lifting of remaining restrictions of COVID-19 and ongoing growth in headcount. The Group's UK divisions' scope 1 and 2 emissions have decreased year on year by 11% which is a result of the energy efficiency initiatives discussed above. Absolute scope 3 emissions have decreased 9% year on year due to a lower spend rate on purchases in 2023 in comparison to 2022, when our divisions restocked raw materials post-COVID-19.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

CLIMATE CHANGE AND EMISSIONS CONTINUED

Carbon emissions continued

	FY 2023			FY 2022		
	UK	Global (excl. UK)	Group Total	UK	Global (excl. UK)	Group Total
Intensity measure						
Group turnover (£m)			426.7 ¹			396.3
GHG emissions (tCO₂e)						
Total scope 1 (tCO₂e)	13,898	32,253	46,151	15,787	22,997	38,784
Scope 2 location based (tCO ₂ e)	3,424	22,885	26,309	3,389	18,378	21,767
Scope 2 market based (tCO ₂ e)	256	22,872	23,128	191	18,372	18,563
Total scope 1 + 2 location based (tCO₂e)	17,322	55,138	72,460	19,176	41,375	60,551
Total scope 1 + 2 market based (tCO₂e)	14,154	55,125	69,279	15,978	41,369	57,347
Upstream scope 3 (tCO ₂ e)			245,478			281,075
Downstream scope 3 (tCO ₂ e)			557,741			597,804
Total scope 3 (tCO₂e)			803,219			878,879
Total scope 1, 2 and 3 location based (tCO₂e)			875,679			939,430
Total scope 1, 2 and 3 market based (tCO₂e)			872,498			936,226
Scope 1 and 2 GHG emissions intensity ratio (per Group turnover) (£m)			162.4			144.7
Energy consumption (kWh)						
Total renewable fuels consumption (kWh)	—	—	—	—	—	—
Diesel	4,401,649	4,190,959	8,592,608	1,743,587	3,250,046	4,993,633
Natural gas	71,142,461	170,474,133	241,616,594	82,422,653	120,975,550	203,398,203
Petrol	940,479	158,429	1,098,908	671,877	46,209	718,085
LPG	520,201	—	520,201	551,548	—	551,548
Oil (gas oil)	289,511	—	289,511	217,106	—	217,106
Total non-renewable fuels consumption (kWh)	77,294,301	174,823,521	252,117,822	85,606,770	124,271,805	209,878,575
Total fuels consumption (kWh)	77,294,301	174,823,521	252,117,822	85,606,770	124,271,805	209,878,575
Consumption of purchased or acquired electricity renewable (kWh)	16,474,873	52,629	16,527,502	16,784,330	—	16,784,330
Consumption of self-generated non-fuel renewable energy (solar) (kWh)	36,788	—	36,788	—	—	—
Consumption of purchased or acquired electricity non-renewable (kWh)	1,188,498	25,565,331	26,753,829	611,775	19,883,954	20,495,729
Total electricity consumption (kWh)	17,700,159	25,617,960	43,318,119	17,396,105	19,883,954	37,280,059
Consumption of purchased or acquired heating (kWh)	—	—	—	—	—	—
Total renewable energy consumption (kWh)	16,511,661	52,629	16,564,290	16,784,330	—	16,784,330
Total non-renewable energy consumption (kWh)	78,482,800	200,388,851	278,871,651	86,218,545	144,155,759	230,374,304
Total energy consumption (kWh)	94,994,461	200,441,480	295,435,941	103,002,875	144,155,759	247,158,634
% renewable electricity from total electricity	93%	0%	38%	96%	0%	45%
% grid electricity from total electricity	100%	100%	100%	100%	100%	100%
Energy intensity ratio (per Group turnover) (£m)			692,374			623,665

¹ Excludes Norcros Adhesives.

Scope 3 emissions

During the year we conducted our first full assessment of our value chain emissions, using data from 2022 and then updating our footprint for this year across our eleven business units and Head Office, with the exclusion of Norcros Adhesives. Our evaluation confirmed that our value chain emissions are significantly greater than our operational carbon footprint, with our scope 3 emissions accounting for 92% of our total emissions.

We calculated all applicable scope 3 categories for our carbon footprint with four categories not applicable to our business. The calculation of emissions for our key scope 3 sources is:

- **Use of sold products** – we calculate the lifetime energy use for representative products of our key product ranges, using our annual sales volume, average power use per product and estimated hours in use over life. Emissions factors for our key sales regions are applied to this data.
- **Purchased goods and services** – we use purchase data by quantity or number of raw materials or components and apply life cycle assessment based emissions factors directly against our purchase data or against representative raw materials within each component category. Spend-based analysis is used for any services. We include no primary data from suppliers.
- **Upstream transportation and distribution** – all inbound, intra-Group and outbound logistics the Group pays for are mapped against the transportation mode, weight and distance travelled to calculate emissions on a wheel-to-well basis.

Category	Status	2023 tCO ₂ e	2022 tCO ₂ e
1. Purchased goods and services	Relevant, included	200,971	235,716
2. Capital goods	Relevant, included	1,502	1,158
3. Fuel-and-energy-related activities (not included in scope 1 or 2)	Relevant, included	16,587	13,543
4. Upstream transportation and distribution	Relevant, included	22,168	27,143
5. Waste generated in operations	Relevant, included	264	511
6. Business travel	Relevant, included	1,661	1,124
7. Employee commuting	Relevant, included	2,306	1,853
8. Upstream leased assets	Relevant, included	19	27
Total upstream scope 3		245,478	281,075
9. Downstream transportation and distribution	Relevant, included	7,747	6,323
10. Processing of sold products	Not applicable	N/A	N/A
11. Use of sold products	Relevant, included	548,553	589,863
12. End-of-life treatment of sold products	Relevant, included	1,441	1,618
13. Downstream leased assets	Not applicable	N/A	N/A
14. Franchises	Not applicable	N/A	N/A
15. Investments	Not applicable	N/A	N/A
Total downstream scope 3		557,741	597,804
Total scope 3		803,219	878,879

CLIMATE CHANGE AND EMISSIONS CONTINUED

Our emissions targets and Net Zero Plan

Recognising the urgent need to address climate change and reduce greenhouse gas emissions, this year we have developed ambitious net zero targets and a high level decarbonisation pathway to manage our value chain emissions going forward. This aligns with our strategic objective of placing sustainability at the heart of our business.

Targets

We have set science-based targets across scopes 1, 2 and 3 which affirm our long-term commitment to net zero by 2040, and we introduce interim targets for 2028. Our targets have yet to be validated by the Science Based Targets Initiative (SBTi), but they provide a path for significant reduction in our emissions through to 2028 and beyond.

By 2028, we have set the following targets:

- reduce absolute scopes 1 & 2 GHG emissions by 33.6%, from a 2023 base year; and
- reduce absolute scope 3 GHG emissions by 20.0%, from a 2023 base year.

By 2040, our target is to reach net zero GHG emissions across the value chain.

Our emissions profile

Despite the diverse nature of the Group, our emissions profile is concentrated in a handful of categories and within those, certain business units often dominate. This helps focus on areas for action, but it can also limit the number of levers to meaningfully reduce total emissions.

Most of our scope 1 emissions (94%) relate to natural gas used in the kilns of our tile manufacturing businesses in both UK and South Africa. Our scope 1 also includes emissions related to heating, HFCs and fleet emissions across all business units. A number of our UK-based business units already generate or source renewable electricity, which means our scope 2 emissions from purchased electricity are largely derived from our sites in South Africa.

Our scope 3 emissions are significantly greater than our operational carbon footprint. Our largest exposure is Use of Sold Products (63% of our total emissions). This category is dominated by the lifetime use phase of electricity related emissions from the Triton and House of Plumbing product ranges, with minor contribution from electrical items sold by Abode and Croydex. Purchased Goods and Services (23%) represents the embedded carbon within our raw materials and purchased items and is spread across all business units. Upstream and Downstream Transportation and Distribution emissions (3% and 1% respectively) represent inbound, outbound company-paid logistics, and outbound third-party paid logistics, largely by road and sea, and are also common to all business units.

Our transition plan

We have developed our first Group-level transition plan aligned to our science-based targets which outlines our decarbonisation roadmap. This is underpinned by specific targets for all our business units.

Our near-term targets for scopes 1, 2 and 3 are achievable through currently available technologies and are based on projects we have already assessed and other potentially available projects. Our long-term plan includes the high level drivers for how we can achieve our ultimate net zero target.

There are significant risks to the delivery of our targets. We have explored these further in our TCFD Report. Some of the risks include:

- input and support from supply chain partners to reduce footprint on the components/products we use;
- decarbonisation of the electricity grid in our operating regions, specifically in the UK and South Africa to support reduction of scope 2 emissions. This is a particular risk in South Africa;
- decarbonisation of transportation; and
- development of new technology to reduce carbon emissions, in particular around production of ceramic tiles.

We will monitor the delivery of our plan and review progress regularly. We plan to undertake a full review of our Net Zero Plan in 2025 which will allow us to accommodate any unforeseen issues and emerging technologies as they arise.

Our value chain emissions



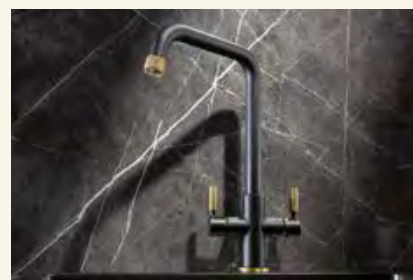
**SCOPE 3
UPSTREAM
28%**

This represents embodied carbon emissions in our purchased goods and services (23% of total emissions) with a further 3% of total emissions coming from inbound transportation. Controlling these emissions requires engagement with suppliers and transport providers, as well as product innovation.



**SCOPE 1 AND 2
OPERATING EMISSIONS
8%**

Our operations contribute 5% of total emissions from the use of fuels and 3% from the use of electricity. We manage these through renewable electricity and energy efficiency measures.



**SCOPE 3
DOWNSTREAM
64%**

Most of our value chain emissions occur downstream of our operations. 63% of our total emissions relate to products in use, where energy efficiency of our products and grid decarbonisation are important. Outbound transportation accounts for 1%.



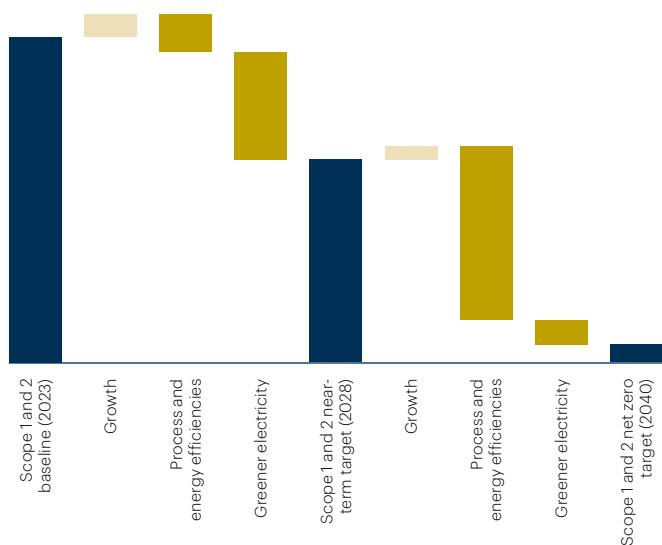
CLIMATE CHANGE AND EMISSIONS CONTINUED

Scope 1 and 2 roadmap

TARGET:

33.6%

absolute reduction by 2028 from a 2023 base year in line with SBTi 1.5°C

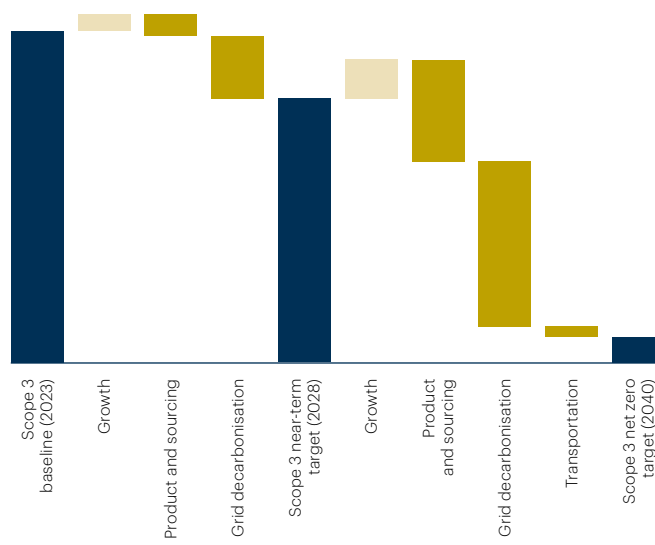


Scope 3 roadmap

TARGET:

20.0%

absolute reduction by 2028 from a 2023 base year in line with SBTi well below 2°C



Scope 1 and 2 emissions – our plan

Key to reducing our operational emissions is:

Scope 1

- Near term: tile production and operational improvements (e.g. heat recovery systems, retrofitting energy efficient burners to kilns); electrification of our heating and fleet (e.g. air source heat pumps, EVs); replacement of high GWP refrigerants; and other energy efficiencies.
- Long term: alternative fuel in our kilns (e.g. biogas, hydrogen, hydrogen mix or electric); and product innovation to reduce firing times or temperatures.

Scope 2

Switching to renewable electricity supply, either through on-site renewables (e.g. rooftop solar installation at our main South African production site and potentially our Tile Africa and House of Plumbing site estate) or securing purchased renewable electricity supply. The availability of purchased renewable electricity in South Africa is less prevalent than in the UK currently due to the lower maturity of the renewables market.

Scope 3 emissions – our plan

Given our products in use exposure, the single biggest factor in our ability to hit our near-term scope 3 target and net zero by 2040 target is the pace of decarbonisation of grids globally, especially the UK grid, which is our main market. We cannot directly influence the pace of grid decarbonisation and rely on governments to implement appropriate policies to achieve this. That said, we are encouraged by the forecasts in the UK’s Future Energy Scenarios, which see effective decarbonisation of the UK electricity grid by 2035 in three of the four modelled outcomes.

Through product innovation and in collaboration with our suppliers we can influence emissions not only in use phase, but also in embedded emissions in our purchased goods and end of life. By investigating alternative materials, reducing the number of components in our products and increasing the overall efficiency of our products, we can reduce both the upstream and downstream impacts of our product range, including the associated packaging. We foresee moderate impacts in the near term from this activity with the majority coming in the long-term time horizon, subject to more substantial engagement with our suppliers and embedding change into our product development practices. We also expect our suppliers will make efficiency improvements in the way that we will in our own operations, such as upgrading equipment to be lower emissions, electrification of heating and other operational efficiencies.

Most of our products are shipped to us and our customers by sea or by road. We are looking at how we package and ship our products to see if there are opportunities for reducing the overall emissions footprint associated with logistics. We have factored in conservative assumptions on the decarbonisation of global transportation, which will drive the decarbonisation of logistics, business travel and employee commuting.

Some of our divisions already use carbon offsets to achieve Carbon Neutral status. In line with the SBTi criteria, our Group targets and transition plan do not include the use of carbon offsets. Whilst no such action is planned, we may use offsets as an option for additional emission reductions beyond the science-based targets, or as a way to reduce our residual emissions in 2040 to zero.



Air emissions management

Air emissions are an important part of Johnson Tiles UK and SA's tile manufacturing process. Air emissions originate principally from our kilns and dryers and we have implemented methods to control our emissions such as wet scrubbers and baghouse filters. Air emissions are monitored internally as well as all process emissions being monitored and verified by a third party on an annual basis to ensure our measurement methods are in compliance with our operating permits. Johnson Tiles SA also undergoes an Annual Emissions License (AEL) audit to demonstrate that its processes and applications are operated in accordance with South African air quality regulations and to reduce any potential negative impacts on community health and the wider environment.

Ceramic tile manufacture produces less toxic emissions than other building materials (e.g. bricks). Both our South African and UK businesses have consistently met the targets required for our permits in particulate matter (PM) and hydrogen fluoride (HF) measured for our kilns and spray dryers. These are monitored and independently measured at least annually. Johnson Tiles UK operates at around 10–20% of its target limit and after the South African limit on HF was reduced from 100mg/m³ to 50mg/m³ Johnson Tiles SA has met these more stringent targets. This demonstrates our track record of meeting toxic emissions targets and we aim to maintain our levels of PM and HF below legal limits.

Water consumption

Water efficiency is an increasingly important issue for us. This includes, where possible, reducing the amount of water we use in all our operations and designing products that help our customers reduce the amount of water used for their domestic or commercial purposes. To prevent water loss in Triton's systems a continued programme of total preventative maintenance (TPM) is ongoing including inspection of welfare facilities and pipework throughout the site and the installation of shut-off valves on the central heating system to detect and prevent leaks. Triton also continues to target water use reduction by ongoing rollout of air decay testing, replacing the need for "wet" testing. The most recent and significant activity has been the removal of wet testing on the Omnicare range of products saving 3.1 litres per unit with an annual reduction of 102,300 litres.

Water withdrawal

Water withdrawal (m ³)	2023
UK	46,054
SA	149,212
Total	195,266
Intensity ratio m ³ per £m revenue	457.6

Water consumption

Water consumption (m ³)	2023
UK	37,623
SA	98,242
Total	135,865
Intensity ratio m ³ per £m revenue	318.4

The tables above outline: (i) water withdrawal for all of our business units; and (ii) water consumption across nine of our business units, which account for 77% of Group revenue. This is the first full year of collecting water-related data across the Group and we will continue to monitor water usage through the year.

Waste management

Reducing packaging and increasing the amount of recycling are important goals for all our business units from an operational, commercial and environmental perspective. Various initiatives aimed at reducing waste sent to landfill and encouraging recycling are in place such as on-site segregated recycling bins; employees are expected to support these schemes by sorting waste and disposing of it appropriately.

Tile Africa has been focusing on an initiative to improve recycling of plastics and cardboard across all stores as well as minimising the broken tiles going into skips by selling off the broken tiles. This reduces the material going into landfills, recovers some costs against breakages and lowers the frequency of skip collections saving the additional collection costs. Johnson Tiles SA has also conducted an Environmental Legal Compliance audit with all waste being covered as part of this audit.

Waste generation* (tonnes)	Group total 2023
Hazardous waste	21
Non-hazardous waste	15,635
Total waste	15,656

Waste treatment/disposal (tonnes)	Group total 2023
Hazardous waste recycled	1
Hazardous waste incinerated	0.18
Hazardous waste sent to landfill	20
Non-hazardous waste recycled	3,149
Non-hazardous waste incinerated	122
Non-hazardous waste sent to landfill	12,364
Total waste recycled	3,150
Total waste incinerated	122
Total waste sent to landfill	12,384
Total waste non-recycled	12,506
Total waste	15,656

* Adhesives has been excluded from the data tables above on the basis of immateriality and that it is currently being closed.

The table above outlines waste generation and treatment across nine of our business units, which account for 89% of Group revenue. This is the Group's first year of collecting waste data and we will aim to increase the coverage of waste data in the coming years. As part of our ESG MI Framework we will now look to set targets on waste reduction and increase the proportion of our waste that is recycled.



INNOVATIVE AND EFFICIENT PRODUCTS

Our ambition:

Be leaders in energy and water efficient processes and green products (with low embedded carbon)



Link to SDGs



The Group is also committed to minimising the environmental impact of its products and services wherever possible. We have provided our customers with some environmentally beneficial products that are energy efficient, easily recyclable and durable to increase their longevity. To be a sustainable business, we need to continue to develop innovative solutions and we are always developing new products and technologies that align to customer and market demands as well as investing in research and development to stay ahead of our competitors. We aim to improve the material efficiency of our products and production processes. An example of this is Johnson Tiles UK’s tile manufacturing process which is carefully calibrated to ensure that every single tile manufactured contains a minimum of 20% recycled ceramic material as part of its pioneering ceramic waste recycling system.

Across our product portfolio we have strict quality standards, ensuring we only use the very best components and latest manufacturing techniques to ensure long-life performance – this reduces the lifetime environmental impact as there is a reduced need for maintenance and replacement of products. The impacts from climate change and the accelerated commitment to environmental legislation from governments, such as net zero by 2050 in the UK, has created opportunities for Norcros to capitalise on consumer and market demands for products that help customers reduce their environmental impacts. The Group offers a number of innovative products that already provide customers with solutions to reduce their carbon emissions while also saving money.

Johnson Tiles UK Environmental Product Declaration (EPD) Certificate

Johnson Tiles UK has become the first and only tile manufacturer in the UK to hold an EPD Certificate. The certificate enables Johnson Tiles UK to quantify the environmental impact of its tiles and allows its suppliers to compare the impacts of materials at the product selection stage, ensuring that the most sustainable options are specified. The process required Johnson Tiles to complete a full life cycle analysis of its manufactured products, including raw materials, energy, transportation, use and disposal.

Abode – Naturele Aquifier

An example of how the Group designs products for sustainability is Abode’s Naturele Aquifier tap, launched in 2022. It has been designed to help reduce unnecessary water and energy usage through features such as water saving technology and cold start valve. The water filter tap also reduces reliance on single use plastic water bottles.



IN 2023
£9.8m¹ of our revenue came from low carbon products
24% of revenue came from products that have been new in the last three years

Developing low carbon and innovative products is a core part of our strategy. To track the development of innovative and efficient products we measure revenue from low carbon products¹ and the new product development (NPD) vitality index, which measures the percentage of revenue that comes from products that have been new in the last three years.

This is the first year that we are tracking low carbon products and several of our product ranges that have sustainability features have been excluded from this number, due to our methodology still being established. Going forward our businesses will continue to explore low carbon product development where there is customer demand to increase our revenue from low carbon products.

A way to reduce the environmental impact of our products is using more sustainable packaging. We encourage our businesses to procure packaging that is made from recycled materials or can easily be recycled. Initiatives introduced this year include the elimination of single use plastics in packaging designs at Merlyn, the use of 100% recycled packaging cartons at Johnson Tiles South Africa, and plastic transit materials being replaced with cardboard at Triton. As a Group, six of our business units have been able to collect data on recycled packaging, and this year 40% of packaging that has been used across these six businesses is from recycled materials.

¹ We require our businesses to use the definitions of the EU Taxonomy for setting the parameters for low-carbon products.

PRODUCT QUALITY AND SAFETY

Our ambition:

Design, manufacture and/or supply high quality and safe products



Link to SDGs



Norcros is committed to designing, manufacturing and supplying products that are reliable and safe to use. All our products are tested to ensure that they meet safety requirements in the countries in which they are sold and information about safe use and disposal of Norcros products is provided through warning labels, manuals and other documentation where this is appropriate. Seven of our business units, covering 71% of turnover, are externally certified to the Quality Management ISO 9001 standard.

We pride ourselves on designing safe and high quality products. Less than 1% of our products have been recalled due to poor quality and less than 0.01% of products have been recalled due to safety issues.

Grant Westfield – 35 Years of Certification

In June 2022, following a rigorous audit process, Grant Westfield was recertified ISO 9001 compliant.

This prestigious accreditation highlights Grant Westfield’s adherence to internationally recognised best practices for quality management. It provides assurance to customers, partners, and stakeholders that the business has implemented stringent quality control measures, risk management processes, and a customer-centric approach throughout its operations. Moreover, it serves as a differentiating factor, demonstrating their commitment to quality and an ability to consistently deliver products that meet the highest standards.

The team at Grant Westfield were immensely proud to receive confirmation of certification and continue an impressive record of retaining this prestigious recognition for more than 35 years.





SUPPLY CHAIN MANAGEMENT

Our ambition:

Ensure our supply chain operates in line with our ESG standards by applying a new Norcros Supply Chain Policy



Link to SDGs



The way our products are sourced has a significant impact on our environmental and social sustainability. We are committed to encouraging our suppliers to minimise their environmental impact and we also expect all of our suppliers to conduct themselves to standards equivalent with the Code of Ethics and Standards of Business Conduct. This year Johnson Tiles UK has achieved its BES 6001 certification, a standard that assesses management practices and also the nature, sources and make-up of the various component materials in products, as well as “Gold Standard” accreditation from the Supply Chain Sustainability School (which is partnered with the housebuilder Barratt).

Norcros does not accept and will not tolerate the use of child labour or forced labour (i.e. modern slavery) anywhere in its own business or its supply chain. The Company has issued a public statement to this effect, which can be found on its website at <https://www.norcros.com/investor-centre/other-disclosures/>. We also encourage our direct suppliers to promote human rights throughout the supply chain. Our supplier assessments include evaluation of policies and practices in this area.

We are currently working on developing a cross Group supply chain policy and plan to publish an updated version in the coming months. This policy will establish the formal mechanism for compliance with our Safety, Environmental, and Human Rights policies by our suppliers. We plan to continue our discussions around the development of internal and external KPIs associated with our supply chain in the rest of 2023.

Abode and Travis Perkins

Abode is supporting the Travis Perkins Group, supplying it with embodied carbon data for products supplied via its kitchens business, Benchmarx. This work will provide a better understanding of the environmental and social impact related to the range of Abode brand products they sell. This is the first step in its engagement with suppliers, before initiating projects exploring alternative material sourcing and possibly even the co-financing of supply chain innovations.

Grant Westfield, Forest Stewardship Council

Commitment to environmental responsibility is recognised through the Forest Stewardship Council® (FSC® C128180) and Programme for the Endorsement of Forest Certification (PEFC) chain of custody certifications. This ensures that the timber used originates from responsibly managed forests and the finished products comply with globally recognised ecological, social and economic standards.

These certifications form part of a rolling programme of environmental and sustainability initiatives within Grant Westfield’s manufacturing processes and its design approach including:

- sourcing materials and manufacturing in the UK to reduce carbon footprint where possible;
- recycling 99% of post-production waste into biomass materials and other products – reducing landfill and contributing to the circular economy;
- ensuring 100% of our panels are recyclable; and
- offering a 30-year warranty, giving peace of mind your bathroom will stand the test of time.



ETHICAL CONDUCT AND INTEGRITY

Our ambition:

Operate with integrity and respect to regulation and laws in all dealings



Link to SDGs



The Code of Ethics and Standards of Business Conduct (the Code and Standard) applies in all areas of Norcros Group's business and to all officers, Directors, employees, contractors and agency staff employed by or working for Norcros plc or any division of Norcros plc. The Board of Norcros plc is responsible for ensuring these business principles, such as anti-bribery and corruption and diversity, are communicated to, and understood and observed by, all Group businesses, employees and associates. This Code and Standard will be made available to every employee at the start of their relationship with Norcros and will also be communicated to all new employees of any business acquired by Norcros. This year there were 14 reported breaches of the Code and Standard with all of them occurring at South African business units. Of those 14 breaches, all have been investigated and upheld. The rollout of Bribery and Corruption training, as well as other topics within the Code and Standard such as Bullying and Harassment, will help to reduce the number of future breaches.

Whistleblowing

Norcros encourages an environment where honest and open communication is expected, with employees feeling comfortable bringing forward any concerns or violations of Group policies. This is embedded into the Code and Standard and legal protection exists for all whistleblowers. Norcros maintains a whistleblowing policy and engages two independent and confidential whistleblowing service providers, one covering South Africa specifically and the other covering all other locations. Both lines operate 24/7 and 365 days a year in the whistleblower's chosen local language. Concerns and reports can be made in confidence anonymously, and we will not discriminate or retaliate against any employee who reports suspected violations in good faith or who co-operates in any investigation or enquiry regarding possible violations.

Reports on the use of these services, any significant concerns that have been raised, details of investigations carried out and any actions arising as a result are reported to the Audit and Risk Committee at each meeting. The Committee also receives papers on incidents of fraud or attempted fraud and reviews them at each meeting. At least annually, the Committee conducts an assessment of the adequacy of the Group's procedures in respect of compliance, whistleblowing and fraud.

Anti-bribery and corruption

Norcros prohibits bribery and all other types of fraud and will take disciplinary and/or legal action as appropriate in all cases of actual or attempted fraud across all operations. We have a strict Anti-Bribery and Corruption Policy, which applies to suppliers, set out in the Code and Standard and we conduct our business in a fair, open and transparent manner. The Board of Directors has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those who have influence comply with it. We prohibit, and will not accept, facilitation payments or "kickbacks" of any kind. Facilitation payments are typically unofficial payments made to secure or expedite a routine government action by a government official. Employees are required to undertake training under our Anti-Bribery and Corruption Policy at regular intervals and appropriate procedures are in place at all locations to mitigate the risk of any employee committing an offence against the policy. Throughout the year 76% of eligible Group employees received training on Bribery and Corruption. There were nine incidents of employees being disciplined or dismissed due to non-compliance with our Anti-Bribery and Corruption Policy. This accounts for 0.37% of total Group employees. All of these incidents occurred in our South African business units, and we have taken measures to reduce risk of similar incidents in the future.

Norcros' Anti-Bribery and Corruption Policy sets out our approach in the following areas:

- hospitality and gifts offered to third parties;
- hospitality, gifts and other goods or services offered to Norcros employees by third parties;
- payment of third parties' travel expenses;
- facilitation payments;
- political contributions;
- lobbying;
- sponsorships; and
- civic, charitable and other donations.

Human rights

Our corporate values focus on respect, integrity and fairness. We are committed to respecting the dignity of the individual and to supporting the United Nations (UN) Declaration of Human Rights, the UN Universal Declaration of Human Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and other core conventions. These principles are applicable across all our operations. The Directors do not consider human rights issues to be a material risk for the Group, principally due to the existing regulatory frameworks in place in the UK and South Africa, being the primary geographical locations in which we operate. In South Africa, the businesses are cognisant of their responsibilities under the Broad-Based Black Economic Empowerment legislation. In addition, the Group has its Modern Slavery Act Statement and a supporting policy.

Tax transparency

Norcros plc is committed to trading within the law and conducting all of its business activities in an honest and ethical manner. Our Tax Policy governs all of our business dealings and the conduct of all persons or organisations which are appointed to act on our behalf. Norcros plc and its subsidiaries has a zero-tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country.



TCEFD REPORT

Vado: Arrondi, Red Dot Winner for Product Design 2022. Designed by the internationally renowned architects and interior designers, Conran and Partners, who collaborated with Vado to define a new aesthetic direction in a market which typically sees a strict delineation between the “traditional” and “contemporary”. With a shared commitment to sustainability, Vado and Conran and Partners have worked together to ensure Arrondi meets with each business’ core environmental credentials.



TCFD REPORT

INTRODUCTION

This year we have taken greater strides in the Group's management of climate change. We have developed our ESG strategy and KPIs and enhanced our environmental data collection and reporting through our divisional ESG Forum. We have developed net zero targets and a Net Zero Transition Plan (including a high level decarbonisation profile for the Group), aligned to the Science Based Targets initiative (SBTi) framework and in line with the Paris Agreement for 1.5°C. for our operational emissions. Our targets reaffirm the Group's ambition for net zero across the value chain by 2040 and provide ambitious near-term targets for the Group.

We recognise that climate change poses significant risks and opportunities to our business and stakeholders. Our TCFD Report

demonstrates how we incorporate climate-related risks and opportunities into the Group's risk management, strategic planning and decision making processes, aligned to our net zero ambition. This year we have enhanced the analysis of our exposure to natural hazards such as heat stress, fire weather stress, flood risk, storms and drought with a detailed bottom-up site analysis using a geospatial climate hazard mapping tool.

We consider our disclosure to be consistent with all of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures" (2017) and we have considered the additional guidance set out in the TCFD 2021 Annex, "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures".

Recommendation	Recommended disclosures	Reference
1) Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Page 70
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 70
2) Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 71
	b) Describe the organisation's processes for managing climate-related risks	Page 71
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 71
3) Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Page 71
	b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning	Page 71
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 71
4) Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 72 to 77
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks	Pages 72 to 77
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Pages 72 to 77



TCFD REPORT CONTINUED

GOVERNANCE

Board

The Board of Directors oversees and is ultimately accountable for progress against our Net Zero Transition Plan and our wider sustainability strategy, as well as reviewing and managing the climate-related risks and opportunities of the Group. The Board is kept informed of climate-related matters through regular scheduled updates at Board meetings with ESG (including climate change) on the agenda at least twice a year. The Board monitors and oversees progress of the Group’s sustainability performance, through the ESG Management Information Framework, which includes monitoring the Group’s emissions (scope 1, 2 and 3).

The Audit and Risk Committee supports the Board in ensuring climate-related issues are integrated into the Group’s risk management process. Climate-related risk assessments are conducted twice a year and are fully incorporated into the Group’s principal risk process. Materially significant risks, including climate-related risks, that fall outside risk appetite levels need to be reviewed and approved by the Board unless treatment actions can bring them in line with the appropriate risk appetite level, as outlined below.

Management

As climate-related issues are fundamental to the Group’s business purpose, the CEO has overall responsibility for their oversight, ensuring climate-related issues are considered in the review of Norcros’ strategy, budget and business. The CEO is also responsible for reporting on progress to the Board, which is done at two Board meetings a year. At a management level, last year, the Group created a Sustainability Committee (ESG Forum), comprised of representatives of the underlying business units. The Group level net zero targets have been cascaded to each business unit so there is accountability throughout the organisation. We will review the carbon reduction plans to deliver the emissions targets in each business unit each year and monitor progress of key milestones twice a year.

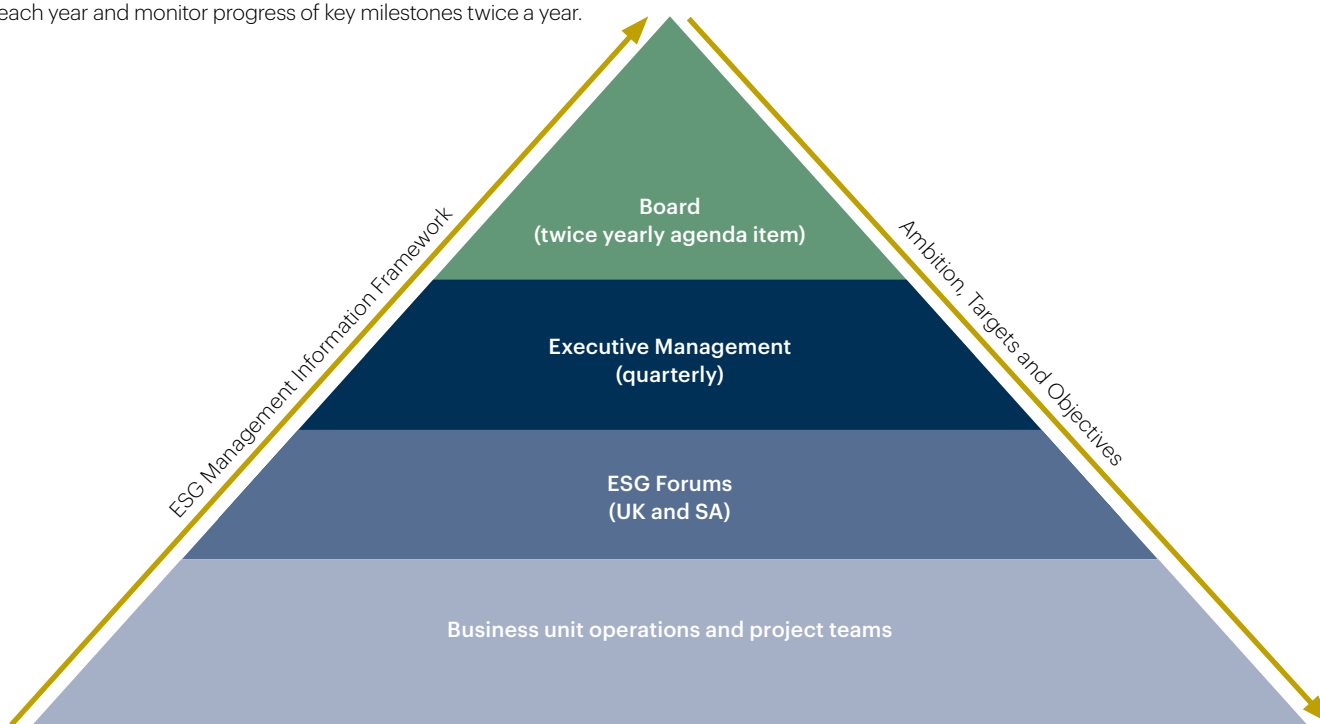
ESG Forum

The ESG Forum met monthly during FY 2023 during the phase of data capture and strategic development, but now convenes quarterly with two in-person meetings. Led by the Corporate Development and Strategy Director, these meetings serve as a platform to track progress on our Net Zero Transition Plan and crucially to exchange ideas, challenges and best practices across the Group. The ESG Forum is responsible for assessing and managing climate-related issues, and reviewing progress against the Group’s ESG MI Framework, directing action in its respective business units and feeding back data, achievements and barriers to be resolved. It promotes awareness of, and action on, sustainability within the Company and promotes a consistent approach to sustainability communication and data and to meeting external disclosure requirements.

Representatives of the ESG Forum are themselves informed by operational and project teams within their business units. Divisions have their own structures in place to monitor and implement carbon reduction programmes. As an example, Triton has introduced a “Sustainability 6” governance structure.

This tracks six key, multi-year sustainability initiatives, each one linked to key value chain carbon reduction drivers. Each initiative has a Board sponsor and strategic/technical lead (at the divisional level) who manage a working group to monitor and deliver on the initiative.

Now we have a Net Zero Transition Plan and wider ESG KPIs in place, the Norcros management team will consider further KPIs and targets and align staff incentives.





CLIMATE-RELATED RISK MANAGEMENT

ESG risks and particularly climate-related risks within this are classed as a principal risk by the Group. Climate-related risks and opportunities were assessed and prioritised on the existing Group five-point risk scoring criteria for both financial impact and reputation impact (minimal, low, intermediate, high, severe) and for likelihood (remote, unlikely, possible, likely, certain). Overall risk scores are calculated as the multiple of impact and likelihood. Likelihood is based on the probability of the risk crystallising and affecting the business at least once during a three-year period and the longer time horizon of some climate-related risks is thus reflected in a lower likelihood score. By using the existing Group risk framework, climate-related risks are fully integrated into the current risk management framework and the relative significance of climate-related risks in relation to other risks can be determined.

A summary of key risks in the divisional and corporate risk registers is presented to the Audit and Risk Committee every six months. In addition, there is a Group level risk review in March which identifies and reviews Group level/strategic risks.

The decision to control or accept risks is partially determined by the nature of the risk and its scoring. Management will regularly review risk exposures against defined acceptable risk appetite levels and develop remedial actions, with target dates, to address risks scoring higher than the accepted risk appetite level. Except for “strategic”, “operational” and “commercial” risks, which carry a medium risk appetite, all other risk types carry a low risk appetite. Risk scoring outside of these risk appetite levels requires treatment actions to bring them in line with the appropriate risk appetite level, or they need to be reviewed and approved by Board Directors.

STRATEGY

The time horizons of where our climate-related risks and opportunities first occur are:

Short term: 2023 to 2026 – in line with our current strategic planning and incorporates our planned capital expenditures.

Medium term: 2026 to 2033 – aligned to where we will most likely see the impact of regulatory frameworks such as carbon pricing, the technology life cycle and our interim emission reduction targets.

Long term: 2033 to 2050 – aligned to the UK Government’s net zero pledge, allowing incorporation of the useful life of our property assets, physical and transition risk time horizons and the Group’s net zero target.

We consider risks and opportunities in all physical and transition categories outlined in the TCFD guidance risks and under current and emerging regulatory requirements, and whether they occur within our own operations or upstream and downstream of the Group. In the following tables, we have identified and expanded on a number of key risks and opportunities that could have a material financial impact on the organisation.

Climate-related scenario analysis has been used to improve our understanding of the behaviour of certain risks to different climate outcomes. We have used the following public climate-related scenarios which help us better understand the resilience of the business to climate change:

- Stated Policies (STEPS)¹ – the roll forward of already announced policy measures. This scenario outlines a combination of physical and transition risk impacts as temperatures rise by 2.5°C by 2100.
- Net Zero Emissions by 2050 (NZE)¹ – in this scenario GHG emissions are strongly reduced resulting in a trajectory consistent with limiting the temperature increase to less than 1.5°C by 2100.
- RCP 8.5² – an extreme physical risk scenario, where mean global surface temperatures rise by c.4.3°C by 2100 from pre-industrial levels as the global response to mitigating climate change is limited.

1 IEA (2022), World Energy Outlook Source: IEA (2022), World Energy Outlook 2022. <https://iea.blob.core.windows.net/assets/c282400e-00b0-4edf-9a8e-6f2ca6536ec8/WorldEnergyOutlook2022.pdf>.

2 IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

The scenario analysis conducted this year builds on that completed in 2022. This year we incorporate use of the more ambitious NZE scenario (from the SDS scenario used last year) as it forms an input into the 1.5°C pathway used by the SBTi against which we are aligned.

These scenarios have been supplemented with additional sources that are specific to each risk to inform any assumptions included in projections. Our scenario analysis includes qualitative and some quantified impacts where the underlying data is available and where the current understanding of the risks is robust.

We have analysed the climate-related risks under all three scenarios and identified plans to mitigate against the impacts of these risks and take advantage of opportunities. They have been incorporated into our transition pathway to net zero and into divisional, management and the Board’s strategic framework within our current expenditure envelope. We are confident that implementation of these actions will result in a business resilient to the discussed climate-related risks.



TCFD REPORT CONTINUED

RISKS

Five transitional and two physical climate-related risks have been identified that could have an impact on our business. Three of them (i) decarbonisation of SA (and UK) grid, (ii) pace of decarbonisation across supply chain and (iii) new technology for kilns are the most material to our operations. Our Net Zero plan and emissions reduction initiatives form the basis of our mitigation strategies.

Key

- Business area
- Primary potential financial impact
- Time horizon
- Likelihood
- Impact measure
- Risk rating
- Location
- Measurement

TCFD Category Transition (Current and Emerging Regulation)

Carbon pricing (carbon tax) in own operations

<ul style="list-style-type: none"> Own operations Higher costs associated with energy Medium term Certain (5) Intermediate (5) 25 UK and South Africa manufacturing division Scope 1 and 2 emissions 	<p>Norcros views the implementation of operational carbon pricing as a certainty, which is applied to our gas and electricity used in tile manufacturing. We expect significant but gradual price increases in the medium term, with greater forecast price rises in the NZE Scenario. An estimate for the impact of carbon pricing of scope 1 and 2 emissions for 2023 assuming no change going forward, using IEA price forecasts, projected in the long term are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: right;"> <thead> <tr> <th></th> <th style="text-align: center;">2030 (US\$m)</th> <th style="text-align: center;">2040 (US\$m)</th> <th style="text-align: center;">2050 (US\$m)</th> </tr> </thead> <tbody> <tr> <td colspan="4">Carbon pricing (UK)</td> </tr> <tr> <td>STEPS</td> <td style="text-align: center;">1.3</td> <td style="text-align: center;">1.4</td> <td style="text-align: center;">1.6</td> </tr> <tr> <td>NZE</td> <td style="text-align: center;">2.0</td> <td style="text-align: center;">2.9</td> <td style="text-align: center;">3.5</td> </tr> <tr> <td colspan="4">Carbon pricing (South Africa)</td> </tr> <tr> <td>SA expected carbon price</td> <td style="text-align: center;">1.7</td> <td style="text-align: center;">4.1</td> <td style="text-align: center;">6.6</td> </tr> <tr> <td>NZE</td> <td style="text-align: center;">5.0</td> <td style="text-align: center;">8.8</td> <td style="text-align: center;">11.0</td> </tr> </tbody> </table> <p>The table above illustrates the impact assuming our scope 1 and 2 emissions are unchanged from 2023 levels. However, the impact of the risk is expected to be moderated through our transition plan, which factors in reductions of our scope 1 and 2 emissions to minimal levels, to achieve our target of net zero by 2040.</p> <p>Mitigation: Key near-term scope 1 actions consist of improvements in the tile manufacturing processes, such as heat recovery systems and energy efficient burners in kilns, and initiatives to reduce scope 2 include on-site and purchased renewable electricity.</p>		2030 (US\$m)	2040 (US\$m)	2050 (US\$m)	Carbon pricing (UK)				STEPS	1.3	1.4	1.6	NZE	2.0	2.9	3.5	Carbon pricing (South Africa)				SA expected carbon price	1.7	4.1	6.6	NZE	5.0	8.8	11.0
	2030 (US\$m)	2040 (US\$m)	2050 (US\$m)																										
Carbon pricing (UK)																													
STEPS	1.3	1.4	1.6																										
NZE	2.0	2.9	3.5																										
Carbon pricing (South Africa)																													
SA expected carbon price	1.7	4.1	6.6																										
NZE	5.0	8.8	11.0																										

TCFD Category Transition (Emerging Regulation)

Carbon pricing in the value chain

<ul style="list-style-type: none"> Upstream Increased cost of purchased goods and inbound transportation Medium term Certain (5) Intermediate (5) 25 Global, all divisions Scope 3 emissions (Category 1) 	<p>Parts of our supply chain include the processing of primary metals and building materials. New, low emission production processes are still being developed for commercial use and these could lead to increased costs in our supply chain. Emissions intensive basic materials industries are also exposed to global regulatory and policy decisions in the drive to reduce emissions, and these changing policies may also impact our supply chain.</p> <p>Mitigation: The diversity of supply sources reduces this risk to the Group. Norcros engages with its suppliers to determine the embodied carbon for certain raw materials and then ensures they work together to “design out” carbon products and processes. This includes considering lighter weight options (e.g. thinner tiles) and lower embodied carbon inputs (where the raw materials used have acceptable technical qualities with lower carbon emissions). Our Net Zero Transition Plan details our pathway to reducing these emissions.</p>
---	--

TCFD Category Transition (Market and Reputation)

Reliance on third parties or technologies to decarbonise

- Own operations and Upstream
- Higher costs, lower revenue
- Medium term
- Certain (5)
- Low (3)
- 15
- Global, all divisions
- Scope 3 emissions

Achievement of our NZ target in 2040 relies on certain factors beyond our control, for instance, the decarbonisation of electricity grids, suppliers and retail partners meeting decarbonisation timelines and the development of zero emissions transportation. Our NZ target is reliant on technology to develop alternative fuels to run kilns (e.g., biogas or hydrogen) and requires the purchase of electricity generated from renewable sources in South Africa, which is less readily available than in the UK.

Mitigation: We work collaboratively with retailers and engage with governmental and industry bodies to shape supply chain decarbonisation policy. We continue to invest in research and development to promote the development of low carbon raw materials and technologies, in particular for energy intensive kilns.

TCFD Category Transition

Cost of capital linked to sustainability criteria

- Own operations
- Higher cost of capital
- Medium term
- Likely (4)
- Low (3)
- 12
- Global, all divisions
- Scope 1, 2 and 3 emissions, UK interest rates

Providers of capital (investors and banks) are increasingly incorporating sustainability into their assessments, which represents a risk to the availability and cost of capital. The Group's existing £130m multicurrency revolving credit facility (which runs to October 2026) means the risk is minimal in the short term. However, over the medium term investors and banks are expected to be more stringent and withdraw funding or apply punitive charges if ongoing targets on emission reduction are not aligned to their own net zero targets.

Mitigation: Norcros remains in continued dialogue with lenders, rating agencies and investors to ensure climate change disclosure is in line with the latest regulatory requirements and our progress towards our own net zero by 2040 target will help to mitigate this risk.



TCFD REPORT CONTINUED

RISKS CONTINUED

TCFD Category Transition	
Customer and consumer pressure	
<ul style="list-style-type: none"> Downstream Lost revenue Medium term Likely (4) Low (4) 16 Global, all divisions Scope 3 emissions 	<p>Driven by industry standards and government regulation, large retailers and homebuilders require suppliers to be at the forefront of embodied carbon reduction and the reduction of energy and water in use by their products. There is a medium-term risk that some product lines are no longer of interest to customers aligning with net zero.</p> <hr/> <p>Mitigation: We engage with customers and brands to ensure new products are designed to meet changing customer requirements, ensuring our targets are aligned with theirs and meet internal and external environmental requirements. Our new MI Framework also enables us to track total revenue derived from low carbon products. Specific initiatives include, for example, Triton providing consumers a water/energy savings calculator and incorporating recycling and minimisation of waste into packaging design. Abode has engaged with key customers to provide “cradle to grave” emissions per kg for each product supplied.</p>

Two physical climate-related risks have been identified which become material under the RCP 8.5 scenario.

TCFD Category Physical (Chronic)	
Flood risk	
<ul style="list-style-type: none"> Own operations Higher costs/disruption of production Long term Possible (2) Low (4) 8 South Africa, UK, China Meteorological forecasting 	<p>The Munich Re <i>Location Risk Intelligence</i> Tool was used to assess physical climate risk, and identified six sites, especially in the RCP 8.5 scenario of having a High or Very High likelihood of flooding. These were located in South Africa, the United Kingdom and China. Of the six sites the Grant Westfield headquarters in Edinburgh are manufacturing facilities and could have the largest net impact on the business, given the revenue contribution to the Group. The rest are sales or administrative in nature and could be more easily relocated in case of potential flooding or other significantly disruptive climate event.</p> <hr/> <p>Mitigation: All divisions have business continuity and recovery plans which monitor risks to staff and premises from meteorological events. Additionally all sites have flood damage insurance cover with limits that reflect the magnitude of risk, and the diversified locations mean it is unlikely that more than one of the identified sites would flood at any given time.</p>

TCFD Category Physical (Chronic)

Water scarcity

<ul style="list-style-type: none"> Own operations Higher costs/disruption of production Long term Possible (1) Low (3) 3 South Africa Annual freshwater resource levels 	<p>Despite issues regarding water scarcity persisting in Cape Town, none of our sites are at Very High risk of water scarcity. In the RCP 8.5 scenario, only 1 of our 22 sites assessed was considered to be at 'Very High' risk of future water stress. This site was located within Cape Town in South Africa and produces adhesives for the manufacture of tiles.</p> <hr/> <p>Mitigation: Divisional managers closely monitor the supply of water as Cape Town has had serious water scarcity issues in recent years. To date, this has not impacted production at the facility and therefore the operation has presented resilience to the risk. Nonetheless management is investigating the possibility of bore holes or tinkered water as an alternative. If insufficient water was available, management would source from other locations in South Africa which are also used to manufacture adhesives.</p>
---	---

OPPORTUNITIES

TCFD Category Product and Services

Product design – resource efficient manufacturing

<ul style="list-style-type: none"> Own operations/ downstream Increased sales/ decreased costs Medium term Likely (4) Intermediate (6) 24 Global, all divisions Scope 3 emissions, revenues from energy efficient products (Green revenues) 	<p>Products manufactured through energy efficient processes with recycled raw materials are an important part of our Net Zero transition plan. Increasingly our customers require data on the embodied carbon in our products, with suppliers who report emissions and have certified "green" products being placed on a preferred list.</p> <hr/> <p>Impact: For example, Johnson Tiles UK has an independently verified EPD certificate across all UK product ranges and uses a percentage of recycled ceramic in manufacturing tiles. Similarly, Abode water filter taps are 100% recyclable and use no chemicals in the manufacturing process and as they are made from stainless steel, are less likely to scratch and hence have a longer lifespan. 100% of Grant Westfield's panels are recyclable with the Programme for the Endorsement of Forest Certification (PEFC) confirming all timber used originates from responsibly managed forests, contributing to the circular economy. There is also a significant opportunity to improve the efficiency of the tile manufacturing process through heat and hot air recovery from the kilns and the retrofit of energy efficient burners.</p>
---	---



TCFD REPORT CONTINUED

OPPORTUNITIES CONTINUED

TCFD Category Products	
Product design – resource efficient products	
<ul style="list-style-type: none"> Own operations/ downstream Increased sales Medium term Likely (4) High (8) 32 Triton, Abode Scope 3 emissions, revenues from energy efficient products (Green revenues) 	<p>Products which are energy or water efficient will reduce customer and consumer energy use and help reduce scope 3 emissions. Innovative product design is key to continued revenue growth and also helps to maintain competitive positioning.</p> <hr/> <p>Impact: To maximise this opportunity we target R&D and marketing spend and collaborate with key clients to develop and sell best-in-class, resource efficient products. Triton’s eco models save water and energy compared to more conventional showers. They are registered under the BMA’s water efficiency scheme and have an EU energy label, while Triton’s electric showers are A rated energy efficiency providers. This provides an opportunity to take a greater market share of an increasingly environmentally driven market. The Abode Water Filter Tap also reduces reliance on single use plastic water bottles and reduces water wastage with a 5LPM flow limiter as it delivers cold filtered water alongside domestic hot and cold water.</p>

TCFD Category Resource Efficiency	
Water, energy, waste savings	
<ul style="list-style-type: none"> Own operations Decreased costs Medium term Likely (4) High (8) 32 Global, all divisions Water and waste costs per annum, Scope 1 and 2 emissions 	<p>Energy The Group’s near-term decarbonisation profile includes opportunities for energy efficiency and electricity savings.</p> <p>Impact: Using the heat from the kilns used to manufacture tiles in prior production stages and technologies like retrofitting more efficient burners to the kilns are also available and factored into the Group’s decarbonisation profile. In the UK 93% of electricity is currently sourced from renewable contracts.</p> <hr/> <p>Water Various opportunities and initiatives exist to reduce water usage across the Group.</p> <p>Impact: Johnson Tiles UK consumes large quantities of water in the tile manufacturing process. Various initiatives are underway aimed at re-using up to 30% of the total factory usage and removing water from another part of the production process.</p> <p>Water tanks for harvesting rainwater could be installed as well as water filtration systems to provide safe drinking water to stores, all reducing water usage.</p> <hr/> <p>Waste savings Norcros aims to reduce and recycle waste products and packaging wherever possible.</p> <p>Impact: Johnson Tiles recycles 12,000 tonnes of ceramic waste per annum. We estimate recycling this waste saves 16,800m³ at landfill, and an estimated 235,000 miles of HGV journeys per year. If similar measures were introduced across all divisions this could materially reduce emissions and cost across the organisation.</p> <p>Packaging accounts for c.5% of waste generated by Norcros. We aim to reduce the environmental impact of our packaging through reducing packaging in absolute terms, using more recycled content and eliminating single use plastics. For example, Croydex has eliminated all polystyrene from packaging for UK and EU markets in 2022 with all packing materials now recyclable. Recent acquisition Grant Westfield recycles 99% of post-production waste into biomass materials and other products.</p>

TCFD Category Energy Source

Green generation

- Own operations
- Decreased operating costs
- Medium term
- Likely (4)
- Intermediate (5)
- 20
- Global, all divisions
- Energy used from renewable sources

Norcros aims to reduce our reliance on third-party electricity. This offers an opportunity to become less dependent on the national grid, which in South Africa has a low proportion of renewable energy.

Impact: We are targeting generation of our own renewable energy through an on-site solar PPV at Olifantsfontein. This has the potential to reduce the site's purchased electricity by around one third, saving 4,400 tCO₂e annually. Our Tile Africa (35) and House of Plumbing (5) stores could host rooftop solar arrays across the estate that would produce meaningful electricity savings. We are also investigating purchased renewable electricity in our remaining divisions in the UK and South Africa, which could reduce our market-based emissions to zero. In South Africa, contracting guaranteed renewable electricity supply via long-term power purchase agreements (PPAs) is one of the largest opportunities for the Group.

TCFD Category Resource Efficiency

Transportation

- Own operations/
Upstream/Downstream
- Decreased costs
- Near/Medium term
- Likely (4)
- Low (4)
- 16
- Global, all divisions
- Scope 1 and 3 (Upstream
and Downstream
Transportation and
Distribution)

Decarbonisation of our distribution and depot fleets would help to reduce scope 1 emissions. This may require transitional investment and further technological development, especially for zero emissions HGVs.

Impact: Various divisions have plans to make their fleets more sustainable. Abode has a target to ensure all company cars will be hybrid by 2025. Triton forklift trucks are already electric, with lithium ion batteries and the division is now in the process of electrification of the service engineer fleet. We also expect our third party logistic suppliers to move away from ICE to EVs thus reducing our Scope 3 upstream & downstream transportation and distribution emissions, although we expect the bulk of this reduction in the medium term. We are reliant on global trends in this area and our transition plan to 2040 includes a reduction in the carbon intensity of inbound and outbound freight.

Metrics and targets

Our full carbon footprint is reported in alignment with the Greenhouse Gas Protocol on pages 58 and 59. In addition, we report on our emissions intensity, total consumption of electricity, renewable electricity, gas and water, and treatment of waste; see pages 58 to 63. We continue to monitor our climate exposures and action plans through our risk management framework and governance structure. Our main climate-related objectives are monitored through our ESG MI Framework through the year and reported to and reviewed by the Board.

This year, we have set science-based targets. These targets have yet to be validated by SBTi, but they reaffirm our long-term commitment to net zero across the value chain by 2040 and introduce ambitious interim targets for 2028. Our Group targets include specific targets for each business unit. For further details on our climate targets and Net Zero Transition Plan, see pages 60 to 63.



STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders.

Statement by the Directors in relation to their statutory duty in accordance with Section 172(1) of the Companies Act 2006.

Section 172 statement

The Board of Directors of Norcros plc consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1) (a-f) of the Companies Act 2006) in the decisions they have taken during the year ended 31 March 2023.

In making this statement the Directors have had regard to the longer-term consideration of stakeholders and the environment and have taken into account the following:

- a) the likely consequences of any decisions in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

The Board's understanding of the interests of the Company's stakeholders is informed by the programme of stakeholder engagement detailed below. Section 172 considerations are embedded in decision making at Board level and throughout the Group. The Directors fulfil their duties by ensuring that there is a strong governance structure and process running through all aspects of the Group's operations. The strategy for the Group has been carefully considered by the Board in conjunction with the Group's Executive Management teams.

The Board dedicated time for it to consider all stakeholder interests, primarily those of its shareholders as a whole, but also employees, suppliers, customers and the members of the Group's pension schemes. All these stakeholders (amongst others) have been impacted in different ways by the global economic and other challenges facing the Group and the Board has had regard to this and has formulated a number of measures to address stakeholder interests in a balanced way.

Shareholders

Shareholder support for our strategy is essential for the Group's long-term success.

Why and how we engage:

- We aim to provide a transparent, clear, consistent message on both our performance and our plans to create value, across our communication channels.
- We engage to ensure the Group responds to the changing needs and interests of shareholders and to ensure our strategy remains relevant.
- We engage through investor roadshows and give our shareholders the opportunity for contact with our Board on a regular basis.

Outcomes of our engagement include:

- The formulation of our Directors' remuneration policy.
- Engagement with our shareholders has influenced our acquisition, capital investment and progressive, albeit prudent, dividend policy.
- The acquisition of the Grant Westfield business was partly funded through equity, the demand for which was extremely strong, demonstrating support for the Group's strategy.



Customers

Our commitment to customer service remains critical to our success.

Why and how we engage:

- We engage to develop customer-focused solutions, ensuring the Group understands and responds to evolving customer needs. This helps us retain our customers and attract new ones.
- We also engage with customers to understand the environmental challenges they face.
- We engage through our experienced customer service teams, engaging with customers on a daily basis and regular monitoring of performance against service level agreements and quality standards.

Outcomes of our engagement include:

- The Group proactively invested into inventory to protect our service and stock availability in light of exceptional supply chain challenges.
- New product launches in response to customer needs.
- Obtaining accreditations such as WRAS approval so that our hot water taps can be used in new build markets.

Employees

The Board continues to regard our employees as our most valuable asset. The Group's strategy and business model are underpinned by the commitment and efforts of all our employees.

Why and how we engage:

- We engage to ensure that all employees are valued and are given the opportunity to provide feedback and participate in shaping the development of the Group.
- This helps us underpin our culture of safety and ensures that employees at all levels in the business play a role in promoting and upholding a strong focus on health and safety, for the benefit of the Group and the wider community.
- We engage with staff throughout the Group through our divisional structure. Engagement is led by Alison Littlely as the designated Non-executive Director for workforce engagement (see page 52).

Outcomes of our engagement include:

- The Group's culture has been a particular focus of the Board and is embodied in how we endeavour to go about our business. All members of the Board undertake regular site visits and receive reports and other information to enhance their understanding.
- Employees are encouraged to be involved in the Company's performance through employee share schemes, and other means of incentivisation and reward.

Environment

At Norcros, sustainability is at the centre of our strategy. We aim to manage our societal and environmental impact by conducting business to the highest standards as well as using resources more efficiently.

Why and how we engage:

- We engage to better understand environmental challenges and how we can contribute to meeting them and minimise the impact of the Group on the environment.
- This also enables us to adhere to relevant environmental legislation and regulations and to ensure that high environmental standards are respected at each of the Group's sites.
- We engage with customers, suppliers and other stakeholders to understand the environmental challenges they face and look for ways to improve the efficiency of our businesses.

Outcomes of our engagement include:

- We recognised that our shareholders are also placing increasing importance on environmental issues and wanted to understand the actions of the Group. We developed our ESG plan to provide an overarching framework to the work we do.
- We have established a strong governance structure, including business level ESG Forums, to coordinate our sustainability strategy.
- We carried out a full carbon footprint assessment across scope 1, 2 and 3 emissions.

STAKEHOLDER ENGAGEMENT CONTINUED

Society

Our commitment to the society in which we operate is deep. Every Group business has programmes of social engagement, including many charitable activities.

Why and how we engage:

- We engage to have a positive impact on the local communities in which our businesses operate.
- We empower our businesses to support local charities and initiatives and community projects, and also provide local employment.
- The Executive Management of the Group supports this commitment to our society and reviews each business' activities on a monthly basis.

Outcomes of our engagement include:

- Charitable activities and initiatives across the Group.
- Our business in South Africa launched its first female graduate scheme to continue the significant progress towards achieving gender equality.
- Triton, as one of the area's largest employers, has continued to invest in its apprenticeship scheme giving school leavers the opportunity to earn as they learn.

Triton continues Coventry canal clean-up with help from local school

Triton Showers has continued its collaboration with the Canal & River Trust by organising and holding a second "Canal Clean-up" event, which took place in September 2022.

Joined by students and teachers from Oak Wood School, ten volunteers from Triton spent a day cleaning up a 1km stretch of water that runs along the side of the manufacturer's headquarters.

The event, which Triton has pledged to carry out at least six times each year, saw employees support the local community by clearing the canal and surrounding area of litter, painting over graffiti and repairing fences.



Strategic Report

To the members of Norcros plc

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

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

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

Approval

The Group Strategic Report on pages 3 to 80 of Norcros plc was approved by the Board and signed on its behalf by:

Thomas Willcocks
Chief Executive Officer

14 June 2023



CORPORATE GOVERNANCE

- 82 Board of Directors
- 84 Corporate governance
- 88 Audit and Risk Committee report
- 93 Nomination Committee report
- 94 Remuneration Committee annual statement 2023
- 97 Directors' remuneration policy report
- 105 Annual report on remuneration
- 114 Directors' report
- 117 Statement of Directors' responsibilities

Corporate governance



Croydex: Mirrors and mirrored cabinets create the feeling of space in any size bathroom, especially where space is at a premium.

Adding cabinets and mirrors into any bathroom is a great way of emphasising space and light, whilst ensuring a stylish focal point.

The Croydex collection offers plenty of variety designed to suit rooms of different shapes and sizes. The Flexi-Fix™ range of wall mounted products features a unique “X” plate which can either be fitted using existing fixing holes or screwed to new ones. Alternatively, the patented bracket can be glued to most surfaces, including uneven walls or shiny tiles, eliminating the need for drilling completely. With three ways to fix, there's an option for everyone.

**BOARD OF DIRECTORS**

A strong leadership team committed to driving our strategy for growth.



David McKeith
Acting Board Chair and
Non-executive Director

A N R

Date of appointment

Appointed to the Board in July 2013. From January 2023, he has been Acting Board Chair pending the appointment of a new Chair and will not seek re-election at the 2023 AGM

Length of tenure

Nine years

Skills and experience

David was the senior partner of the Manchester and Liverpool offices of PricewaterhouseCoopers LLP and served on its UK supervisory board. He was a non-executive and audit committee chair of Sportech plc and the chair of the Halle Orchestra, Manchester, and is a trustee of Manchester Collective. David is a Fellow of the Institute of Chartered Accountants in England and Wales. His areas of expertise include accounting, taxation and professional services.



Thomas Willcocks
Chief Executive Officer

Date of appointment

Appointed as Chief Executive Officer from 1 April 2023

Length of tenure

One year

Skills and experience

Previous to this appointment, Thomas has operated as Group Business Director – UK, with operational responsibility for the Group's UK business segment. He joined Norcros South Africa as Tile Africa's Store Development Manager in 2006 and was promoted in 2007 to General Manager of Tile Africa before being appointed as Managing Director of Norcros South Africa in 2009. In this role, he has overseen the sustained and profitable growth of our South African business until taking up the Group role in 2021. Thomas previously worked for the Spar Group in South Africa and the UK. He grew up in Swaziland and was educated in South Africa where he graduated with a Bachelor of Commerce degree from the University of Natal.



James Eyre
Chief Financial Officer

Date of appointment

Appointed Chief Financial Officer in August 2021

Length of tenure

Two years

Skills and experience

James joined Norcros as Director of Corporate Development and Strategy in 2014 before being promoted to Chief Financial Officer in August 2021. He began his career at Arthur Andersen and subsequently has held a number of senior financial positions with Bank of Scotland, Rothschild & Co, Bank of Ireland and, immediately prior to joining Norcros, with AstraZeneca. James became a trustee of the David Lewis Centre in 2012 and stepped down from this role in 2016. He is a member of the Institute of Chartered Accountants in England and Wales. James has extensive experience in international M&A, business development and strategy.

Re-election of all Directors

With the exception of David McKeith, it is proposed that each Director will seek election or re-election at the 2023 AGM. David McKeith will not be seeking re-election at the 2023 AGM. As announced by the Company on 30 May 2023, Steve Good will be appointed a Director on 1 July 2023 and will become Board Chair Designate from that date. Steve Good will therefore be seeking election at the 2023 AGM. The Board is satisfied that the Directors, individually and collectively, have the balance of technical expertise, skills and experience to manage the Company's affairs and to further the Group's strategic objectives. In particular, each Director has experience of growing an international business, organically, as well as by acquisition. A detailed CV for each Director, including their particular areas of experience and expertise, is available on the Company's website, www.norcros.com.



Alison Littley
Non-executive Director

A N R

Date of appointment

Appointed to the Board in May 2019

Length of tenure

Four years

Skills and experience

Alison was appointed a Non-executive Director in May 2019 and appointed Chair of the Remuneration Committee in July 2019. She will assume the Senior Independent Director role in July 2023. Alison has substantial experience in multinational manufacturing and supply chain operations, and a strong international leadership background gained through a variety of senior management positions in Diageo plc and Mars Inc and an agency to HM Treasury where she was chief executive officer. She is currently a non-executive director at Eurocell plc, MusicMagpie plc and Xaar plc. Alison was formerly a non-executive director of James Hardie Industries Plc, Headlam Group plc, Geoffrey Osborne Group and Weightmans LLP.



Stefan Allanson
Non-executive Director

A N R

Date of appointment

Appointed to the Board in January 2023

Length of tenure

One year

Skills and experience

Stefan was appointed a Non-executive Director on 1 January 2023 and is Chair (Designate) of the Audit and Risk Committee. Stefan is chief financial officer of MJ Gleeson plc, the Main Market listed low cost housebuilder and land promoter, where he has held the role since 2015. Prior to Gleeson, Stefan held senior finance roles at Keepmoat Ltd, Tianhe Chemicals Ltd, The Vita Group Limited, The SkillsMarket Ltd and Honda Motor Company.



Richard Collins
Company Secretary

Date of appointment

Joined the Company in June 2013 as Company Secretary and Group Counsel

Length of tenure

Ten years

Skills and experience

Richard is a highly experienced lawyer and company secretary, and is a member of the Group's Senior Executive Committee. He qualified as a solicitor in 1988 and was previously company secretary and director of risk and compliance at Vertex Financial Services. Prior to that, Richard was company secretary and head of legal with Tribal Group plc, Blick plc and Aggregate Industries plc.

A Audit and Risk Committee **N** Nomination Committee **R** Remuneration Committee **■** Chair of Committee



CORPORATE GOVERNANCE

Committed to ensuring high standards of corporate governance.

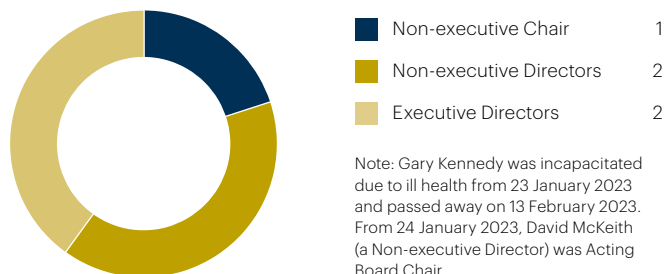


David McKeith
Acting Board Chair

Chair’s introduction to governance

For the year under review the Company has complied with the 2018 UK Corporate Governance Code save for the matters referred to in this report. We have carried out a thorough evaluation of Board performance, which remains satisfactory. As is set out in the Board Chair’s Statement on page 12, there were changes to the Board during the year; for the year under review its composition was as follows:

Breakdown of Executive and Non-executive Directors



Note: Gary Kennedy was incapacitated due to ill health from 23 January 2023 and passed away on 13 February 2023. From 24 January 2023, David McKeith (a Non-executive Director) was Acting Board Chair.

Board of Directors

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc and is accountable to the Company’s shareholders for good corporate governance. Its policy is to manage the affairs of the Company in accordance with the principles of the UK Corporate Governance Code referred to in the Listing Rules of the UK Listing Authority. For the year under review, the Company has complied with the UK Corporate Governance Code as revised in 2018 (the Code) in all respects save for the following matters concerning David McKeith arising from the illness and tragic death of Gary Kennedy:

- David has been Chair of the Audit and Risk Committee while also acting as Board Chair. He will cease to chair and be a member of the Audit and Risk Committee when Stefan Allanson becomes Chair of that Committee at the conclusion of the 2023 AGM; and
- David was appointed as a Director in July 2013. His directorship therefore exceeds 9 years. It was intended that he would step down from the Board after the 2022 AGM as soon as a new Chair of the Audit and Risk Committee had been appointed, but David stayed on as a Director for the reasons given above. David will not seek re-election at the 2023 AGM.

A copy of the Code is publicly available from www.frc.org.uk. The following sections of this statement describe the Board’s approach to corporate governance and how the principles of the Code are applied. These sections refer to the year ended 31 March 2023, unless otherwise stated.

Board balance and independence

The Board normally comprises the Non-executive Chair, two Non-executive Directors and two Executive Directors, and all Directors are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this report and their biographical details are given on pages 82 and 83. It should be noted that from 24 January 2023, David McKeith was acting as Board Chair, which was a transitional arrangement whilst a Board Chair was being recruited. Stefan Allanson joined the Board on 1 January 2023 as a Non-executive Director and Chair (Designate) of the Audit and Risk Committee.

Taking into account the provisions of the Code, the Chair and all the Non-executive Directors are considered by the Board to be independent of the Company’s Executive Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The terms and conditions of appointment of the Board Chair and the Non-executive Directors are available for inspection at the registered office of the Company. The letters of appointment set out the expected time commitment. Other significant commitments of the Chair and Non-executive Directors are disclosed to the Board on a regular basis throughout the year. The Board was satisfied that the Chair’s other significant commitments did not prevent him from devoting sufficient time to the Company throughout the year under review.



Governance structure

The Board

David McKeith (Acting Board Chair from 24 January 2023)
Gary Kennedy (Chair until 23 January 2023, passed away on 13 February 2023)

Audit and Risk Committee

David McKeith (C)
Stefan Allanson (Committee Chair
(Designate) from 1 January 2023)
Alison Littley

Remuneration Committee

Alison Littley (C)
David McKeith
Gary Kennedy (served on
Committee until 13 February 2023)
Stefan Allanson (from 1 January 2023)

Nomination Committee

Gary Kennedy (C)
(Chair until 23 January 2023, served
on Committee until 13 February 2023)
David McKeith (Acting
Chair from 24 January 2023)
Alison Littley
Stefan Allanson (from 1 January 2023)

David McKeith is the Senior Independent Non-executive Director. He is available to shareholders if they have any issues or concerns which contact through the normal channels of Board Chair, Group Chief Executive or Chief Financial Officer has failed to address or resolve, or for which such contact is inappropriate. While acting as Board Chair, he has temporarily combined this role with being Senior Independent Non-executive Director. As was announced by the Company on 30 May 2023, in anticipation of David McKeith's retirement from the Board, Alison Littley will from 1 July 2023 assume the role of Senior Independent Non-executive Director.

The Board notes that David McKeith was appointed to the Board in July 2013 and that in accordance with the Code he ceased to be regarded as independent on the ninth anniversary of his appointment. Notwithstanding this, the Board regards Mr McKeith as independent in his approach and in the performance of his responsibilities. As the appointment of a new Board Chair has now been announced, David will not seek re-election at the 2023 AGM. In keeping with the Board's succession plan, Mr McKeith will step down from the Board at the Company's 2023 AGM following the appointment of Stefan Allanson on 1 January 2023 and Steve Good from 1 July 2023.

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

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

Board Chair and Chief Executive Officer

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

Board, Committee and Director evaluation

The performance of the Board is appraised by the Chair. The Executive and Non-executive Directors are evaluated individually by the Chair. The Board, led by the Senior Independent Non-executive Director, appraises the Chair, and the Board evaluates the performance of its three Committees. Evaluation processes are conducted periodically and they are organised to fit in with Board priorities and succession planning activity. A formal evaluation took place in respect of the year under review in accordance with the requirements of the Code. This evaluation was conducted by means of detailed questionnaires, the results of which were then considered as appropriate, combined with meetings and discussions. The Chair is responsible for the review of each Director's development and ongoing training requirements to ensure that the performance of each Director continues to be effective. The overall results of the evaluation process were satisfactory, and the outcomes of it indicated the following areas of focus for the Board and its Committees going forward:

- succession planning;
- continuing development of remuneration policy; and
- promotion of diversity.

Advice for Directors

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

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



CORPORATE GOVERNANCE CONTINUED

Board procedures

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

The Board operates in such a way as to ensure that all decisions are made by the most appropriate people in a timely manner that will not unnecessarily delay progress. The Board has formally delegated specific responsibilities to Board Committees, namely the Nomination Committee, Audit and Risk Committee and Remuneration Committee. The Terms of Reference of those Committees are published on the Company's website at www.norcros.com.

The report of the Nomination Committee is on page 93, the report of the Audit and Risk Committee is on pages 88 to 92 and the report of the Remuneration Committee is on pages 94 to 113.

The Board will also appoint Committees to approve specific processes as deemed necessary, such as aspects of corporate transactions, or to authorise share option administrative actions.

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

Directors' roles

The Executive Directors work solely for the Group. However, in appropriate circumstances, Executive Directors are encouraged to take on one non-executive directorship in another non-competing company or organisation. The Chief Executive Officer and the Chief Financial Officer have no non-executive directorships.

The terms and conditions of appointment of the Non-executive Directors are available upon written request from the Company. All the Non-executive Directors confirm that they have sufficient time to meet the requirements of their role. They also confirm to disclose to the Company their other commitments and to give an indication of the time involved in each such commitment.

The annual evaluation process includes an assessment of whether the Non-executive Director is spending enough time to fulfil their duties. If a Non-executive Director is offered an appointment elsewhere, the Board Chair is informed before any such offer is accepted and the Chair will subsequently inform the Board.

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

The Board ensures that all new Directors (including Non-executive Directors) will receive a full, formal and tailored induction on joining the Company. As part of that induction procedure, the Chair will ensure that major shareholders have the opportunity to meet a new Non-executive Director. The Chair also periodically assesses the training and development needs of all Directors and ensures that any suitable training and updates are provided to Directors.

Retirement by rotation

Each of the Directors is subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter, in accordance with the Company's Articles of Association, all of the Directors are subject to retirement by rotation such that one third of the Directors retire from the Board each year and each Director must seek re-election at intervals of no more than three years. However, the Board has decided that every Director should, where appropriate, offer themselves for re-election at each Annual General Meeting. Accordingly, each continuing Director will seek re-election at the next Annual General Meeting. Biographical details of all of the Directors are set out on pages 82 and 83, where there is also a statement on the Directors' suitability for re-election.

Financial reporting

When releasing the annual and interim financial statements the Directors aim to present a fair, balanced and understandable assessment of the Group's results and prospects. The Directors have a collective responsibility for the preparation of the Annual Report and Accounts which is more fully explained in the Statement of Directors' Responsibilities on page 117.

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

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

	Main Board 8 meetings	Audit and Risk Committee 3 meetings	Remuneration Committee 7 meetings	Nomination Committee 3 meetings
Gary Kennedy, Chair ¹	6/8	2/3	2/7	1/3
David McKeith ²	8/8	3/3	7/7	3/3
Alison Littley	8/8	3/3	7/7	3/3
Stefan Allanson ³	2/8	1/3	2/7	—
Nick Kelsall	8/8	—	—	—
James Eyre	8/8	—	—	—

1 Gary Kennedy was incapacitated due to ill health from 23 January 2023 and passed away on 13 February 2023. He attended all Board and Committee meetings that he was able to attend.

2 David McKeith acted as Board Chair from 24 January 2023.

3 Stefan Allanson was appointed on 1 January 2023. He attended all Board and Committee meetings held after this date.

Relations with shareholders

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

The Board regularly receives copies of analysts' and brokers' briefings. The Annual and Interim Reports, together with all announcements issued to the London Stock Exchange, are published on the Company's website at www.norcros.com.



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

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

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

The Board Chair seeks to arrange for the Chairs of the Audit and Risk, Remuneration and Nomination Committees (or a deputy if any of them is unavoidably absent) to be available at the Annual General Meeting to answer any questions relating to the work of these Committees.

Accountability and audit

The respective responsibilities of the Directors and auditor in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 117 and the Auditor's Report on pages 119 to 124. The Directors ensure the independence of the auditor by requesting annual confirmation of independence which includes the disclosure of all non-audit fees.

Risk management and internal control

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

The Board has carried out a robust assessment in order to identify and evaluate what it considers to be the principal risks faced by the Group and has also assessed the adequacy of the actions taken to manage these risks. This process has been in place for the period under review and up to the date of the approval of the Annual Report and Accounts. The principal risks are disclosed on pages 40 to 44.

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

Viability

In accordance with the Code, the Board has assessed the prospects of the Company, using a three-year assessment timescale, and concluded that there is a reasonable expectation that the Company will be able to meet its liabilities and continue in operation. The full Viability Statement is contained on page 45.

Operational structure, review and compliance

In addition to the Chief Financial Officer, the Group has Senior Financial Managers at its Head Office. The current Group Head of Internal Audit and Risk Assurance was appointed in March 2020 and he is responsible for the Internal Audit and Risk Assurance function for the Group. Further information on the work of this function is in the Audit and Risk Committee Report on pages 88 to 92.

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

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

The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. It is tested and developed as appropriate by the Group Head of Internal Audit and Risk Assurance working in conjunction with the Audit and Risk Committee.

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

Takeover directive

Share capital structures are included in the Directors' Report on pages 114 to 116.

Approved by the Board of Directors on 14 June 2023 and signed on its behalf by:

David McKeith
Acting Board Chair

14 June 2023

AUDIT AND RISK COMMITTEE REPORT

Monitoring the Company's reporting and risk management.



During the year, the Committee continued to focus on oversight and monitoring of key risks and risk management policies and procedures.

Role of the Audit and Risk Committee

The main responsibilities of the Audit and Risk Committee are:

- reviewing the Company's financial reporting;
- monitoring the Company's risk management and internal control procedures;
- overseeing the appointment and work of the external auditor;
- overseeing the work of the Internal Audit and Risk Assurance function; and
- advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable.

Members

During the year to 31 March 2023, the Committee has consisted of David McKeith and Alison Littlely, with Stefan Allanson joining the Board as Chair (Designate) of the Audit and Risk Committee on 1 January 2023 and he will become Chair of the Committee at the conclusion of the 2023 AGM. On 24 January 2023, David McKeith assumed the role of Acting Board Chair. Biographies of all members of the Committee appear on pages 82 and 83.

The Chair of the Committee, David McKeith, is considered to have recent and relevant financial experience as he is a fellow of the Institute of Chartered Accountants in England and Wales and a former senior partner of PricewaterhouseCoopers LLP. He also acted as chair of the audit committee for Sportech plc, where he was a non-executive director until he resigned from that position in August 2016.

The Board is satisfied that the Committee has the appropriate level of expertise to fulfil its Terms of Reference. The Committee reviewed its own Terms of Reference, performance and constitution during the year.

Responsibilities

The Committee's Terms of Reference are in compliance with the UK Corporate Governance Code 2018 and provide full details of its role and responsibilities. A copy can be obtained from the Company's website, www.norcros.com.

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

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements contained in them;
- providing advice (where requested by the Board) on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- reviewing the Company's internal financial controls and internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Company's Internal Audit and Risk Assurance function;
- at the appropriate time, conducting the tender process and making recommendations to the Board about the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required; and
- reporting to the Board on how it has discharged its responsibilities.



Significant financial reporting matters in the 2023 Annual Report

The significant financial reporting matters that the Committee considered in the year are detailed below:

Going Concern and Viability Statement

The Group has prepared a Going Concern and Viability Statement reflecting the potential impact of principal risks and uncertainties, including a situation similar in nature to the COVID-19 pandemic, on liquidity and solvency. This has been performed by modelling a reasonable worst-case scenario and then applying a reverse stress test on the Group's current forecasts. Further details are included on page 45 and on page 130.

The Committee, alongside the Board, has reviewed and considered the detailed forecast scenarios and agrees with management's conclusions.

Defined benefit pension scheme liabilities

The Group's UK defined benefit pension scheme is significant both in terms of its context in the overall Balance Sheet and the results of the Group. The Group's UK defined benefit pension scheme (as calculated under IAS 19R) shows a surplus of £14.9m at 31 March 2023 from a surplus position of £19.6m at 31 March 2022.

The valuation of the present value of scheme liabilities involves significant judgement and expertise particularly in respect of the assumptions used. In order to value the liabilities, management has engaged an independent firm of qualified actuaries, Isio (formerly KPMG Pensions). The Committee reviewed the outputs from this work and benchmarked the assumptions, particularly the net discount rate, with those applied by other companies with defined benefit pension schemes with similar characteristics and having the same measurement date. The Committee concurred with the assumptions put forward by management to value the liabilities.

The Committee considered the approach and judgement taken by management in determining the value of the surplus and concurred with management's view.

Acquisition accounting

As part of its consideration of how the Group has accounted for the acquisition of Grant Westfield, the Committee reviewed management's assessment of Grant Westfield's intangible assets. The Committee has experience of reviewing intangible assets following the acquisitions of Vado in 2013, Croydex in 2015, Abode in 2016, Merlyn in 2017 and House of Plumbing in 2019. The Committee reviewed a paper prepared by management and challenged the assumptions used, the nature of the assets identified and the proposed useful lives of each asset, and agreed to recognise intangible assets in respect of Grant Westfield's customer relationships and brand valued at £35.5m.

In conducting these reviews, the Committee considered the work and recommendations of the Company's finance function and received reports from the Company's external auditor on its findings.

Restructuring at Norcros Adhesives and impairment at Johnson Tiles UK

The Group recognised a restructuring provision in relation to the closure of Norcros Adhesives of £4.8m reflecting the impairment of assets and costs associated with closure. The Group also recognised a non-cash impairment of the carrying value of assets at Johnson Tiles UK of £5.0m following a review of future cash flows based on uncertain demand.

The Committee considered the approach and judgements taken by management in determining the value of the provisions and concurred with management's view.

Fair, balanced and understandable

The Committee formally reviews the Company's annual and interim financial statements and associated announcements, and considers significant accounting principles, policies and practices and their appropriateness, financial reporting issues and significant judgements made, including those summarised above.

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

The Committee concluded that these disclosures, and the processes and controls underlying their production, meet the latest legal and regulatory requirements for a listed company and that the 31 March 2023 Annual Report and Accounts are fair, balanced and understandable.

Meetings of the Committee

The Committee met formally three times during the year ended 31 March 2023. By invitation, the Board Chair, Chief Executive Officer, Chief Financial Officer, Company Secretary, Group Head of Internal Audit and Risk Assurance and Group Financial Controller also attended each of these meetings together with the engagement partner and other members of the audit team from the external auditor.

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

At each meeting the Committee had the opportunity to discuss matters with the external and internal auditor without management being present. The Chair of the Committee also has regular discussions with the external audit partner outside of the formal Committee process, and he met with the Group Head of Internal Audit and Risk Assurance without management being present.

At each of its meetings the Committee reviews any financial communications issued to the market.



AUDIT AND RISK COMMITTEE REPORT CONTINUED

Principal activities of the Audit and Risk Committee during the year

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

Area	Activities
Financial reporting	<p>Review of the Company's trading updates and other financial communications</p> <p>Review of the Company's interim results for the six months ended 30 September 2022</p> <p>Review of the Company's Annual Report and Accounts for the year ended 31 March 2023, including consideration of:</p> <ul style="list-style-type: none"> • significant financial reporting matters; • whether the Annual Report and Accounts are fair, balanced and understandable; and • the requirements of the going concern assessment and Viability Statement <p>Review of changes to corporate reporting requirements</p> <p>Review of the restructuring provision at Norcros Adhesives</p> <p>Review of the impairment of assets at Johnson Tiles UK</p> <p>Review of the acquisition accounting for Grant Westfield</p>
External audit	<p>Review of the external auditor's proposed audit work plan for the year ended 31 March 2023, including its assessment of the principal financial reporting risks</p> <p>Review of the external auditor's terms of engagement and proposed fees</p> <p>Assessment of the external auditor's independence, objectivity, qualifications and expertise, including a review of its internal quality control checks</p> <p>Review of the findings from the external audit for the year ended 31 March 2023</p>
Internal audit	<p>Review of the internal audit work programme for 2022/23</p> <p>Approval of the annual internal audit programme for 2023/24</p> <p>Review of current internal audit resource levels</p> <p>Assessment of the work carried out to test and review internal controls and cyber security, together with the status of recommendations made and actions agreed</p> <p>Review of findings and agreed actions arising from internal audit assignments</p>
Compliance	<p>Review of the whistleblowing log</p> <p>Review of the fraud and attempted fraud log</p> <p>Review of the data protection log including data incidents, data subject access requests, etc.</p>
Risk management	<p>Review of the Group's reported principal risks and uncertainties including consideration of any new or emerging risks and uncertainties identified and amendment of current principal risks as required</p> <p>Review of the actions taken by the Group to manage its principal risks particularly those arising from cyber security and ESG risks such as climate change</p>
Governance	<p>Conducted an appraisal of the performance of the Committee</p> <p>Review of the Group's policy in respect of the employment of former employees of the external auditor</p> <p>Review of the Group's policy in respect of the engagement of the external auditor for non-audit services and non-audit services provided by the external auditor during the year</p> <p>Review of the Committee's Terms of Reference and constitution in line with current best practice</p>



Internal audit framework

The Group has a dedicated Group-wide Internal Audit and Risk Assurance function that is led by an experienced Group Head of Internal Audit and Risk Assurance. This role is supported by a small dedicated internal audit team based in South Africa focused on the particular risks faced by the Group's retail and manufacturing operations in South Africa. Internal audit resources are kept under constant review to ensure an appropriate level of independent assurance is obtained by the Committee.

The Group operates a rolling twelve-month audit plan prepared by the Group Head of Internal Audit and Risk Assurance. The plan is risk based using assessments carried out by the Group, includes senior management input, and is reviewed and approved by the Committee. At each meeting, the Committee considers the results of the audits undertaken during the preceding period and the adequacy of management's response to matters raised. Additionally, the related mitigations against issues and actions raised from these audits are systematically followed up in subsequent Committee meetings until they are adequately resolved.

The Group control and risk self-assessment questionnaires, which are completed annually by each business unit, are reviewed by the Group Head of Internal Audit and Risk Assurance and the Group Financial Controller. This includes a management representation requiring each division to confirm that it has applied and followed all required policies and procedures in the year. Key control issues that arise from this review are raised with the Committee, with the results of this assessment also feeding into the audit plan and individual audit engagements.

Group Internal Audit and Risk Assurance activities during the year

The Group Internal Audit and Risk Assurance team provided assurance across a wide range of risks during the year, in line with the standards set out in the approved audit charter. The annual audit plan, which is approved by the Committee, included business reviews of operational units, assessing the effectiveness of key internal controls in place over selected systems and processes, which this year included Group Occupational Health & Safety Management and Group Payroll systems at all locations. In South Africa (SA), the primary focus was on the controls in place at retail outlets with completion of a cycle of operational reviews across all stores. The plan also included operational reviews of three distribution centres and it covered SA Head Office financial and other risk-based reviews in line with the Group audits noted above. Actions agreed during previous audit visits were reviewed to confirm management's progress.

Other key activities of the function during the year included oversight of the Group's online awareness training programme, which covers an expansive range of topics including anti-bribery and corruption, information security, data protection, cyber security and modern slavery, along with a range of health and safety and soft skills training courses. The team also liaises closely with our insurers on a range of risk management projects including cyber security and incident response, business continuity and disaster recovery planning, and company vehicle driver licence checking and driver behavioural training.

Internal Audit also facilitates the annual control and risk self-assessment process covering financial and information security controls and, through audit reviews, it provides independent assurance that the controls declared by management are in place and operating effectively.

Summaries of all findings and actions, and updates on all audit work and other key activities, are provided at each Audit and Risk Committee meeting.

Risk management framework

Our risk management framework is highlighted on page 39 of our Strategic Report. The Audit and Risk Committee's role in the risk management framework can be summarised as:

1. review of current and future (emerging) risk through the discussion of risk and mitigating actions with divisional management in annual strategic reviews;
2. annual review of the risk management reporting process and associated outputs to ensure they are robust and effective and include strategic and operational risks that could threaten the business model and future strategy; and
3. review of the Annual Report to ensure that it is a fair reflection of risk assessments undertaken.

Internal control and risk management review

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing its effectiveness. The internal control systems are designed to meet the needs of the Group and to manage rather than eliminate the risk of failure to achieve business objectives. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

The Committee undertakes a review, at least annually, of the effectiveness of the Company's system of internal controls and risk management and the Board will take into account the Committee's Report, conclusions and recommendations in this regard. The Board confirms that it has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the UK Corporate Governance Code, for the period from 1 April 2022 to the date of approval of the Annual Report and Accounts for the year ended 31 March 2023.

Fraud and whistleblowing

The Group maintains a whistleblowing policy and engages two independent confidential whistleblowing service providers, one covering South Africa specifically and the other covering all other locations. Reports on the use of these services, any significant concerns that have been raised, details of investigations carried out and any actions arising as a result are reported to the Committee at each meeting.

The Committee also receives papers on incidents of fraud or attempted fraud and reviews them at each meeting. At least annually, the Committee conducts an assessment of the adequacy of the Group's procedures in respect of compliance, whistleblowing and fraud.



AUDIT AND RISK COMMITTEE REPORT CONTINUED

External auditor

The Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor. The Committee keeps under review the scope and results of the audit and its effectiveness, as well as the independence and objectivity of the auditor.

The Committee is aware of the need to safeguard the auditor's objectivity and independence and the issue is discussed by the Committee and periodically with the audit engagement partner from BDO LLP. In accordance with Auditing Practices Board requirements, external auditor independence is maintained by the rotation of the engagement partner every five years. The current audit engagement partner, Gary Harding, was appointed following the change of auditor in 2020.

Policies on the award of non-audit work to the external auditor and the employment of ex-employees of the external auditor are in place and reviewed annually. Additionally, the approval of the Chair of the Committee is required prior to awarding high value non-audit work to the external auditor, and the non-audit work planned and performed is monitored by the Committee at each meeting. BDO LLP assisted the Group with a response to a letter from the Financial Reporting Council. The Financial Reporting Council performed a limited scope review of the 2022 Annual Report and Accounts to consider compliance with reporting requirements. The Financial Reporting Council's role was not to verify the information provided and the review does not provide any assurance that the 2022 Annual Report and Accounts is correct in all material respects. The assistance provided by BDO is a permissible non-audit service.

The external audit starts with the design of a work plan that addresses the key risks of the audit which were confirmed at the March 2023 meeting of the Committee. The Committee also agreed the terms of engagement and the fees payable for the engagement. At each meeting the Committee had the opportunity to discuss matters with the external auditor without management being present. The Chair of the Committee also has regular discussions with the external audit partner outside the formal Committee process.

For the year ended 31 March 2023, the Committee was satisfied with the independence, objectivity and effectiveness of the relationship with BDO LLP as external auditor.

External audit tender and appointment of auditor

The external auditor, BDO LLP, was appointed at the 2020 AGM in July 2020 following a competitive tender process.

On behalf of the Audit and Risk Committee.

David McKeith
Chair of the Audit and Risk Committee
14 June 2023



NOMINATION COMMITTEE REPORT

Evaluating the Board and succession planning for a sustainable future.



Role of the Nomination Committee

The main responsibilities of the Nomination Committee are:

- evaluating the balance of skills, knowledge, independence, diversity and experience of the Board;
- succession planning for the Board and at senior management level;
- determining the scope of the role of a new Director and the skills and time commitment required and making recommendations to the Board about filling Board vacancies; and
- appointing additional Directors.

The Terms of Reference of the Committee are available for inspection upon written request to the Company and on its website at www.norcros.com.

The Nomination Committee and the Board seek to maintain an appropriate balance between the Executive and Non-executive Directors. The Nomination Committee is chaired by the Chair of the Board and consists of all the Non-executive Directors. The Board Chair will not chair the Committee when it deals with the appointment of a successor to that role.

During the year under review, the Nomination Committee led the process to find a new Non-executive Director and a new Chair. The Committee also dealt with the succession of the Chief Executive Officer given the retirement of Nick Kelsall from this role on 31 March 2023. A thorough selection process was undertaken, considering both internal and external candidates, leading to the appointment of Thomas Willcocks as CEO effective 1 April 2023.

The Nomination Committee also evaluates the balance of skills, knowledge, diversity and experience of the Board. If a new appointment to the Board is required, the Committee will use the appropriate selection process and will determine the scope of the role of a new Director and the skills and time commitment required and make recommendations to the Board about filling Board vacancies and appointing additional Directors.

In selecting candidates due regard will be given to the balance of the Board, and to the benefits of different backgrounds and experience, and to diversity on the Board including gender. Appointments will be made in accordance with the Group's diversity and inclusion policy, on the basis of merit and the most appropriate experience against objective criteria in the best interests of shareholders. The Board endeavours to ensure that these principles are applied throughout the Group.

In the year under review the Committee has, in addition to its routine responsibilities, continued to focus on succession planning issues, and it is satisfied that there are in place appropriate plans for succession planning for Board members and senior management across the Group.

David McKeith
Acting Chair of the Nomination Committee
14 June 2023

REMUNERATION COMMITTEE ANNUAL STATEMENT 2023

Fairly rewarding contribution to the success of the Group.



Role of the Remuneration Committee

The main responsibilities of the Remuneration Committee are:

- determining the remuneration policy and keeping it under review, including consulting with, and obtaining approval from, shareholders as appropriate;
- implementing the approved remuneration policy as regards Executive Director remuneration, benefits and incentives, including the setting of targets and determination of payouts of all incentive arrangements;
- ensuring alignment of the remuneration structure for senior executives to the Executive Directors' remuneration policy, including approval of changes to packages;
- keeping under review the Executive Directors' remuneration policy (and the approach to implementation) in the context of pay policies and practices across the wider workforce, and the Group's culture; and
- preparing the Annual Report on Remuneration, to be approved by the members of the Company at the Annual General Meeting.

Dear shareholders,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2023.

Throughout the year the Committee has continued to strive to balance the perspectives of the Company's stakeholders with its obligations, as steward of the Group, to ensure remuneration is:

- fit for purpose;
- competitive without being excessive;
- able to incentivise and fairly reward delivery of our short and longer-term ambitions; and
- cascaded appropriately throughout the Group.

I hope this report clearly explains how we have sought to achieve this aim for the year in review and the current financial year.

Directors' remuneration policy

A key focus for the Committee during the year has been to review the Directors' remuneration policy. The current policy was approved by 96% of shareholders at the 2020 AGM, and expires later this year. Ahead of seeking approval of a new policy at the 2023 AGM, the Committee reviewed the existing framework to ensure it remains credible and effective, is closely aligned with strategy and the Group's culture and appropriately reflects market and governance best practice. We concluded that the current policy remains broadly fit for purpose for Norcros. Therefore, in early 2023, the Committee consulted extensively with principal shareholders on proposals to submit for approval at the 2023 AGM a largely unchanged policy, save for two changes intended to future-proof the policy which will not be used in the year ending 31 March 2024, these being:

- increasing the Approved Performance Share Plan (APSP) award limit, from 100% to 150% of salary for the CEO, and to 125% of salary for the CFO. This proposal is designed to ensure there is appropriate flexibility to upweight the emphasis in the package on long-term performance, and/or take account of potential increases in the scale and scope of the business, over the term of the policy. To the extent that the additional headroom is utilised, the Committee will at that time consider whether it would be appropriate to make a commensurate increase to the level of the shareholding requirement; and
- ensuring flexibility to incorporate additional measures to the APSP, including non-financial measures, e.g. linked to other strategic priorities such as ESG. This flexibility will be capped at 25% of the APSP opportunity. At the same time, it is also proposed that similar flexibility provided for by the current policy in relation to the annual bonus be increased from 20% to 25% of the opportunity.

The Committee welcomed all feedback received through this engagement process, the broadly supportive nature of which informed our decision to put forward for shareholder approval unchanged proposals for the policy. If approved, the proposed policy will take effect from the date of the 2023 AGM, for a period of up to three years.



The performance context for remuneration in the year

As reported earlier in this Annual Report, performance highlights include:

- resilience of the Group's business model in challenging market conditions;
- strong execution of strategy;
- full year revenue of £441.0m (2022: £396.3m), 11.3% higher than prior year on a reported basis and 1.5% higher on a constant currency like for like basis after adjusting for Grant Westfield;
- record underlying operating profit of £47.3m, 13.2% higher than prior year (2022: £41.8m); and
- the completion in the year of the acquisition of Grant Westfield and its successful integration into the Group.

This performance is testament to the Group's proven business model and leading customer service proposition, in addition to the proactive management and the leadership of our CEO and CFO, the commitment of all of our people and the effective succession management for our executive positions.

Remuneration for the year in review

Annual bonus

Due to the continued robust performance summarised above, the operating profit targets set for the annual bonus were achieved as to 32.3%, resulting in the bonus payments detailed on page 107. In keeping with our normal practice, the Committee reviewed the formulaic outcome in the context of alignment with the Group's underlying performance, as well as the experience of other stakeholder groups, noting in particular recent feedback from shareholders. The Committee's assessment of this outcome is explained in detail below:

Aspect reviewed	Evaluation by the Committee
The challenge of stretching targets set at the start of the year	The targets were set at the start of the financial year (at a time of ongoing uncertainty) to span an appropriate range of possible performance outcomes identified in the budgeting process. The Committee reviewed the actual outturn in the context of the assumptions underlying the budgeting process at the time, concluding that they and therefore the targets built from them, remained representative of trading conditions experienced over the course of the year in review
The Group's longer-term performance trajectory	Notwithstanding the formulaic outcome, the Committee evaluated performance in the context of this being a record profit performance for the Group, and concluded that the formulaic payout was warranted
Shareholder experience	We continued to deliver against our stated and progressive dividend policy, and our strategy for continued growth
Employee experience	We continue to prioritise the safety, health and wellbeing of all our people. During the year in review, the Group focused available wage inflation budgets on our lower paid colleagues to support employees through the current inflationary environment and associated cost of living pressures
Customer experience	We maintained the highest standards of service to our customers, particularly given the global challenges to supply chains

In the context outlined, the Committee is satisfied that the bonus targets were challenging and that the outcomes reflect the exceptional leadership and hard work of the Executive Directors and the wider workforce to produce these excellent results, notwithstanding continued supply chain challenges and pressure from cost inflation.

2020 APSP

2020 APSP awards were made in November 2020, at a time of heightened macroeconomic uncertainty caused by the COVID-19 pandemic. To help mitigate the impact of this uncertainty on its ability to set robust, challenging and motivational cumulative EPS targets, the Committee resolved to calibrate the targets attaching to the 2020 APSP on the basis of 2023 financial year performance only and to set a wider performance range than has been typical practice at Norcros but lower the payment at threshold from 25% to 0% of maximum. The EPS performance condition for the 2020 APSP awards was achieved as to 98.9%. The Committee has considered this formulaic outcome in the context of the factors referred to above, and concluded that this outcome is justified. Accordingly, the formulaic vesting outcome of the 2020 APSP options was approved. Whilst 2020 APSP awards do not vest until November, the Committee is presently satisfied that no windfall gains have arisen on these awards. The award date for this cycle was delayed until later in the year (at which time the share price had recovered partially from its March 2020 low)

and the share price, which continues to be impacted by external market conditions, remains below the grant date share price. The Committee's view on any windfall gains will be reviewed again at the time of vesting.

2022 APSP

Awards for the year in review were made in July 2022 and suitably challenging EPS targets set (see page 108 for further details).

Nick Kelsall's retirement

As announced on 30 January 2023, Nick Kelsall retired as CEO and a Board Director on 31 March 2023. Full details of his remuneration in relation to the year in review are set out in the Annual Report on Remuneration. He remains an employee of the Group until 30 January 2024, during which time he continues to receive salary and contractual benefits. He is not eligible for a bonus for the year ending 31 March 2024 and will not receive an APSP award in 2023. Nick retains interests in the Deferred Bonus Plan (DBP), which shall vest at the normal time subject to the rules of the Plan. The Committee resolved to treat Nick as a good leaver, recognising his 30 years' service and valued contribution to the Group, in respect of unvested awards under the APSP. Awards will be pro-rated for time and shall vest on the respective normal vesting date subject to the achievement of the relevant performance condition. He is also subject to the post-employment shareholding requirement as per our policy.



REMUNERATION COMMITTEE ANNUAL STATEMENT 2023 CONTINUED

Remuneration for the year to 31 March 2024

The workforce context

The Committee's decision making in relation to Executive Director remuneration continues to be heavily informed by the Group's workforce remuneration practices and the decisions taken by management in this regard. This year, the Committee has been particularly mindful of the impact on the workforce of the inflationary environment and associated cost of living pressures. In this context, the Committee supported the decision by management to budget for a material cost of living increase, of c.6% on average across the Group, and to taper this through the organisation with the highest percentage increases being awarded to our lowest paid colleagues. This approach is considered to be fair and appropriately reflect the prevailing inflationary environment, and its asymmetric impact on different organisational levels of the Group.

The Executive Directors

Thomas Willcocks was appointed CEO effective 1 April 2023, and his salary set by the Committee at £420,000 from this date. The Committee will keep this under review in the context of Thomas' development and performance in the role, and will increase this over time, by more than the workforce average if necessary, to an appropriately competitive level commensurate with Thomas' performance and contribution. In keeping with our normal practice, any salary increase will be explained in the relevant Annual Report on Remuneration.

As disclosed in last year's report, the Committee resolved to increase James Eyre's base salary to £320,000 in two stages. The first of these stages, to £290,000, was implemented with effect from 1 April 2022. In determining to implement the second increase with effect from 1 April 2023, the Committee took into account a range of factors, including James Eyre's continued strong performance and contribution to the Group – particularly his invaluable support to Nick Kelsall and Thomas Willcocks through the CEO transition – as well as the inflationary environment (which was unforeseen at the time of agreeing the two-stage increase). In this context, the Committee concluded that it was appropriate to implement the second increase as originally intended, noting that this salary level is now positioned to be appropriately competitive for similar roles of comparable scope, scale and complexity.

Both Executive Directors receive a pension contribution, or allowance in lieu, of 8% of salary, in line with the employer contribution available for the wider UK workforce. Other benefits consist of car allowance, aligned at £15,000 for all Executive Directors for the year ending 31 March 2024, and private medical insurance.

No changes are proposed to the annual bonus in 2024.

No changes are proposed to the APSP opportunities (100% of salary) in 2024. The APSP will continue to be based 100% on three-year cumulative EPS, with final vesting also subject to an assessment of the quality of earnings by reference to the Group's ROCE performance. This additional, discretionary underpin reflects shareholder feedback received during engagement on the proposed policy, for some linkage in the APSP to returns alongside EPS to help ensure that growth does not come at the expense of longer-term returns. The Board of Directors supports this principle and, in this context, introducing return on capital to the APSP was considered by the Committee during its review of the policy. In deciding to propose an unchanged scorecard for the 2023 APSP, which is cascaded into the Group on consistent terms to reinforce collective behaviours that support longer-term success, the Committee was mindful of the need to ensure that incentives balance alignment with strategy and reinforcing performance that is within the control of all participants. Capital allocation decisions, M&A in particular, are taken by the Board as a whole and are outside the control of the significant majority of participants. Therefore, the Committee concluded that linking APSP outcomes formulaically to return on capital at this time could impact a scheme that is simple, well understood and motivational.

The Committee will keep under review its approach to implementation of the policy in the context of wider business performance and the stakeholder experience. We also remain committed to setting stretching targets for the incentives, taking into account the award opportunity when doing so to help ensure that pay outcomes are commensurate with performance outcomes.

The Board Chair

The Committee is also responsible for setting the remuneration of the Board Chair. In doing so, it adopts a consistent set of principles to those for executive and workforce remuneration. For the year from 1 April 2023 the Committee has resolved to increase the Board Chair's fee from £145,000 p.a. to £149,350 p.a.

Concluding remarks

On behalf of the Committee, we hope that we can count on your support for the resolutions to approve this Directors' Remuneration Report and the revised remuneration policy at the 2023 AGM, where I will be available to answer any questions in relation to this report.

Alison Littley
Chair of the Remuneration Committee

14 June 2023



DIRECTORS' REMUNERATION POLICY REPORT

Remuneration disclosure

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure Guidance and Transparency Rules. In this report, we describe how the principles of good governance relating to Directors' remuneration, as set out in the UK Corporate Governance Code (the Code), are applied in practice. The Remuneration Committee confirms that throughout the financial year the Group has complied with these governance rules and best practice provisions set out in the Code except as regards the alignment of Executive Director pension contributions with those for the workforce as a whole. As described elsewhere in this report, Nick Kelsall volunteered a reduction to his pension contribution to bring this in line with the UK workforce average from 1 January 2023.

Directors' remuneration policy

This section of the report sets out the remuneration policy for Executive Directors and Non-executive Directors, which will be put to a binding shareholder vote at the 2023 AGM. If this resolution is carried, the policy will come into effect on that date and will remain effective for up to a three-year period ending on the date of the 2026 AGM. The policy set out in this report is unchanged from that approved by shareholders in 2020, other than the updates that are set out below in *italicised* text and explained in further detail in the Annual Statement.

Executive Director remuneration policy table

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

Assessment of proposed policy against the 2018 UK Corporate Governance Code (the Code)

The Committee believes that the proposed policy complies with the six pillars set out in paragraph 40 of the Code.

Clarity: The Committee believes that the disclosure of the remuneration arrangements is transparent with clear rationale provided on its maintenance and any changes to policy. The Committee remains committed to consulting with shareholders on the policy and its implementation.

Simplicity: The policy and the Committee's approach to implementation are simple and well understood. The performance measures used in the incentive plans are well aligned to the Group's strategy.

Risk: The Committee has ensured that remuneration arrangements do not encourage and reward excessive risk taking by setting targets to be stretching and achievable, with discretion to adjust formulaic bonus and APSP outcomes retained by the Committee to ensure pay outcomes remain aligned with performance outturns.

Predictability and proportionality: The link of the performance measures to strategy and the setting of targets balances predictability and proportionality by ensuring outcomes do not reward poor performance.

Culture: The policy is consistent with the Group's culture as well as strategy, therefore driving behaviours that promote the long-term success of the Company for the benefit of all stakeholders.

Component and objective	Operation	Opportunity	Performance measures
Base salary To enable the Group to attract, motivate and retain the people it needs to maximise the value of the business	Generally reviewed each year, with increases effective 1 April with reference to salary levels at other FTSE companies of broadly similar size or sector to Norcros. The Committee also considers the salary increases applying across the rest of the UK business when determining increases for Executive Directors. Base salary increases are applied in line with the outcome of the annual review.	Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. Salary increases for Executive Directors will normally not exceed those of the wider workforce over the period this policy will apply. Where increases are awarded in excess of the wider employee population, for example if there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	n/a



DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Executive Director remuneration policy table continued

Component and objective	Operation	Opportunity	Performance measures
<p>Pension</p> <p>To provide a level of retirement benefit that is competitive in the relevant market</p>	<p>Executive Directors receive pension contributions (either as a direct payment or a cash allowance).</p> <p>Base salary is the only element of remuneration that is pensionable.</p>	<p><i>Executive Directors receive a Company contribution in line with the employer contribution available for the wider workforce in the relevant market.</i></p>	n/a
<p>Benefits</p> <p>Provision of benefits in line with the market</p>	<p>Executive Directors are provided with a company car (or a cash allowance in lieu thereof) and medical insurance. Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the needs and circumstances of the Group and individual Executive Director.</p>	<p>Benefits may vary by role, and the level is determined each year to be appropriate for the role and circumstances of each individual Executive Director.</p> <p>It is not anticipated that the cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy will apply.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment, etc.) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs).</p>	n/a
<p>Annual bonus and Deferred Bonus Plan (DBP)</p> <p>To focus Executive Directors on achieving demanding annual targets relating to Group performance and encourage retention</p>	<p>Performance targets are set at the start of the year and aligned with the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved.</p> <p>50% of the total bonus payment is paid in cash, and 50% is converted into nil-cost options over Norcros shares under the Deferred Bonus Plan (DBP). These options are exercisable after three years, subject to continued employment and malus (in whole or in part) during the deferral period in the event of a material misstatement in accounting records, gross misconduct, calculation error or corporate failure.</p> <p>Cash bonuses may be subject to clawback over the deferral period in similar circumstances as identified above.</p> <p>A payment equivalent to the dividends that would have accrued on deferred bonus awards that vest will be made to participants on vesting.</p>	<p>Maximum opportunity: 100% of base salary.</p> <p>Target opportunity: 50% of base salary.</p> <p>For threshold performance, the bonus payout is up to 25% of maximum.</p>	<p>The bonus will be based primarily on the achievement of financial performance targets but may, from time to time, include non-financial performance measures (the weighting of which, if any, will be capped at 25% of the total opportunity). Details of the measures on which the bonus will be based shall be disclosed in the relevant Annual Report on Remuneration.</p> <p>The Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) within the limits of the scheme to ensure alignment of pay with performance.</p> <p>Further details, including targets attached to the bonus for the year under review, are provided in the Annual Report on Remuneration.</p>



Component and objective	Operation	Opportunity	Performance measures
<p>Approved Performance Share Plan (APSP)</p> <p>To incentivise Executive Directors to deliver long-term performance that is aligned with shareholders' interests</p>	<p>APSP awards comprise annual conditional awards of nil-cost options following the announcement of the Group's final results.</p> <p>Awards normally vest after three years, subject to the achievement of a performance condition and continued employment with the Group until the vesting date.</p> <p>To the extent an award vests, Executive Directors will be required to hold net vested shares for an additional holding period of two years.</p> <p>A payment equivalent to the dividends that would have accrued on APSP awards that vest will be made to participants on vesting.</p> <p>APSP awards are also subject to malus over the vesting period and clawback over the holding period (in both cases in whole or in part) in the event of a material misstatement in accounting records, gross misconduct, calculation error or corporate failure.</p>	<p><i>Maximum opportunities:</i> CEO – 150% of base salary. CFO – 125% of base salary.</p> <p>Threshold performance results in 25% vesting.</p> <p>Details of actual APSP awards in respect of each year will be disclosed in the Annual Report on Remuneration.</p>	<p><i>Vesting of APSP awards is dependent upon Group performance over a three-year period. Any non-financial measures will have a maximum aggregate weighting of 25% of the opportunity.</i> Details of the measures attaching to each award cycle will be disclosed in the relevant Annual Report on Remuneration. At the start of each cycle, the Committee will determine the targets that will apply to an award.</p> <p>If the performance targets are not met at the end of the performance period, awards will lapse.</p> <p>The Committee has discretion to adjust the formulaic APSP outcomes within the limits of the scheme if certain relevant events take place (e.g. a capital restructuring, a material acquisition/divestment, etc.) with any such adjustment to result in the revised targets being no more or less challenging to achieve.</p> <p>The Committee will consult major shareholders on changes to the APSP, although <i>it retains discretion to make changes to the performance measures attaching to future cycles</i> without reverting to a full shareholder vote.</p> <p>Further details, including the targets attached to the APSP in respect of each year, are disclosed in the Annual Report on Remuneration.</p>
<p>SAYE</p> <p>To encourage the ownership of Norcros plc shares</p>	<p>An HMRC-approved scheme where employees (including Executive Directors) may save up to the individual monthly limit set by HMRC from time to time over three years. Options are granted at a discount of up to 20%.</p>	<p>Savings capped at the individual monthly limit set by HMRC (or other such lower limit as the Committee may determine) from time to time.</p>	<p>n/a</p>



DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Executive Director remuneration policy table continued

Component and objective	Operation	Opportunity	Performance measures
<p>Shareholding requirements</p> <p>To align Executive Director and shareholder interests and reinforce long-term decision making, including for a period following cessation of employment</p>	<p>Executive Directors are required to retain at least 50% of any DBP or APSP awards that vest (net of tax) until they have built up a personal holding of Norcros plc shares worth a defined multiple of their salaries (of at least 100% of salary).</p> <p>Details of the in-post shareholding requirements that apply to the Executive Directors are set out in the Annual Report on Remuneration.</p> <p>Executive Directors will additionally be required normally to maintain a holding in Norcros plc shares for a period of two years after they cease to be a Director of the Group. For the first year this shareholding guideline will be equal to the lower of a Director's actual shareholding at the time of their departure and the shareholding requirement in effect at the date of their departure, and for the second year 50% of that figure.</p> <p>The specific application of this shareholding guideline will be at the Committee's discretion. Only shares that are held beneficially by an Executive Director or their spouse or partner, or nil-cost options granted under the DBP count in the assessment of whether an Executive Director has met the required ownership level.</p>	n/a	n/a

Notes to the policy table

Payments from previous awards

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

Performance measure selection and approach to target setting

The measures used in the annual bonus will be selected by the Committee to directly reinforce our medium-term growth-orientated strategy (see page 20 and 21 for further details of the strategy; details of the measures selected for use in the bonus for the year in review and for the coming year are set out in the Annual Report on Remuneration). For the APSP, the Committee shall select measures that are transparent, objective and effective measures of performance that are in the long-term interests of all of our shareholders (further details of the APSP measures are set out in the Annual Report on Remuneration).

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

Differences from remuneration policy for other employees

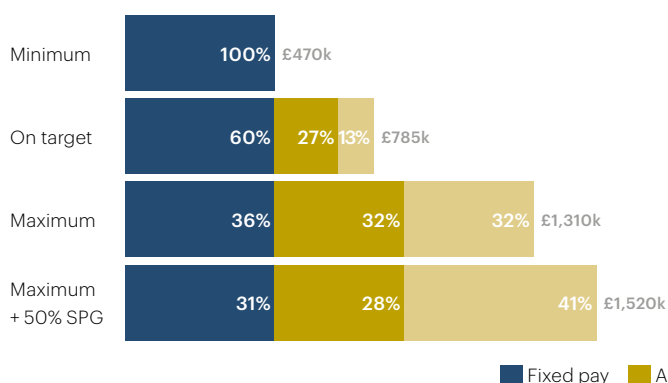
The remuneration policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies.

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

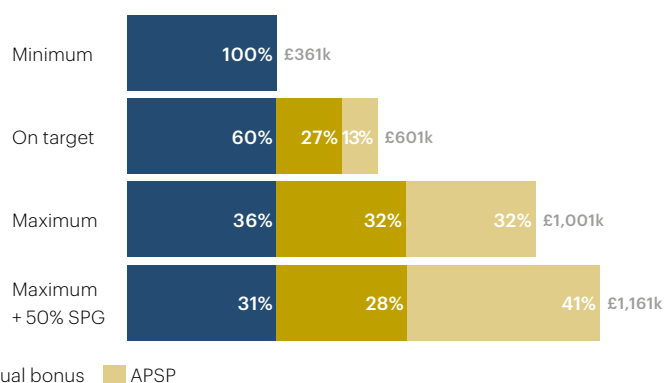


Performance scenario charts

Chief Executive Officer



Chief Financial Officer



The charts above provide estimates of the potential future reward opportunity for Executive Directors, and the potential mix between the different elements of remuneration under four different performance scenarios: "Minimum", "On target", "Maximum" and "Maximum + 50% share price growth (SPG)". This information is for the current financial year, as explained below.

The potential opportunities illustrated above are based on the proposed policy applied to base salaries at 1 April 2023. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 March 2024. It should be noted that any bonus deferred into the DBP and APSP awards does not normally vest until the third anniversary of the date of grant. This is intended to illustrate the relationship between executive pay and performance. The values of the DBP and APSP assume no increase in the underlying value of the shares (except the APSP value under the "Maximum + 50% SPG" scenario) and actual pay delivered will further be influenced by changes in factors such as the Group's share price and the value of dividends paid.

Valuation assumptions

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

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

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

The "Maximum + 50% SPG" scenario reflects fixed remuneration, plus full payout under all incentives (100% of salary under each of the annual bonus and APSP). The value of the APSP additionally reflects 50% SPG.

Approach to Executive Director recruitment and remuneration

External appointment

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

Component	Policy
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of the incumbent in the role. Where a new appointee has an initial base salary set below market, the Committee may make phased increases over a period of three years, subject to the individual's development and performance in the role.
Benefits	As set out in the policy table, benefits may include (but are not limited to) the provision of a company car or car allowance, medical insurance, and any necessary expatriation allowances or expenses relating to an executive's relocation.
Pension	New appointees will receive pension contributions into a defined contribution pension arrangement or an equivalent cash supplement, or a combination of both. Company contributions to pension will be in line with that available for the wider workforce in the relevant market.
SAYE	New appointees will be eligible to participate on identical terms to all other employees.
Annual bonus	The bonus structure described in the policy table will apply to new appointees. The maximum opportunity will be 100% of salary, pro-rated in the year of joining to reflect the proportion of that year employed. Performance measures may include strategic and operational objectives tailored to the individual in the financial year of joining. 50% of any bonus earned will be deferred into the DBP on the same terms as other Executive Directors.
APSP	New appointees will be granted annual awards under the APSP on the same terms as other Executive Directors (including in relation to award opportunities), as described in the policy table.



DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Approach to Executive Director recruitment and remuneration continued

External appointment continued

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

Internal promotion to the Board

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

Service contracts and policy for payment for loss of office

Executive Directors have signed rolling contracts, terminable on twelve months' notice by either the Group or the Director. The Group entered into a contract with Thomas Willcocks on 1 April 2023, and with James Eyre on 1 August 2021. Copies of these contracts are available to view at the Group's registered office.

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

Under the service contracts for each Executive Director, the Company has the discretion to terminate the employment lawfully without any notice by paying to the Director a sum equal to, but no more than, the salary and other contractual benefits of the Director. The payment would be in respect of that part of the period of notice which the Director has not worked, less any appropriate tax and other statutory deductions. The Director would be entitled to any holiday pay which may otherwise have accrued in what would have been the notice period. The Company may pay any sums due under these pay in lieu of notice provisions as one lump sum or in instalments of what would have been the notice period. If the Company elects to pay in instalments, the Director is under an express contractual duty to mitigate their losses and to disclose any third party income they have received or are due to receive. The Company reserves the right to reduce the amount of the instalments by the amount of such income. The Committee would expect to include similar pay in lieu of notice provisions in any future Executive Directors' service contract.

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

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

Reason for cessation	Calculation of vesting/payment	Timing of payment/vesting
Annual bonus		
Voluntary resignation or summary dismissal	No bonus paid.	n/a
All other circumstances	Bonuses are paid only to the extent that the associated objectives, as set at the beginning of the plan year, are met. Any such bonus would normally be paid on a pro-rata basis, taking account of the period actually worked.	At the normal payment date unless the Committee, in its absolute discretion, determines that awards should be paid out on cessation of employment.



Reason for cessation	Calculation of vesting/payment	Timing of payment/vesting
DBP		
Summary dismissal	Awards lapse.	n/a
Injury, illness, disability, death, retirement with the agreement of the Group, redundancy or employing company leaving the Group	Unvested awards vest.	At the normal vesting date unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment.
Voluntary resignation or other reason not stated above	Unvested awards lapse unless the Committee, in its absolute discretion, determines that an award should vest.	If the Committee determines that an award should vest, then awards will vest on their normal vesting date, unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment.
Change of control	Unvested awards will be pro-rated for the portion of the vesting period elapsed on change of control, unless the Committee, in its absolute discretion, determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.	On change of control.
APSP		
Summary dismissal	Awards lapse.	n/a
Voluntary resignation, injury, retirement with the agreement of the Group, redundancy or other reason that the Committee determines in its absolute discretion	<p>Unapproved option awards lapse unless the Committee, in its absolute discretion, determines otherwise. Awards that do not lapse will continue to be eligible to vest on the normal vesting date, subject to being pro-rated for time to the date of cessation of employment and performance over the complete performance period. The Committee may, in its absolute discretion, determine that awards shall vest on cessation in exceptional circumstances, subject to being pro-rated for time and performance to the date of cessation of employment.</p> <p>Approved option awards lapse, except in the case of retirement with the agreement of the employer, when awards will vest, subject to pro-rating as stated above.</p> <p>Any awards in a holding period will normally remain subject to the holding requirement until the period ends.</p>	At the normal vesting date unless the Committee, in its absolute discretion, determines otherwise.
Death	Unapproved option awards vest in full but may be subject to the application of the performance conditions attached to them. Approved option awards are pro-rated for time and performance to that date.	Immediately.
Change of control	<p>Unapproved option awards vest in full, but may be subject to the application of the performance conditions attached to them. Approved option awards are pro-rated for time and performance to that date.</p> <p>Any awards in a holding period will normally be released.</p> <p>Awards vest, subject to being pro-rated for time and performance to the date of cessation of employment, unless the Committee determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.</p>	On change of control.

External appointments

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



DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Consideration of employment conditions elsewhere in the Group

The Group seeks to promote and maintain good relations with employees and (where relevant) their representative bodies as part of its broader employee engagement strategy. The Committee is mindful of salary increases applying across the rest of the business in relevant markets when considering salaries for Executive Directors but does not currently consult with employees specifically on executive remuneration policy and framework. However, as part of its broader remit, the Committee has detailed oversight of, and is invited to input on, workforce remuneration policies and practices to help ensure these are underpinned by, and implemented to reinforce, a consistent set of values and principles.

Consideration of shareholder views

The Committee considers shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping remuneration policy. The vast majority of shareholders continue to express support for remuneration arrangements at Norcros. In developing the proposed policy set out in this report, we consulted with shareholders representing a total of c.80% of our issued share capital, as well as shareholder representative bodies. We are pleased to report that many investors who provided feedback indicated support for the proposed approach. The Committee keeps the remuneration policy under regular review, to ensure it continues to reinforce the Group's long-term strategy and aligns Executive Directors with shareholders' interests. We will continue to consult shareholders before making any significant changes to our remuneration policy.

Non-executive Director remuneration policy

Non-executive Directors (including the Board Chair) have letters of appointment which specify an initial term of at least three years, although these contracts may be terminated at one month's notice by either the Company or Director. In line with the UK Corporate Governance Code guidelines, all Directors are subject to re-election annually at the AGM.

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

Non-executive Director	Date of appointment	Notice period
David McKeith	24 July 2013	1 month
Alison Littley	1 May 2019	1 month
Stefan Allanson	1 January 2023	1 month

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

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

Approach to Non-executive Director recruitment remuneration

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



ANNUAL REPORT ON REMUNERATION

The following section provides details of how our 2020 policy was implemented during the year ended 31 March 2023 and how the proposed 2023 policy will be implemented in the year ending 31 March 2024.

Remuneration Committee membership in the year ended 31 March 2023

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

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

- Alison Littlely (Committee Chair);
- David McKeith;
- Gary Kennedy (from appointment on 8 December 2021 to 13 February 2023); and
- Stefan Allanson (from 1 January 2023).

All members of the Committee are independent. They serve on the Committee for a minimum three-year term and a maximum of nine years, provided the Director remains independent. As part of an effectiveness review for the entire Board, an evaluation of the Remuneration Committee was undertaken in the year to 31 March 2023. We are pleased to report this review concluded that the Committee continues to operate effectively.

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

The Committee met seven times during the year. Attendance by individual members at meetings is detailed on page 86.

Main activities of the Committee during the year ended 31 March 2023

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

- reviewing and setting salary levels for Executive Directors and senior management;
- approving the remuneration terms for Nick Kelsall on his retirement as CEO;
- approving the remuneration package for Thomas Willcocks on his appointment as CEO (effective 1 April 2023);
- reviewing the Directors' remuneration policy (ahead of this being put to a binding shareholder vote at the 2023 AGM);
- determining the annual bonus outcome for the year ended 31 March 2022;
- setting operating profit targets for the annual bonus for the year ended 31 March 2023;
- calibrating EPS targets for, and granting of, 2022 APSP awards;
- reviewing developments in remuneration governance;
- reviewing and setting the fees payable to the Non-executive Board Chair; and
- reviewing the pay policies and practices for the wider workforce.

Advisers

During the year under review, the Committee sought independent advice from Ellason LLP. Ellason is a member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In the year to 31 March 2023, Ellason provided the following services:

	Services provided	Fees (excl. VAT) £
Ellason	Guidance on developments in remuneration governance and market trends (and implications for Norcros), remuneration benchmarking for annual review and new appointments, Remuneration Report drafting support and general support to the Committee throughout the year on remuneration related matters, including the review of the remuneration policy.	£29,305

Ellason does not provide other services to the Company or its Directors and the Committee is satisfied that the advice it receives is independent.



ANNUAL REPORT ON REMUNERATION CONTINUED

Summary of shareholder voting at the AGM

The following table shows the results of the advisory vote on the 2021 Annual Report on Remuneration at the 2021 AGM, and the binding vote on the remuneration policy at the 2020 AGM:

	Annual Report on Remuneration (2022 AGM)		Remuneration policy (2020 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	59,638,491	80.24%	51,989,106	96.04%
Against	14,686,840	19.76%	2,146,024	3.96%
Total votes cast (excluding withheld votes)	74,325,331	100.00%	54,135,130	100.00%
Votes withheld	9,891		18,388	
Total votes (including withheld votes)	74,335,222		54,153,518	

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

The following table provides a single figure for total remuneration of the Executive Directors for the year to 31 March 2023, together with comparative figures for the year to 31 March 2022. The values of each element of remuneration are based on the actual value delivered, where known. The value of the annual bonus includes the element of bonus deferred under the Deferred Bonus Plan.

	Nick Kelsall		James Eyre ⁷	
	2023 £	2022 £	2023 £	2022 £
Base salary ¹	476,000	388,470	290,000	173,941
Taxable benefits ²	15,961	15,939	12,720	8,469
Annual bonus ³	153,748	388,470	93,670	173,941
Share based payments ⁴	441,261	—	96,669	—
Post-employment benefit ⁵	103,630	72,910	23,200	13,915
SAYE ⁶	—	—	—	—
Total fixed	595,591	477,319	325,920	196,325
Total variable	595,009	388,470	190,339	173,941
Total	1,190,600	865,789	516,259	370,266

1 Base salaries for 2023 reflect the amounts disclosed and explained in last year's Directors' Remuneration Report.

2 Taxable benefits consist of car allowance (Nick Kelsall – 2023: £15,000, 2022: £15,000; and James Eyre – 2023: £12,000, 2022: £8,000) and private medical insurance.

3 Annual bonus comprises both the cash annual bonus for performance during the year and, where applicable, the face value of the deferred bonus element on the date of deferral. Any deferred share element is deferred for three years. See "Annual bonus in respect of performance in the year ended 31 March 2023" opposite for further details.

4 For 2023, the APSP value reflects the estimated value of APSP awards granted in November 2020, of which 98.9% will vest to Nick Kelsall and James Eyre on 25 November 2023 (equivalent to 192,270 shares and 42,121 shares to Nick Kelsall and James Eyre respectively). James Eyre was not an Executive Director at the time the award was granted, as such the shares awarded will not be subject to the usual two-year holding period. The reported values include the dividends expected to be accrued on these awards over the period from grant to the expected vesting date (£54,604 and £11,962 respectively) and are estimated using the three-month average share price to 31 March 2023 of 201.1p. This will be trued up to reflect the vest-date value of awards in next year's Annual Report on Remuneration. Of the values for the 2020 APSP reported in the table above, c.4% (equivalent to £13,651 and £2,991 for Nick Kelsall and James Eyre respectively) results from share price growth above the grant price of 194p. For 2022, the APSP value of nil reflects the value of APSP awards granted in July 2019 and which lapsed in full on 25 July 2022.

5 In 2023, pension benefits comprised cash in lieu (Nick Kelsall – £63,070; and James Eyre – £23,200) and amounts related to the defined benefit scheme (Nick Kelsall – £40,560). See "Total pension entitlements" on page 108 for further details. The pension benefit provided to Nick Kelsall and James Eyre in 2022 comprises cash in lieu (Nick Kelsall – £58,270; and James Eyre – £13,915) and amounts related to the defined benefit scheme (Nick Kelsall – £14,640). Nick Kelsall's pension contribution was reduced voluntarily from 1 January 2023 to 8% of salary, to align with the contribution available to the wider UK workforce.

6 Embedded gain on grant of Save As You Earn Scheme grants made in the relevant year.

7 The 2022 figures shown for James Eyre relate to the period 1 August 2021–31 March 2022, i.e. from his appointment as CFO and a Board Director.



Incentive outcomes for the year ended 31 March 2023 (audited information)

Annual bonus in respect of performance in the year ended 31 March 2023

The 2023 Annual Bonus Plan was based 100% on Group underlying operating profit performance for the year to 31 March 2023. The maximum annual bonus opportunity for the year was 100% of base salary for the Chief Executive Officer and for the Chief Financial Officer. Based on the Company's performance in 2023, against the stretching targets set at the start of the year, the Committee approved annual bonus payouts for the Executive Directors at 32.3% of maximum. Further details, including the profit targets set and actual performance, are provided below:

	Underlying profit target £m	Payout (% of max.)	2023 outturn £m	Bonus (% of max.)
Maximum	51.9	100%		
Target	47.2	50%	45.5 ¹	32.3%
Threshold	44.8	25%		

¹ Target was set on a pre-IFRS 16 basis; therefore, the 2023 outturn has been assessed on a similar basis, i.e. underlying operating profit of £45.5m pre-IFRS 16 (reported £47.3m).

In keeping with good practice, the Committee reviewed the formulaic outcome of the annual bonus in the context of business performance and the wider stakeholder experience. The Committee concluded that the formulaic outcome reflected robust results delivered in such challenging circumstances through exceptional leadership and the hard work of the Executive Directors and the wider senior management team. The Committee also concluded that the outcomes reflect the underlying performance of the Group more generally, and the experience of other stakeholders. Accordingly, no discretion has been exercised in relation to the bonus outcome for the 2023 financial year.

2020 APSP awards vesting

Effective November 2020, APSP awards of 194,409 shares were granted to Nick Kelsall, and of 42,590 shares to James Eyre. Vesting of these awards was based on Norcros' diluted underlying EPS in the financial year to 31 March 2023. Based on performance in the year to 31 March 2023, against the targets originally set, the Committee has determined that these awards will each vest at 98.9% on 24 November 2023, being the end of the relevant three-year vesting period according to the APSP rules. James Eyre was not an Executive Director at the time the award was granted, as such the shares awarded to him will not be subject to the usual two-year holding period. Performance targets and actual performance against these, as determined by the Committee, are summarised in the table below:

	Diluted underlying EPS	% vesting	Norcros' performance	Award vesting (% of APSP award)
Threshold	28.2p	0%		
Maximum	37.5p	100%	37.4p	98.9%

Scheme interests awarded in 2023 (audited information)

2022 DBP

During the year under review, the following DBP awards were made to the Executive Directors (relating to the annual bonus earned for performance over the year to 31 March 2022).

	Nick Kelsall	James Eyre
Basis of award	50% of earned bonus	50% of earned bonus
Grant date	19 July 2022	19 July 2022
Number of nil-cost options granted	89,098	39,894
Grant-date share price (p)	218.0	218.0
Grant-date face value (£)	194,234	86,969
Normal vesting date	19 July 2025	19 July 2025
Performance conditions	None	None



ANNUAL REPORT ON REMUNERATION CONTINUED

Scheme interests awarded in 2023 (audited information) continued

2022 APSP

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

	Nick Kelsall	James Eyre
Basis of award	100% of base salary	100% of base salary
Grant date	19 July 2022	19 July 2022
Number of nil-cost options granted	218,348	133,027
Grant-date share price (p)	218.0	218.0
Grant-date face value (£)	475,999	289,999
Normal vesting date	19 July 2025	19 July 2025
Performance period	1 April 2022–31 March 2025	1 April 2022–31 March 2025
Performance conditions	Three-year aggregate underlying diluted EPS to 31 March 2025 Threshold: 126.4p (25% of element vesting) Maximum: 144.3p (100% of element vesting) Straight-line vesting between these points	
Holding period	19 July 2025–19 July 2027	19 July 2025–19 July 2027

2022 SAYE

In the year ended 31 March 2023, none of the Executive Directors entered into a savings contract for the 2022 SAYE scheme as they were already contracted under previous SAYE grants at the HMRC limits.

Total pension entitlements (audited information)

As part of their remuneration arrangements, Nick Kelsall and James Eyre are entitled to receive pension contributions from the Company. Under these arrangements, they can elect for those contributions to be paid in the form of taxable pension allowance, or direct payments into a personal pension plan or the Group's UK defined contribution scheme. If a payment is made in the form of taxable pension allowance, the amount payable is not reduced to allow for employment taxes.

During the year Nick Kelsall elected to take a taxable pension allowance of £63,070 (2022: £58,270) with no amounts paid directly into a pension scheme (2022: £nil). James Eyre elected to take a taxable pension in the year of £23,200 (2022: £13,915) with no amounts paid directly into a pension scheme (2022: £nil). In line with the Regulations, the single figure table reflects the total of these amounts, as well as the capitalised increase in accrued pension (net of inflation) under the UK defined benefit scheme, of which Nick Kelsall is a deferred member. James Eyre is not a member of the UK defined benefit scheme. Details of Executive Directors' retirement benefits under the Group's UK defined benefit scheme and taxable pension allowances are summarised in the following table:

Director	Accrued pension 2023 £	Accrued pension 2022 £	Increase in accrued pension net of CPI £	Applicable period years	Pension value in the year from DB scheme £	Pension value in the year from cash allowance £	Total £
Nick Kelsall	26,954	24,926	2,028	20	40,560	63,070	103,630
James Eyre	—	—	—	—	—	23,200	23,200

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

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 March 2023 and the prior year:

	Total fee	
	2023 £	2022 £
Gary Kennedy ¹	133,632	41,500
Alison Littley	56,000	47,670
David McKeith ²	73,333	100,409
Stefan Allanson ³	12,250	—

1 Gary Kennedy joined the Board on 8 December 2021. He was incapacitated due to ill health from 23 January 2023 and passed away on 13 February 2023.

2 David McKeith acted as Board Chair from 24 January 2023. During this period, Mr McKeith received the Board Chair fee on a pro-rata basis, and did not receive any additional fee for chairing the Audit and Risk Committee, or in his capacity as Senior Independent Director (for which an additional fee of £3,000 p.a. was introduced from 1 April 2022).

3 Stefan Allanson was appointed on 1 January 2023.



Payments made to the outgoing CEO in the year (audited information)

All payments to Nick Kelsall in connection to his tenure as CEO for the full year ended 31 March 2023 are included in the single figure table above. Nick retired and stepped down from the Board on 31 March 2023, and the Committee has agreed to treat him as a “good leaver” in respect of his outstanding DBP and APSP awards, in recognition of his long and valued service to the Group. In line with our remuneration policy, DBP awards will continue to vest on the normal vesting date. APSP awards (which will be pro-rated to the date he ceases employment with the Group, of 30 January 2024) will vest on the normal vesting date subject to the achievement of the performance conditions attaching to each award. The applicable holding period will continue to apply. Nick remains subject to the post-employment shareholding requirement, in line with our remuneration policy.

Payments to past Directors (audited information)

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

External appointments in the year

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

Percentage change in Director remuneration

The table below shows the annual percentage change in remuneration from 2020 to 2023 for each individual who served as a Director during the year ended 31 March 2023, compared with the percentage change in remuneration for all UK staff employed in continuing operations. A UK subset of employees (who are employed by the UK operating subsidiary of Norcros plc) was selected as a suitable comparator group for this analysis because the Directors (who are employed or engaged by Norcros plc) are based in the UK (albeit with global roles and responsibilities) and pay changes across the Group vary widely depending on local market conditions (in particular fluctuations in the exchange rate between the South African Rand and British Pound). The comparison uses a per capita figure and accordingly this reflects an average across the Group’s businesses. No account is therefore taken of the impact of operational factors such as new joiners and leavers and the mix of employees.

	Salary or fees ¹			Benefits			Bonus		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Executive Directors									
Nick Kelsall	22.5%	8.4%	(5.0%)	0.1%	(0.9%)	0.1%	(60.4%)	3.0%	n/a
James Eyre	11.1%	n/a	n/a	0.1%	n/a	n/a	(64.2%)	n/a	n/a
Non-executive Directors									
Alison Littlely	17.5%	8.4%	(5.0%)	n/a	n/a	n/a	n/a	n/a	n/a
David McKeith ²	(27.0%)	129.8%	(5.0%)	n/a	n/a	n/a	n/a	n/a	n/a
Stefan Allanson ³	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gary Kennedy ⁴	12.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average of other employees	2.8%	13.0%	(3.6%)	(8.6%)	4.0%	6.7%	(27.0%)	(18.8%)	n/a

1 Salary and fee figures are annualised for this comparison.

2 Year on year comparison reflects the impact of Mr McKeith assuming the role of Board Chair from 15 April to 8 December 2021 and from 24 January 2023.

3 No year on year comparison is shown as Stefan Allanson joined the Board during the 2023 financial year.

4 Gary Kennedy joined the Board on 4 December 2021 and was Chair until he passed away on 13 February 2023.

Relative importance of spend on pay

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

	2023 £m	2022 £m	% change
Dividends (i.e. total payments made in year)	9.2	9.1	1.1%
Dividend per share (i.e. total dividend per share in pence in respect of year)	10.2p	10.0p	2.0%
Total staff costs ¹	77.0	65.9	16.8%

1 Total staff costs include the staff costs of Grant Westfield since the date of acquisition.



ANNUAL REPORT ON REMUNERATION CONTINUED

CEO pay ratio

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) require certain companies to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table (shown in this report on page 106), to that of the total remuneration of full-time equivalent UK employees at the 25th percentile, median and 75th percentile. The required information is set out in the table below:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option B	1:52.6	1:43.6	1:29.8
2022	Option B	1:37.6	1:35.4	1:20.3
2021	Option B	1:36.2	1:30.5	1:19.9
2020	Option B	1:27.8	1:27.3	1:15.6

Year		CEO pay £	P25 pay £	P50 pay £	P75 pay £
2023	Total remuneration	1,190,600	22,641	27,293	39,947
	Base salary	476,000	21,372	25,994	38,045
2022	Total remuneration	865,789	23,025	24,450	42,720
	Base salary	388,470	21,000	23,000	38,150
2021	Total remuneration	815,581	22,505	26,772	41,080
	Base salary	358,297	22,500	26,772	40,600
2020	Total remuneration	561,776	20,173	20,543	36,009
	Base salary	377,155	19,329	19,752	35,000

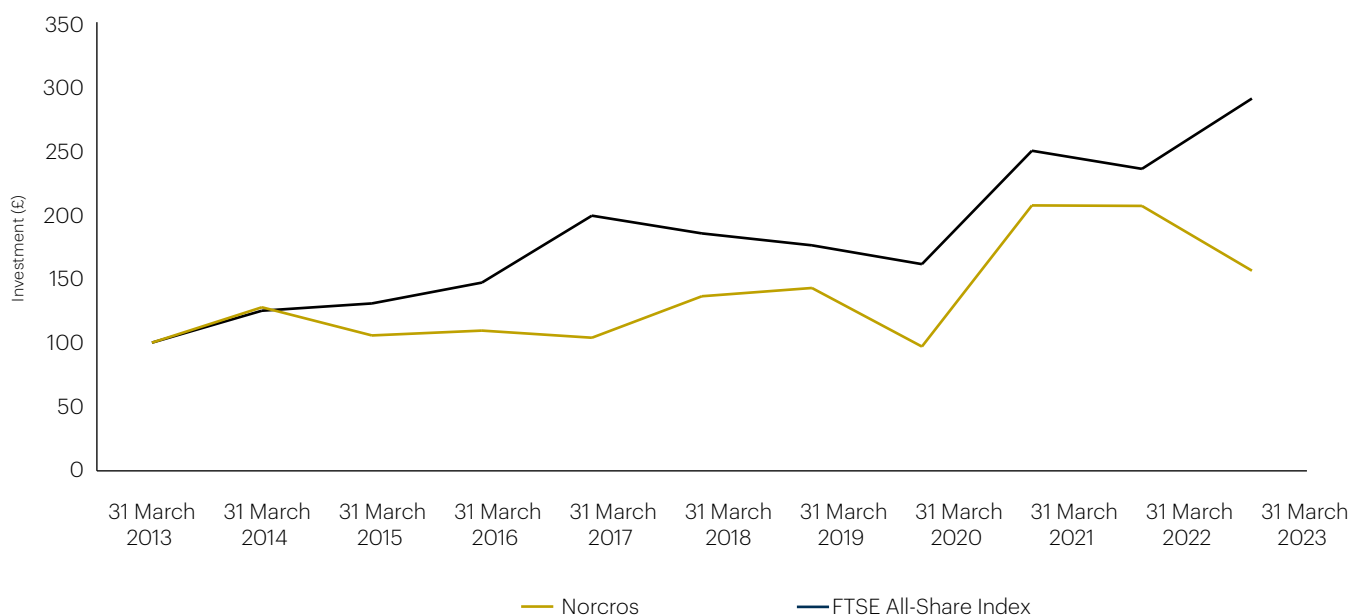
The 25th percentile, median and 75th percentile figures used to determine the above ratios were selected by reference to the hourly pay figures for the Group's UK workforce, taken from its gender pay gap statistics for the relevant year and from these identifying the three employees who are at each percentile point. The full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) for those employees for the year ended 31 March 2023 was then calculated. This methodology is defined in the Regulations as Option B, which was chosen as the most appropriate methodology given the employee demographics of the Group's UK workforce. The trend year on year of pay ratios for each percentile is that the ratios have increased. This is explained by a proportionately greater increase in the variable elements of the CEO's remuneration, relative to the comparators and the resulting impact of continued robust Group performance on incentive outcomes.

Performance graph and table

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

Total shareholder return

(Value of £100 invested on 31 March 2013)





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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CEO single figure of remuneration (£000)										
Incumbent	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall
Total remuneration	£917,530	£1,161,288	£928,764	£1,025,158	£971,710	£970,860	£561,776	£815,581	£865,789	£1,190,600
Annual bonus (as a % of max. opportunity)	54%	69%	81%	68%	50%	61%	—	100%	100%	32%
APSP vesting (as a % of max. opportunity)	100%	99%	100%	100%	100%	58%	26%	—	—	99%

Implementation of Executive Director remuneration policy for the year to 31 March 2024

The Remuneration Committee conducted a thorough review of Executive Directors' remuneration, effective 1 April 2023. The results of this review are as follows:

Base salary

Thomas Willcocks was appointed CEO effective 1 April 2023, and his salary set by the Committee at £420,000 from this date.

As disclosed in last year's report, the Committee resolved to increase James Eyre's base salary to £320,000 in two stages. The first of these stages, to £290,000, was implemented with effect from 1 April 2022. In determining to implement the second increase with effect from 1 April 2023, the Committee took into account a range of factors, including James Eyre's continued strong performance and contribution to the Group – particularly his invaluable support to Nick Kelsall and Thomas Willcocks through the CEO transition – as well as the inflationary environment (which was unforeseen at the time of agreeing the two-stage increase). In this context, the Committee concluded that it was appropriate to implement the second increase as originally intended, noting that this salary level is now positioned to be appropriately competitive for similar roles of comparable scope, scale and complexity.

Pension

Both Executive Directors receive a pension contribution, or allowance in lieu, of 8% of salary, in line with the employer contribution available for the wider UK workforce.

Benefits

Other benefits consist of car allowance, aligned at £15,000 for all Executive Directors for the year ending 31 March 2024, and private medical insurance.

Annual bonus

The annual bonus opportunity for Executive Directors will remain unchanged for the 2024 financial year with a maximum bonus opportunity of 100% of salary. The bonus outcome for Executive Directors will continue to be based entirely on Group underlying operating profit. Of any bonus earned 50% will be deferred into nil-cost options for a further three years under the DBP. Annual bonus targets will be disclosed in next year's Annual Report on Remuneration, subject to these no longer being considered by the Board to be commercially sensitive.

APSP

APSP awards will be made in the 2024 financial year to the Executive Directors, with face values of 100% of salary. As explained at the start of this Remuneration Report, vesting of these awards will be subject to the achievement of suitably stretching EPS targets in accordance with the remuneration policy, and a discretionary assessment by the Committee of the quality of earnings over the performance period by reference to the Group's ROCE performance. To the extent an award vests, vested shares will be subject to a further two-year holding period. The Committee will determine targets at the time awards are made and these targets (along with other relevant details of this grant) will be disclosed in next year's Annual Report on Remuneration.

SAYE

Thomas Willcocks and James Eyre will continue to be able to participate in any SAYE contract offered to all employees, on identical terms.

Implementation of Non-executive Director remuneration policy for the year to 31 March 2024

The Board Chair and the Executive Directors reviewed Non-executive Director fees and concluded that it was appropriate to increase these, as set out below, to reflect the growing time commitment of the role (and for similar reasons introduced an additional fee for the role of Senior Independent Director from 1 April 2022). Accordingly, for the 2024 financial year, Non-executive Director fees will be as follows:

Non-executive Director	Fee at 1 April 2023	Fee from 1 April 2022	Percentage increase
Board Chair (determined by the Committee)	£149,350	£145,000	3.0%
Non-executive Director	£50,470	£49,000	3.0%
Additional fee for acting as Senior Independent Director	£3,090	£3,000	3.0%
Additional fee for chairing Audit and Risk or Remuneration Committees	£7,210	£7,000	3.0%



ANNUAL REPORT ON REMUNERATION CONTINUED

Executive Director shareholdings (audited information)

The table below shows the shareholding of each Executive Director and their respective shareholding requirement as at 31 March 2023:

	Shares owned	Options held			Shareholding guideline % of salary	% current holding	Requirement met?
		Vested but not exercised	Unvested and subject to performance	Unvested but not subject to performance			
Nick Kelsall	1,724,645	—	547,642	165,551	100%	759%	Yes
James Eyre	51,007	—	266,211	50,869	100%	37%	Building

Current shareholding is based on shares owned outright and valued using the average share price over the twelve months ended 31 March 2023 of 209.6p.

Details of the options held are provided in the table below.

Directors' share scheme interests (audited information)

Share options

	Scheme	Date of grant	Vested date	Expiration date	Exercise price	Shares under option		Vested in 2023	Exercised in 2023	Lapsed in 2023	Shares under option 31 March 2023	
						1 April 2022	Granted in 2023					
Nick Kelsall	DBP	23.07.19	23.07.22	23.07.29	—	52,273	—	—	52,273	—	—	
		21.07.21	21.07.24	21.07.31	—	65,478	—	—	—	—	65,478	
		19.07.22	19.07.25	19.07.32	—	—	89,098	—	—	—	89,098	
		Total					117,751	89,098	—	52,273	—	154,576
	APSP	23.07.19	23.07.22	23.07.29	—	176,240	—	—	—	176,240	—	
		25.11.20	25.11.23	25.11.30	—	194,409	—	—	—	—	194,409	
		21.07.21	21.07.24	21.07.31	—	134,885	—	—	—	—	134,885	
		19.07.22	19.07.25	19.07.32	—	—	218,348	—	—	—	218,348	
Total					505,534	218,348	—	—	176,240	547,642		
	SAYE	23.12.20	01.03.24	01.08.24	164p	10,975	—	—	—	—	10,975	
Total						10,975	—	—	—	—	10,975	
James Eyre	DBP	19.07.22	19.07.25	19.07.32	—	—	39,894	—	—	—	39,894	
		Total					—	39,894	—	—	—	39,894
		APSP	23.07.19	23.07.22	23.07.29	—	38,609	—	—	—	38,609	—
			25.11.20	25.11.23	25.11.30	—	42,590	—	—	—	—	42,590
21.07.21	21.07.24		21.07.31	—	90,594	—	—	—	—	90,594		
19.07.22	19.07.25		19.07.32	—	—	133,027	—	—	—	133,027		
Total					171,793	133,027	—	—	38,609	266,211		
	SAYE	23.12.20	01.03.24	01.08.24	164p	10,975	—	—	—	—	10,975	
Total						10,975	—	—	—	—	10,975	

Performance	% vesting	Three-year aggregate EPS targets	March 2023 EPS ¹	Three-year aggregate EPS targets	Three-year aggregate EPS targets
		23.07.19 award	25.11.20 award	21.07.21 award	19.07.22 award
Threshold	25%	105.0p	28.2p	103.0p	126.4p
Maximum	100%	119.1p	37.5p	117.5p	144.3p

¹ Based on outcome of final year (year to 31 March 2023) threshold of 28.2p represents 0% vesting.

Shareholder dilution

The Group's share incentive plans operate in line with the Investment Association's Principles, which require that commitments under all-share schemes satisfied by newly issued shares must not exceed 10% of the issued share capital in any rolling ten-year period, of which up to 5% may be used to satisfy options under executive share schemes. The Group's position against the dilution limits at 31 March 2023 was 3.6% for the all-share schemes limit and 1.1% for executive schemes.



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

Director	31 March 2023 Ordinary shares	31 March 2022 Ordinary shares
Nick Kelsall	1,724,645	1,697,594
James Eyre	51,007	51,007
David McKeith	17,941	17,941
Alison Littley	—	—
Stefan Allanson	—	—
Gary Kennedy	43,121 ¹	43,121

¹ Shareholding as at 13 February 2023.

This report was approved by the Board of Directors on 14 June 2023 and signed on its behalf by:

Alison Littley
Chair of the Remuneration Committee
14 June 2023



DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2023.

Principal activities

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

The Group's principal activities are the development, manufacture and marketing of bathroom and kitchen products in the UK and South Africa.

Accounting reference date

The Company has adopted an accounting period of 52 weeks, and as a result of this, the exact year end date was 2 April 2023. All references to the financial year therefore relate to the 52 weeks commencing on 4 April 2022. In the previous year the accounting period was 52 weeks, beginning on 5 April 2021 and ending on 3 April 2022.

Results and dividends

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects, is included in the Chair's Statement, the Chief Executive Officer's Statement and the Strategic Report on pages 3 to 80. Key performance indicators are shown on page 22.

The Directors recommend a final dividend for the year ended 31 March 2023 of 6.8p (2022: 6.9p). This follows the decision to pay an interim dividend earlier in the year of 3.4p (2022: 3.1p).

Directors' and officers' liability insurance and indemnities

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

Purchase of own shares

In 2007 the Company formed the Norcros Employee Benefit Trust (the Trust). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust acquired 87,381 shares during the year (2022: 69,101). At the Company's 2022 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 8,915,290 ordinary shares. At the forthcoming Annual General Meeting, shareholders will be asked to renew the authority to purchase its own shares for another year. Details are contained in the AGM Notice of Meeting which is available from the Company's website: www.norcros.com.

Employees/fostering business relations

Details of the Group's engagement with, and policies towards, its employees are contained on pages 52 and 53. Details of how the Group fosters good business relations with its suppliers and other business partners are contained on pages 78 to 80. All these details form part of the Directors' Report and are incorporated into it by cross-reference.

Directors

Biographical details of the present Directors are set out on pages 82 and 83 and on the Company's website: www.norcros.com. The Directors who served during the year and to the date of this report are set out below:

Director	Role
Gary Kennedy	Chair (until 23 January 2023) Non-executive Director (until 13 February 2023)
David McKeith	Non-executive Director (Acting Chair from 24 January 2023)
Alison Littley	Non-executive Director
Stefan Allanson	Non-executive Director (appointed 1 January 2023)
Nick Kelsall	Chief Executive Officer (until 31 March 2023)
Thomas Willcocks	Chief Executive Officer (appointed 1 April 2023)
James Eyre	Chief Financial Officer

The Company announced on 30 May 2023 that Steve Good will be appointed as a Director on 1 July 2023. His biographical details are set out on the Company's website: www.norcros.com.

The interests of the Directors in the shares of the Company at 31 March 2023 and 31 March 2022 are shown on page 113.



Compliance with Listing Rules on diversity

In 2022, the UK Financial Conduct Authority introduced new Listing Rules relating to diversity (LR 9.8.6R(9) and (10), and LR 14.3.33R(1)). The Company's position against these items is set out within this report below.

Listing Rule target	Company's position as at 31 March 2023	Comment
At least 40% of the board are women.	20%	Our aspiration is to achieve 40% gender diversity, recognising that it requires a careful and measured approach to accommodate Board attrition, whilst maintaining the existing profile of desired skills and experience.
At least one of the senior board positions (Chair, Chief Executive Officer (CEO), Senior Independent Director (SID) or Chief Financial Officer (CFO)) is a woman.	0 ¹ positions meet this target.	With effect from 1 July 2023, a woman (Alison Littley) will take on the role of SID, which means that this target will be met. Going forward, the intention is to take this target into consideration as part of succession planning.
At least one member of the board is from a minority ethnic background (which is defined by reference to categories recommended by the UK Office for National Statistics (ONS)).	0 Board members meet this target.	The Board continues to take ethnic diversity into account when considering appointments, as per its Diversity Policy, whilst noting it will continue to consider diversity of the Board and the Group as a whole based on our global footprint and operations, in a way which is best aligned with our growth agenda. Being an international company, we naturally reflect many different nationalities in the Board and senior management. This is a valuable input to ensure different cultures are represented within decision makers, warding against groupthink.

¹ See comment on Alison Littley becoming a SID from 1 July 2023.

Table 1: Reporting table on sex/gender representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Men	4	80%	4	4	100%
Women	1	20%	—	—	—
Not specified/prefer not to say	n/a	—	—	—	—

Table 2: Reporting table on ethnicity representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority White groups)	5	100%	4	4	100%
Mixed/multiple ethnic groups	—	—	—	—	—
Asian/Asian British	—	—	—	—	—
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic groups, including Arab	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

Notes to the tables:

- There will be a female SID from 1 July 2023.
- Data collection of the Board undertaken as part of our regular year end data collection.
- The Board were provided with the categories above and asked to advise how they identify.
- The personal data has been collected once and it will be up to the individual to advise of any change.



DIRECTORS' REPORT CONTINUED

Substantial shareholdings

As at 13 June 2023 the Company had received notification that the following were interested in voting rights representing 3% or more of the Company's issued share capital:

Name	% of total voting rights
J O Hambro Capital Management Ltd	10.02
FIL Ltd	10.00
Premier Miton Group	9.06
Canaccord Genuity Group Inc	8.84
Artemis Investment Management	6.71
SVM Asset Management	4.85
Allianz Global Investors GmbH	4.56
M&G plc	4.33
Gresham House Asset Management	3.14

Energy and greenhouse gas emissions reporting

The Board has included emissions data in the ESG section in order to meet the Company's obligation under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 to disclose the Group's worldwide emissions of the "greenhouse gases" (GHGs) attributable to human activity measured in tonnes of carbon dioxide equivalent.

We have reported on all of the emission sources, being Scope 1, Scope 2 and Scope 3 emissions. These are emissions from activities for which the Group is responsible, emissions resulting from the purchase of electricity, heat, steam or cooling by a business in the Group for its own use and emissions from the activities from assets not owned or controlled by the Group, but that the Group indirectly affects in its value chain. Also reported are the figures for aggregate energy consumed by the Group, expressed in kWh. We use as our chosen intensity measure the ratio of total emissions (measured in tonnes of CO₂e) to the total revenue of the Group (£441.0m). This ratio is chosen because it enables us on a consistent basis year on year to compare energy use relative to the overall level of business activity in revenue terms.

The Group recognises that its Scope 1 and 2 GHG emissions only reflect a proportion of our total carbon footprint across the value chain. A more holistic approach to reducing our indirect impacts will be required to deliver the scale of reductions demanded by the climate science, and we keep the embodied carbon impacts of the materials we use and of our logistics supply chain under review. This has progressed in the year with the assessment of our value chain (Scope 3) emissions.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2018. We use the best information available to us, such as invoice data or measured energy usage. Where no more suitable data sources are available, we have used, where practicable, estimates based on the appropriate information that is available to the Group.

Political donations

There were no political donations (2022: £nil).

Research and development

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

Corporate governance

Details of the Group's corporate governance are contained on pages 84 to 87. This Corporate Governance Report forms part of the Directors' Report and is incorporated into it by cross-reference.

Going concern

Having taken into account the principal risks and uncertainties facing the Group detailed on pages 40 to 44 in the Strategic Report, the Board considers it appropriate to prepare the financial statements on the going concern basis, as explained in note 1 to the financial statements.

Financial risk management

The Group's operations expose it to a variety of financial risks. Details of the risks faced by the Group are provided in note 21 to the financial statements.

Takeover directive

The Company has only one class of shares, being ordinary shares, which have equal voting rights. The holdings of individual Directors are disclosed on page 113.

There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company, except for the banking facilities dated 7 March 2022 in respect of the £130.0m unsecured revolving credit facility and the £70.0m accordion facility which contain mandatory prepayment provisions on a change of control.

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

Statement of disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

A resolution to re-appoint BDO LLP as auditor to the Company will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will take place at 11.00 am on 26 July 2023 at Addleshaw Goddard LLP, One Peter's Square, Manchester M2 3DE. The notice convening that meeting, together with the resolutions to be proposed, are available on request from the Company (info@norcros.com) or from the Company's website (www.norcros.com/investor-centre/shareholder-services/aggm). The Directors recommend that all shareholders vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

By order of the Board

Richard Collins
Company Secretary

14 June 2023



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with UK adopted international accounting standards and applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR 4

The Directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Thomas Willcocks
Chief Executive Officer
14 June 2023

James Eyre
Chief Financial Officer



FINANCIAL STATEMENTS

119	Independent auditor's report
125	Consolidated income statement
126	Consolidated statement of comprehensive income
127	Consolidated balance sheet
128	Consolidated cash flow statement
129	Consolidated statement of changes in equity
130	Notes to the Group accounts
160	Parent Company balance sheet
161	Parent Company statement of changes in equity
162	Notes to the Parent Company accounts

Abode: Abode has added its new System Sync collection to its portfolio, which is designed to enable homeowners to optimise space in the kitchen, allowing them to select a sink format that is right for them with three available bowl sizes crafted from 0.8mm 304 grade brushed stainless steel. The Caddy-style sink is said to be ideal when a second wash zone is required.

Designed with three complementary accessories, a multi-functional prep board, a stainless steel colander, and a roll-up FlexRack to create a customisable sink solution, the idea is to ensure that no matter the space available, it can still deliver on function.



INDEPENDENT AUDITOR'S REPORT

to the members of Norcros plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Norcros plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated and parent company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by the Directors on 30 July 2020 to audit the financial statements for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ended 31 March 2021 to 31 March 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Directors' conclusions with respect to the disclosures provided around going concern;
- We challenged the rationale for the assumptions utilised in the forecasts, using our knowledge of the business, the sector and wider commentary available from competitors and peers;
- We considered the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis;
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;
- We assessed the facility and covenant headroom calculations, and reperformed sensitivities on management's base case and stressed case scenarios; and
- We reviewed the wording of the going concern disclosures, and assessed its consistency with the directors' assessment of going concern, including underlying management forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**INDEPENDENT AUDITOR'S REPORT CONTINUED**

to the members of Norcros plc

Overview

Coverage	86% (2022: 94%) of Group profit before tax 96% (2022: 85%) of Group revenue 91% (2022: 88%) of Group total assets		
Key audit matters	Pension Scheme Liability Assumptions Acquisition accounting	2023 ✓ ✓	2022 ✓ X
Materiality	Group financial statements as a whole £1.6m (2022: £1.6m) based on 5% (2022: 5%) of Profit before tax adjusted for certain non-underlying items, including acquisition costs and exceptional items.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our Group audit scope focused on the Group's principal operating locations, being those in the UK, Ireland and South Africa. In the UK and Ireland, Norcros operates under eight separate divisions: Triton, Merlyn, Vado, Johnson Tiles, Grant Westfield, Croydex, Abode and Norcros Adhesives. In South Africa there are four divisions: Johnson Tiles South Africa, TAL, House of Plumbing and Tile Africa.

Consistent with the group's operations, we scoped our audit at a divisional level. In the UK, full scope audits were performed by the Group engagement team on the significant components, Triton, Vado and the Parent Company and specific procedures on Johnson Tiles. The Grant Westfield full scope audit was performed by a component auditor from another BDO LLP office in Scotland.

The four South African divisions together with the Merlyn division, whose finance team is based in Ireland, were considered to be significant components and were subject to full scope audits by BDO member firms in South Africa and Ireland respectively.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures by the Group engagement team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

The Responsible Individual and senior members of the Group audit team were involved at all stages of the audit process, directing the planning and risk assessment work.

Detailed Group instructions were sent to the component auditors, which included the principal areas to be covered by the audits, materiality levels, significant risks, fraud risks and other significant auditing and accounting matters, and further set out the information to be reported to the Group audit team.

The Group engagement team attended planning calls with the South Africa, Ireland and Scotland teams where the scope of their work was discussed, as well as attending planning calls with divisional management. The Group engagement team reviewed the audit working papers of the component auditors and attended completion meetings, including attending in person at Merlyn and Grant Westfield with BDO Ireland and BDO LLP in Scotland, and the respective divisional management teams following completion of the work.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit and Risk Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the Strategic Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as Statutory Other Information on pages 46 to 77 within the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.



An overview of the scope of our audit continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Pension Scheme Liability Assumptions Refer to Note 1 - summary of significant accounting policies, key sources of estimation uncertainty and critical judgements in applying the group's accounting policies and also to Note 24 Retirement benefit obligations.</p>	<p>We obtained the report from management's actuary used in valuing the scheme's liabilities, from which we assessed the appropriateness of the assumptions underpinning the valuation of the scheme liabilities.</p> <p>Specifically, we challenged the discount rate, inflation and mortality assumptions applied in the calculation by using our auditor engaged pension experts to assist us to benchmark the assumptions applied against comparable third-party data and assessed the appropriateness of the assumptions in the context of the group's own position.</p> <p>Key observations: Based on our audit work, we considered the assumptions used in the calculation of the pension liability were within an acceptable range.</p>
<p>Acquisition accounting Refer to Note 1 - summary of significant accounting policies, and Note 31 Business combinations.</p>	<p>We obtained assurance over the acquisition through:</p> <ul style="list-style-type: none"> obtaining the sale and purchase agreement and reviewing the key terms to check that these have been accounted for correctly; inspecting the results of the due diligence exercise performed by management's third party experts and comparing these to the adjustments posted in the opening balance sheet; reviewing the details of the acquisition to identify which separable intangible assets were acquired as part of the transaction; assessing the key judgements and fair value adjustments relating to intangibles, contingent consideration and provisions to check they were reasonable and in line with the relevant accounting standards with support from our internal valuation specialists; using our internal valuation experts to assist us to review the valuation of the brand and customer relationships which were separately valued by considering the accuracy of the model and estimates such as the WACC used within the valuation; and reviewing the disclosure included in note 31 to the Financial Statements to check that this accurately reflects the transaction and that the disclosure is compliant with the relevant accounting standards. <p>Key observations: Based on the audit procedures performed, we consider the judgements and estimates made in accounting for the acquisition, and the related disclosure within the Financial Statements to be appropriate.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.



INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Norcros plc

Our application of materiality continued

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company for Group reporting purposes	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	1.60	1.60	0.48	0.48
Basis for determining materiality	5% of Profit before tax adjusted for certain non-underlying items, including acquisition costs and exceptional items.	5% of Profit before tax adjusted for certain non-underlying items, including acquisition costs and exceptional items.	Set based on 30% of Group materiality.	Set based on 30% of Group materiality.
Rationale for the benchmark applied	We considered that using this basis for determining materiality was most appropriate based on the underlying trading performance of the Group, eliminating non-recurring items and in the interests of the users of the financial statements.	We considered that using this basis for determining materiality was most appropriate based on the underlying trading performance of the Group, eliminating non-recurring items and in the interests of the users of the financial statements.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.
Performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality
Basis for determining performance materiality	70%, based on our knowledge of the aggregation risk, the control environment and historic misstatement levels.	70%, based on our knowledge of the aggregation risk, the control environment and historic misstatement levels.	70%, based on our knowledge of the aggregation risk, the control environment and historic misstatement levels.	70%, based on our knowledge of the aggregation risk, the control environment and historic misstatement levels.

Parent Company statutory materiality

We set materiality for the statutory audit of the Parent Company at £3.74m (2022: £3.58m) which represents 3% of Net Assets. Net assets was determined as the most appropriate measure on which to base materiality for the statutory audit of the Parent Company financial statements as the principal activity of the company is that of a holding company. We further applied performance materiality levels of 70% of the statutory materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 30% and 50% (2022: 30% and 48%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.48m to £0.80m (2022: £0.48m to £0.77m). In the audit of each component, we further applied performance materiality levels of 70% (2022: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £48,000 (2022: £48,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2023 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 116; and The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 45
Other Code provisions	<ul style="list-style-type: none"> Directors' statement on fair, balanced and understandable set out on page 89; Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 40; The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 87; and The section describing the work of the Audit and Risk Committee set out on page 90

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Norcros plc

Auditor's responsibilities for the audit of the financial statements continued

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group and the sectors in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as international accounting standards, the UK Companies Act 2006, the Listing Rules and the UK Corporate Governance Code; and industry related such as compliance with health and safety legislation, employment law and taxation legislation. We communicated relevant laws and regulations to all team members, including component audit teams, to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, revenue being recognised in the correct period around the year end and management bias in accounting estimates.

Our audit procedures included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Discussions with management, the Audit and Risk Committee, the Directors and internal and external legal counsel concerning consideration of known or suspected instances of litigation, non-compliance with laws and regulation and fraud;
- Use of forensic specialists to assist with the risk assessment at the planning stage and to help design appropriate audit procedures;
- Reviewing minutes of Board meetings throughout the period to corroborate our enquiries and to identify any other matters not already disclosed by management and the Directors;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Group's defined benefit pension scheme liabilities (see key audit matter above) and customer rebates, incentives and promotional support accruals;
- Testing a sample of revenue transactions around the year end to supporting documentation (including invoice and proof of delivery) for all significant components to assess if the revenue had been recorded in the correct period;
- Identifying and agreeing journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Agreeing the financial statement disclosures to underlying supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK

14 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2023

	Notes	2023 £m	2022 £m
Continuing operations			
Revenue	2	441.0	396.3
Underlying operating profit		47.3	41.8
IAS 19R administrative expenses	24	(1.6)	(1.7)
Acquisition related costs	5	(8.4)	(4.8)
Exceptional operating items	5	(9.8)	0.9
Operating profit		27.5	36.2
Finance costs	6	(6.4)	(2.8)
IAS 19R finance credit/(cost)	24	0.6	(0.4)
Profit before taxation		21.7	33.0
Taxation	7	(4.9)	(7.3)
Profit for the year attributable to equity holders of the Company		16.8	25.7
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From profit for the year	9	19.1p	31.8p
Diluted earnings per share:			
From profit for the year	9	18.8p	31.2p
Weighted average number of shares for basic earnings per share (m)	9	88.1	80.9
Alternative performance measures			
Underlying profit before taxation (£m)	8	41.8	39.3
Underlying earnings (£m)	8	33.5	31.5
Basic underlying earnings per share	9	38.0p	38.9p
Diluted underlying earnings per share	9	37.4p	38.2p



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	Notes	2023 £m	2022 £m
Profit for the year		16.8	25.7
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the Income Statement			
Actuarial (losses)/gains on retirement benefit obligations	24	(5.6)	27.5
Items that may be subsequently reclassified to the Income Statement			
Cash flow hedges – fair value (loss)/gain in year	21	(2.9)	3.0
Foreign currency translation of foreign operations		(8.3)	3.6
Other comprehensive (expense)/income for the year		(16.8)	34.1
Total comprehensive result for the year attributable to equity holders of the Company		–	59.8

Items in this statement are disclosed net of tax.



CONSOLIDATED BALANCE SHEET

At 31 March 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Goodwill	11	107.9	61.2
Intangible assets	12	59.2	29.1
Property, plant and equipment	13	24.8	29.0
Pension scheme asset	24	14.9	19.6
Right of use assets	14	20.0	19.9
		226.8	158.8
Current assets			
Inventories	15	103.9	100.6
Trade and other receivables	16	83.3	71.1
Derivative financial instruments	21	—	1.6
Cash and cash equivalents	17	29.0	27.4
		216.2	200.7
Current liabilities			
Trade and other payables	18	(99.2)	(102.4)
Lease liabilities	19	(6.1)	(5.7)
Current tax liabilities		(0.9)	(2.7)
Derivative financial instruments	21	(2.0)	—
Provisions	23	(4.5)	—
		(112.7)	(110.8)
Net current assets		103.5	89.9
Total assets less current liabilities		330.3	248.7
Non-current liabilities			
Financial liabilities – borrowings	20	(78.9)	(18.8)
Lease liabilities	19	(18.6)	(18.3)
Deferred tax liabilities	22	(15.0)	(9.4)
Other non-current liabilities	26	(6.2)	(0.3)
Provisions	23	(1.2)	(1.6)
		(119.9)	(48.4)
Net assets		210.4	200.3
Financed by:			
Share capital	25	8.9	8.1
Share premium		47.6	30.3
Retained earnings and other reserves		153.9	161.9
Total equity		210.4	200.3

The financial statements of Norcros plc, registered number 3691883, on pages 125 to 159, were authorised for issue on 14 June 2023 and signed on behalf of the Board by:

Thomas Willcocks
Chief Executive Officer

James Eyre
Chief Financial Officer



CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2023

	Notes	2023 £m	2022 £m
Cash generated from operations	27	37.7	23.6
Income taxes paid		(7.7)	(6.5)
Interest paid		(5.5)	(2.5)
Net cash generated from operating activities		24.5	14.6
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(6.0)	(5.4)
Acquisition of subsidiary undertakings net of cash acquired	31	(78.3)	—
Net cash used in investing activities		(84.3)	(5.4)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	25	18.1	0.1
Principal element of lease payments		(4.6)	(4.7)
Drawdown of borrowings		114.0	25.0
Repayment of borrowings		(54.0)	(23.0)
Dividends paid to the Company's shareholders	28	(9.2)	(9.1)
Net cash generated from/(used in) financing activities		64.3	(11.7)
Net increase/(decrease) in cash and cash equivalents		4.5	(2.5)
Cash and cash equivalents at the beginning of the year		27.4	28.3
Exchange movements on cash and cash equivalents		(2.9)	1.6
Cash and cash equivalents at the end of the year		29.0	27.4



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2021	8.1	30.2	(0.1)	(1.5)	(16.4)	128.1	148.4
Comprehensive income:							
Profit for the year	—	—	—	—	—	25.7	25.7
Other comprehensive income:							
Actuarial gain on retirement benefit obligations	—	—	—	—	—	27.5	27.5
Fair value gain on cash flow hedges	—	—	—	3.0	—	—	3.0
Foreign currency translation adjustments	—	—	—	—	3.6	—	3.6
Total other comprehensive income for the year	—	—	—	3.0	3.6	27.5	34.1
Transactions with owners:							
Shares issued	—	0.1	—	—	—	—	0.1
Dividends paid	—	—	—	—	—	(9.1)	(9.1)
Value of employee services	—	—	—	—	—	1.1	1.1
At 31 March 2022	8.1	30.3	(0.1)	1.5	(12.8)	173.3	200.3
Comprehensive income:							
Profit for the year	—	—	—	—	—	16.8	16.8
Other comprehensive expense:							
Actuarial loss on retirement benefit obligations	—	—	—	—	—	(5.6)	(5.6)
Fair value loss on cash flow hedges	—	—	—	(2.9)	—	—	(2.9)
Foreign currency translation adjustments	—	—	—	—	(8.3)	—	(8.3)
Total other comprehensive expense for the year	—	—	—	(2.9)	(8.3)	(5.6)	(16.8)
Transactions with owners:							
Shares issued	0.8	17.3	—	—	—	—	18.1
Dividends paid	—	—	—	—	—	(9.2)	(9.2)
Value of employee services	—	—	—	—	—	1.2	1.2
At 31 March 2023	8.9	47.6	(0.1)	(1.4)	(21.1)	176.5	210.4



NOTES TO THE GROUP ACCOUNTS

Year ended 31 March 2023

1. Group accounting policies

General information

Norcros plc (the Company), and its subsidiaries (together the Group), designs, manufactures and distributes a range of high quality and innovative bathroom and kitchen products mainly in the UK and South Africa.

The Company is incorporated in the UK as a public company limited by shares and registered in England and Wales. The shares of the Company are listed on the premium segment of the London Stock Exchange market of listed securities. The address of its registered office is Ladyfield House, Station Road, Wilmslow SK9 1BU, UK. The Company is domiciled in the UK.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and contingent consideration which are stated at their fair value. The Group consolidated statements have been prepared in accordance with UK-adopted International Accounting Standards.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are detailed in the section on critical estimates on page 131. Although these estimates are based on management's best knowledge of amounts, events or actions, actual results may differ from expectations.

Accounting reference date

UK company law permits a company to draw up financial statements to a date seven days either side of its accounting reference date. For operational reasons the Company has in the current financial year adopted an accounting period of 52 weeks, and as a result of this, the exact year-end date was 2 April 2023. All references to the financial year therefore relate to the 52 weeks commencing on 4 April 2022. In the previous year the accounting period was 52 weeks, beginning on 5 April 2021 and ending on 3 April 2022.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Group's business activities and the principal risks and uncertainties including current macroeconomic factors in the context of the current operating environment. The Group, in acknowledging its TCFD requirements, has also considered climate risks in the financial statements.

A going concern financial assessment was developed on a bottom-up basis by taking the output of the annual budgeting process built up by individual businesses and then subjected to review and challenge by the Board. The acquisition of Grant Westfield was also reflected in the assessment. The financial model was then stress tested by modelling the most extreme but plausible scenario, that being a global pandemic similar in nature to COVID-19. This has been based on the actual impact of the COVID-19 pandemic on the Group, which at its peak saw a revenue reduction of 25% on the prior year over a six-month period. The scenario also incorporates management actions the Group has at its disposal including a number of cash conservation and cost reduction measures including capital expenditure reductions, dividend decreases and restructuring activities.

The Group continues to exhibit sufficient and prudent levels of liquidity headroom against our key banking financial covenants during the twelve-month period under assessment. Reverse stress testing has also been applied to the financial model, which represents a further decline in sales compared with the reasonable worst case. Such a scenario, and the sequence of events which could lead to it, is considered to be implausible and remote.

As a result of this detailed assessment, the Board has concluded that the Company is able to meet its obligations when they fall due for a period of at least twelve months from the date of this report. For this reason, the Company continues to adopt the going concern basis for preparing the Group financial statements. In forming this view, the Board has also concluded that no material uncertainty exists in its use of the going concern basis of preparation.

Summary of significant accounting policies

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

We are not aware of any new, amended or forthcoming accounting standards that will have a material impact on the financial statements of the Group in the current year or future years.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of in the year are included in the consolidated financial statements from the date on which the Group has the ability to exercise control and are no longer consolidated from the date that control ceases. Costs related to the acquisition or disposal are not included in underlying operating profit.

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



1. Group accounting policies continued

Summary of significant accounting policies continued

Basis of consolidation continued

Subsidiaries continued

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

Key sources of estimation uncertainty and critical judgements in applying the Group's accounting policies

The Group's accounting policies have been set by management and approved by the Audit and Risk Committee. The application of these accounting policies to specific scenarios requires estimates and judgements to be made concerning the future. Under IFRS, estimates or judgements are considered critical where they involve a significant risk that may cause a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used. Once identified, critical estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is:

- retirement benefit obligations – accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future inflation, discount rate and mortality assumptions applied in the calculation of scheme liabilities, which are set out in note 24, represent a key source of estimation uncertainty for the Group; and
- restructuring provision – due to the proximity of the Norcros Adhesives closure decision to the year-end date, there is significant uncertainty over the level of asset realisations that may be achieved. Therefore in calculating the appropriate level of provision, the Group has made some estimates based on the best information available.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with above) and have been identified as being particularly complex or involve subjective assessments:

- acquired intangible fixed assets – the group recognises customer relationships, brand names and trade names as intangible assets arising on acquisition. Intangible assets can only be recognised as part of a business combination where the intangible asset is separable from goodwill, can be reliably measured and is expected to generate future economic benefits. Judgement is required to assess whether these criteria are met and also to subsequently determine the appropriate assumptions which are used to place a value on the intangible asset. Had different assumptions been applied, the valuation of acquired intangible assets could have differed from the amount ultimately recognised. Judgement is also needed to determine the useful economic lives of intangible assets and if a different period had been determined this could have resulted in amortisation charges differing from those actually recognised;
- defined benefit pension scheme surplus – management has concluded that the Group has an unconditional right to a refund from the UK defined benefit pension scheme once the liabilities have been discharged and that the trustees of the scheme do not have the unilateral right to wind up the scheme. Therefore the asset is not restricted and no additional liability was recognised. See note 24 for further details of the scheme; and
- customer rebate, incentive and promotional support accruals – a number of the Group's customers are offered rebates, incentives and promotional support in order to encourage trade and cement strong relationships. Accounting for such arrangements involves judgement as agreement periods typically run for a number of months or years and may involve assumptions around volumes of product purchased or sold into the future (for example when the assessment period is not concurrent with the Group's financial year). However, where applicable, accrual calculations are underpinned by signed contracts and there has historically been a strong correlation between the amounts accrued in respect of a particular period and the amounts subsequently paid.

Revenue recognition

The Group derives revenue predominantly from the sale of goods to customers. Revenue from the sale of goods is recognised when control of the goods has been transferred to the buyer. Control transfers when the customer has the ability to direct the use of and substantially obtain all of the benefits of the goods. This is generally on receipt of goods by the customer.

The Group also derives revenue from services provided alongside the supply of goods, mainly installation services, which are recognised over time and are calculated using the "input method" by reference to regular surveys of the work performed.

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the amounts receivable for goods supplied or services provided, stated net of discounts, returns, rebates and value-added taxes. Accumulated experience is used to estimate and provide for rebates, discounts and expected returns using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. An accrual is made at each Balance Sheet date (included within accruals and deferred income) as a deduction from revenue to reflect management's best estimate of amounts to be paid in respect of arrangements in place with customers regarding rebates, discounts and expected returns.



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

1. Group accounting policies continued

Summary of significant accounting policies continued

Revenue recognition continued

Incremental costs of fulfilling a contract, such as testing costs, are capitalised in "Trade and other receivables" if the cost has been incurred and are amortised over the life of the contract if the period over which the Group obtains benefit from is over twelve months. Contract related support costs are accrued in "Trade and other payables" if the trigger for payment has been met. Both types of cost are recorded in the Income Statement against underlying operating profit.

Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker (being the Board) assesses performance and allocates resources based on geography and accordingly segments have been determined on this basis. Corporate costs are allocated to segments on the basis of external turnover.

Goodwill

Goodwill is recognised as an asset and reviewed for impairment at least annually or whenever there is an indicator of impairment. Goodwill is carried at cost less amortisation charged prior to the Group's transition to IFRS less accumulated impairment losses. Any impairment is recognised in the period in which it is identified and is never reversed.

Intangible assets

Acquired intangible assets comprise customer relationships, brands, trade names and patents recognised as separately identifiable assets on acquisition as well as product certification costs and development costs which meet the criteria for capitalisation (as explained below in the accounting policy for research and development costs). They are valued at cost less accumulated amortisation, with amortisation being charged on a straight-line basis.

The estimated useful lives of Group assets are as follows:

Customer relationships	8–15 years
Brands, trade name and patents	8–15 years
Development costs	5 years
Product certification costs	5 years

Impairment of long-life assets

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

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

Property, plant and equipment

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

The estimated useful lives of Group assets are as follows:

Buildings	25–50 years
Plant and equipment	3–15 years

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

Investment property

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and, where applicable, labour and overheads that have been incurred in bringing the inventories to their present location and condition. The Group measures cost on either a first in, first out or a standard cost basis depending on the level of manufacturing in the relevant business. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for slow-moving and obsolete items.



1. Group accounting policies continued

Summary of significant accounting policies continued

Taxation

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

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

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

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

Deferred tax charges/credits in relation to fair value movements of derivative contracts and actuarial movements in pension scheme assets and liabilities are charged/credited directly to the Statement of Other Comprehensive Income.

Provisions

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

Restructuring provisions – provision is made for costs of restructuring activities to be carried out by the Group when the Group is demonstrably committed to incurring the cost in a future period and the cost can be reliably measured.

Property provisions – where the Group has vacated a property but is committed to a leasing arrangement, a provision is made to cover unavoidable costs including dilapidation costs net of any expected future sub-lease income.

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

Employee benefits

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

(a) Pension obligations

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

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

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

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

Past service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

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

(c) Termination benefits

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



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

1. Group accounting policies continued

Summary of significant accounting policies continued

Employee benefits continued

(d) Profit sharing and bonus plans

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

Exceptional items

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

IAS 19R administrative expenses

The administrative expenses incurred by the Trustee in connection with managing the Group's pension schemes are recognised in the Consolidated Income Statement. These costs are excluded from underlying operating profit as they do not relate to the performance of the business.

Acquisition related costs

Acquisition related costs include deferred remuneration, amortisation of intangibles arising on business combinations and professional advisory fees. These costs are excluded from underlying operating profit as they are non-recurring in nature or outside of the normal course of business.

Financial assets and liabilities

Borrowings

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

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

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and to fluctuations in interest rates. The Group uses derivative financial instruments (solely foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group designates net positions and hedge documentation is prepared in accordance with IFRS 9.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value at the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income, and any ineffective portion is recognised immediately in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Cash Flow Statement include cash in hand and deposits held at call with banks. Cash and cash equivalents are offset against borrowings only when there is a legally enforceable right to do so and there is a clear intention to undertake settlement of such borrowings held with the same counterparty within a short timeframe after the year end.

Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional.

The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method, less appropriate allowances for estimated credit losses (provision for impairment). The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the length of time overdue. An estimate is made of the expected credit loss based on the Group's past history, existing market conditions and forward-looking estimates at the end of each reporting period. The maximum exposure at the end of the reporting period is the carrying amount of these receivables.



1. Group accounting policies continued

Summary of significant accounting policies continued

Financial assets and liabilities continued

Trade payables

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

Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the Balance Sheet date. The Group determines the fair value of its remaining financial instruments through the use of estimated discounted cash flows.

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

Research and development

Expenditure on research is charged against profits for the year in which it is incurred. Development costs are capitalised once the technical feasibility of a project has been established and a business plan, which demonstrates how the project will generate future economic benefits, has been approved. Development costs are amortised on a straight-line basis over their expected useful lives from the point at which the asset is capable of operating in the manner intended by management.

Dividend distribution

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

Foreign currency transactions

Functional currency

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

Transactions and balances

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

Translation of overseas net assets

Exchange gains and losses arising on the retranslation of foreign operations and results are taken directly to other comprehensive income.

Share capital

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

Treasury shares

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

Hedging reserve

The hedging reserve represents the accumulated movements in the Group's derivative financial instruments that have been designated as hedging instruments. Amounts are transferred in and out of the reserve on the revaluation, or realisation, of identified hedging instruments.

Share-based payments

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

Share-based payments are settled through the Norcros Group Employee Benefit Trust, which holds shares in Norcros Group plc that have either been purchased on the market or issued by the Company and satisfies awards made under various employee incentive schemes. The shareholding of the Group Employee Benefit Trust is consolidated within the consolidated accounts of the Group.



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

1. Group accounting policies continued

Summary of significant accounting policies continued

Leases

Recognition

At the date of commencement, the Group assesses whether a contract is or contains a lease by judging whether the contract is in relation to a specified asset and to what extent the Group obtains substantially all the economic benefits from, and has the right to direct the use of, that asset.

The Group recognises a right of use (ROU) asset and a lease liability at the commencement of the lease.

Short-term and low value assets

The Group has elected not to recognise ROU assets and lease liabilities for leases where the total lease term is less than or equal to twelve months, or for leases of assets with a value less than £5,000. The payments for such leases are recognised within cost of sales or administrative expenses on a straight-line basis over the lease term and presented within cash generated from operations in the Cash Flow Statement.

Non-lease components

Fees for components such as property taxes, maintenance, repairs and other services, which are either variable or transfer benefits separate to the Group's right to use the asset, are separated from lease components based on their relative stand-alone selling price. These components are expensed in the Income Statement as incurred.

Lease liabilities

Lease liabilities are initially measured at the present value of future lease payments at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, or where this cannot be readily determined, the lessee's incremental borrowing rate. Lease payments include the following payments due within the non-cancellable term of the lease, as well as the term of any extension options where these are considered reasonably certain to be exercised:

- fixed payments;
- variable payments that depend on an index or rate; and
- the exercise price of purchase or termination options if it is considered reasonably certain these will be exercised.

Subsequent to the commencement date, the lease liability is measured at the initial value, plus an interest charge determined using the incremental borrowing rate, less lease payments already made such as deposits. The interest expense is recorded in finance costs in the Income Statement. The liability is re-measured when future lease payments change, when the exercise of extension or termination options becomes reasonably certain, or when the lease is modified.

Payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities in the Cash Flow Statement. The interest element is recognised in net cash generated from operations.

Right of use assets

The ROU asset is initially measured at cost, being the value of the lease liability, plus the value of any lease payments made at or before the commencement date, initial direct costs and the cost of any restoration obligations, less any incentives received. The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is adjusted for any re-measurement of the lease liability. The ROU asset is subject to testing for impairment where there are any impairment indicators.



2. Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker (being the Board) assesses performance and allocates resources based on geography and accordingly segments have been determined on this basis. Corporate costs are allocated to segments on the basis of external turnover. Finance income and costs are not split between the segments.

Year ended 31 March 2023

	UK £m	South Africa £m	Group £m
Revenue	295.8	145.2	441.0
Underlying operating profit	37.2	10.1	47.3
IAS 19R administrative expenses	(1.6)	—	(1.6)
Acquisition related costs	(8.2)	(0.2)	(8.4)
Exceptional operating items	(9.8)	—	(9.8)
Operating profit	17.6	9.9	27.5
Finance costs			(5.8)
Profit before taxation			21.7
Taxation			(4.9)
Profit for the year			16.8
Net debt excluding lease liabilities			(49.9)
Segmental assets	340.5	102.5	443.0
Segmental liabilities	(195.6)	(37.0)	(232.6)
Additions to goodwill	47.7	—	47.7
Additions to tangible, intangibles and right of use assets	5.9	3.7	9.6
Depreciation and amortisation	10.8	5.0	15.8

Year ended 31 March 2022

	UK £m	South Africa £m	Group £m
Revenue	256.7	139.6	396.3
Underlying operating profit	30.9	10.9	41.8
IAS 19R administrative expenses	(1.7)	—	(1.7)
Acquisition related costs	(4.6)	(0.2)	(4.8)
Exceptional operating items	0.9	—	0.9
Operating profit	25.5	10.7	36.2
Finance costs			(3.2)
Profit before taxation			33.0
Taxation			(7.3)
Profit for the year			25.7
Net cash excluding lease liabilities			8.6
Segmental assets	252.9	106.6	359.5
Segmental liabilities	(116.9)	(42.3)	(159.2)
Additions to tangible and right of use assets	4.0	4.4	8.4
Depreciation and amortisation	8.0	5.0	13.0

The split of revenue by geographical destination of the customer is below:

	2023 £m	2022 £m
UK	262.0	222.4
Africa	147.5	141.9
Rest of World	31.5	32.0
	441.0	396.3

No one customer had revenue over 10% of total Group revenue (2022: none).

Reported revenue within the South African segment contains £6.1m (2022: £3.9m) of revenue from services performed which have been recognised over time and within the UK segment contains £0.3m (2022: £0.3m) of extended warranty revenue that has been recognised over time.

**NOTES TO THE GROUP ACCOUNTS CONTINUED**

Year ended 31 March 2023

3. Operating profit

Operating profit is derived after deducting cost of sales of £271.7m (2022: £255.5m), distribution costs of £35.7m (2022: £28.3m) and administrative expenses, inclusive of exceptional and acquisition related costs, of £106.1m (2022: £76.3m).

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

	2023 £m	2022 £m
Staff costs (see note 4)	76.9	65.9
Depreciation of property, plant and equipment (all owned assets)	4.9	5.1
Amortisation of intangible assets	6.3	3.8
Depreciation of right of use assets	4.6	4.1
Operating lease rentals payable for short-term and low value leases:		
– plant and machinery	1.2	0.7
– other	0.6	0.4
Research and development expenditure	5.5	4.8

All items relate to continuing operations.

Auditor's remuneration

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

	2023 £m	2022 £m
Audit of the Parent Company and consolidated financial statements	0.2	0.1
Audit of the Company's subsidiaries	0.4	0.3
	0.6	0.4

4. Employees

	2023 £m	2022 £m
Staff costs including Directors' remuneration:		
– wages and salaries	67.3	57.6
– social security costs	4.4	3.5
– share-based payments (see note 10)	1.2	1.1
Pension costs:		
– defined contribution (see note 24)	4.0	3.7
Total staff costs	76.9	65.9

	2023 Number	2022 Number
Average monthly numbers employed:		
– UK	1,254	1,002
– overseas	1,192	1,194
	2,446	2,196

Full details of Directors' remuneration may be found in the Remuneration Report on pages 105 to 113.



5. Acquisition related costs and exceptional operating items

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

	2023 £m	2022 £m
Acquisition related costs		
Intangible asset amortisation ¹	6.2	3.7
Advisory fees ²	1.4	1.1
Deferred remuneration ³	0.8	—
	8.4	4.8

1 Non-cash amortisation charges in respect of acquired intangible assets.

2 Professional advisory fees incurred in connection with the Group's business combination activities.

3 In accordance with IFRS 3, a proportion of the contingent consideration is treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred. In the current year this represents a cost of £0.8m in relation to the Grant Westfield acquisition.

	2023 £m	2022 £m
Exceptional operating items		
Restructuring costs ¹	4.8	—
Impairment ²	5.0	—
Release of UK property provision ³	—	(0.9)
	9.8	(0.9)

1 The exceptional restructuring cost charge of £4.8m was incurred in relation to the restructuring programme implemented at Norcros Adhesives, as referred to in the Chief Financial Officer's Report. £4.8m represents a provision for the costs associated with closure including the write down of current and non-current asset values and costs such as redundancy. Due to realisations of assets, the net impact on cash is not expected to be material.

2 As a result of demand uncertainty, the Johnson Tiles tangible and right of use assets have been impaired with a non-cash impairment charge of £5.0m recognised as an exceptional item in the Income Statement.

3 The UK property provision related to the only remaining surplus and legacy onerous property lease at Groundwell, Swindon. In the prior year, the Group reached agreement with the landlord to exit the lease early. A cash settlement payment of £1.3m including dilapidation obligations was made in the prior year and the remaining £0.9m of the related provision was released as an exceptional operating item.

6. Finance costs

	2023 £m	2022 £m
Interest payable on bank borrowings	3.7	0.8
Interest on lease liabilities	1.8	1.7
Discounting of contingent consideration	0.6	—
Amortisation of costs of raising debt finance	0.3	0.2
Property lease discount	—	0.1
Finance costs	6.4	2.8

7. Taxation

Taxation comprises:

	2023 £m	2022 £m
Current		
UK taxation	1.8	3.6
Overseas taxation	4.6	4.7
Prior year adjustment	(0.7)	(0.1)
Total current taxation	5.7	8.2
Deferred		
Origination and reversal of temporary differences	(0.8)	(0.9)
Total tax charge	4.9	7.3



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

7. Taxation continued

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2023 £m	2022 £m
Profit before tax	21.7	33.0
Tax calculated at domestic tax rates applicable to profits in the respective countries	4.7	6.8
Tax effects of:		
– adjustments in respect of prior years	(0.7)	(0.1)
– expenses not deductible for tax purposes	0.9	0.4
– tax rate differences	—	0.2
Total tax charge	4.9	7.3

The weighted average applicable tax rate was 21.7% (2022: 20.6%); the increase relates to the increased proportional taxable profits in the UK and South Africa relative to Ireland. The standard rate of corporation tax in the UK is 19% (2022: 19%), in South Africa 28% (2022: 28%) and in Ireland 12.5% (2022: 12.5%).

Taxation on items taken directly to other comprehensive income was a credit of £1.9m relating to deferred tax on pensions (see note 22) and a credit of £0.8m of deferred tax in relation to foreign exchange cash flow hedges.

8. Alternative performance measures

The Group makes use of a number of alternative performance measures to assess business performance and provide additional useful information to shareholders. Such alternative performance measures should not be viewed as a replacement of, or superior to, those defined by Generally Accepted Accounting Principles (GAAP). Definitions of alternative performance measures used by the Group and, where relevant, reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures are provided below.

The alternative performance measures used by the Group are:

Measure	Definition
Underlying operating profit	Operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items.
Underlying profit before taxation	Profit before taxation before IAS 19R administrative expenses, acquisition related costs, exceptional operating items, amortisation of costs of raising finance, discounting of contingent consideration, discounting of property lease provisions and finance costs relating to pension schemes.
Underlying taxation	Taxation on underlying profit before tax.
Underlying earnings	Underlying profit before tax less underlying taxation.
Underlying capital employed	Capital employed on a pre-IFRS 16 basis adjusted for business combinations where relevant to reflect the net assets in both the opening and closing capital employed balances, and the average impact of exchange rate movements.
Underlying operating margin	Underlying operating profit expressed as a percentage of revenue.
Underlying return on capital employed (ROCE)	Underlying operating profit on a pre-IFRS 16 basis expressed as a percentage of the average of opening and closing underlying capital employed.
Basic underlying earnings per share	Underlying earnings divided by the weighted average number of shares for basic earnings per share.
Diluted underlying earnings per share	Underlying earnings divided by the weighted average number of shares for diluted earnings per share.
Underlying EBITDA	Underlying EBITDA is derived from underlying operating profit before depreciation and amortisation excluding the impact of IFRS 16 in line with our banking covenants.
Underlying operating cash flow	Cash generated from continuing operations before cash outflows from exceptional items and acquisition related costs and pension fund deficit recovery contributions.
Underlying net (debt)/cash	Underlying net (debt)/cash is the net of cash, capitalised costs of raising finance and total borrowings. IFRS 16 lease commitments are not included in line with our banking covenants.
Pro-forma underlying EBITDA	An annualised underlying EBITDA figure used for the purpose of calculating banking covenant ratios.
Pro-forma leverage	Net debt expressed as a ratio of pro-forma underlying EBITDA.



8. Alternative performance measures continued

Reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures

Consolidated Income Statement

(a) Underlying profit before taxation and underlying earnings

	2023 £m	2022 £m
Profit before taxation	21.7	33.0
Adjusted for:		
– IAS 19R administrative expenses	1.6	1.7
– acquisition related costs (see note 5)	8.4	4.8
– exceptional operating items (see note 5)	9.8	(0.9)
– amortisation of costs of raising finance	0.3	0.2
– property lease discount	—	0.1
– discounting of contingent consideration	0.6	—
– IAS 19R finance (income)/cost	(0.6)	0.4
Underlying profit before taxation	41.8	39.3
Taxation attributable to underlying profit before taxation	(8.3)	(7.8)
Underlying earnings	33.5	31.5

(b) Underlying operating profit and EBITDA (pre-IFRS 16)

	2023 £m	2022 £m
Operating profit	27.5	36.2
Adjusted for:		
– IAS 19R administrative expenses	1.6	1.7
– acquisition related costs (see note 5)	8.4	4.8
– exceptional operating items (see note 5)	9.8	(0.9)
Underlying operating profit	47.3	41.8
Adjusted for:		
– depreciation and amortisation (owned assets)	5.0	5.2
– depreciation of leased assets	4.6	4.1
– lease costs	(6.4)	(5.7)
Underlying EBITDA (pre-IFRS 16)	50.5	45.4

Consolidated Cash Flow Statement

(a) Underlying operating cash flow

	2023 £m	2022 £m
Cash generated from operations (see note 27)	37.7	23.6
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see note 27)	3.3	1.7
– pension fund deficit recovery contributions (see note 27)	3.8	3.3
Underlying operating cash flow	44.8	28.6



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

8. Alternative performance measures continued

Reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures continued

Consolidated Balance Sheet

(a) Underlying capital employed and underlying return on capital employed

	2023 £m	2022 £m
Net assets	210.4	200.3
Adjusted for:		
– pension scheme asset (net of associated tax)	(11.2)	(14.7)
– right of use assets (IFRS 16)	(20.0)	(19.9)
– lease liabilities (IFRS 16)	24.7	24.0
– cash and cash equivalents	(29.0)	(27.4)
– financial liabilities – borrowings	78.9	18.8
	253.8	181.1
Foreign exchange adjustment	1.3	(1.7)
Adjustment for acquisitions	58.2	–
Underlying capital employed	313.3	179.4
Average underlying capital employed	246.3	168.3
Underlying operating profit (pre-IFRS 16)	45.5	40.2
Underlying return on capital employed	18.5%	23.9%

Items are excluded from alternative performance measures in order to align with the way the Group assesses business performance.

Underlying operating profit (pre-IFRS 16) of £45.5m (2022: £40.2m) is calculated by adjusting underlying operating profit of £47.3m (2022: £41.8m) for the add back of lease costs of £6.4m (2022: £5.7m) and the deduction of depreciation of leased assets of £4.6m (2022: £4.1m).

9. Earnings per share

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

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. At 31 March 2023 the potential dilutive ordinary shares amounted to 1,370,679 (2022: 1,504,604) as calculated in accordance with IAS 33.

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

	2023 £m	2022 £m
Profit for the year	16.8	25.7

	2023 Number	2022 Number
Weighted average number of shares for basic earnings per share	88,129,432	80,887,240
Share options	1,370,679	1,504,604
Weighted average number of shares for diluted earnings per share	89,500,111	82,391,844

	2023	2022
Basic earnings per share:		
From profit for the year	19.1p	31.8p
Diluted earnings per share:		
From profit for the year	18.8p	31.2p

Basic and diluted underlying earnings per share

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

	2023 £m	2022 £m
Underlying earnings (see note 8)	33.5	31.5

	2023	2022
Basic underlying earnings per share	38.0p	38.9p
Diluted underlying earnings per share	37.4p	38.2p



10. Share-based payments

	Exercise price per share	Weighted average share price at date of exercise	1 April 2022	Granted	Exercised	Lapsed	31 March 2023	Date from which exercisable	Expiry date
Approved Performance Share Plan 2017 (APSP)	Nil	—	2,101	—	—	—	2,101	16.11.20	16.11.27
Approved Performance Share Plan 2018 (APSP)	Nil	—	—	—	—	—	—	25.07.21	25.07.28
Approved Performance Share Plan 2019 (APSP)	Nil	—	809,340	—	—	(809,340)	—	23.07.22	23.07.29
Approved Performance Share Plan 2020 (APSP)	Nil	—	952,448	—	—	(105,017)	847,431	25.11.23	25.11.30
Approved Performance Share Plan 2021 (APSP)	Nil	—	699,583	—	—	(67,788)	631,795	20.07.24	21.07.31
Approved Performance Share Plan 2022 (APSP)	Nil	—	—	1,069,374	—	—	1,069,374	20.07.24	21.07.31
Deferred Bonus Plan 2019 (DBP)	Nil	225p	87,381	—	(87,381)	—	—	23.07.22	23.07.29
Deferred Bonus Plan 2021 (DBP)	Nil	—	109,455	—	—	—	109,455	25.11.23	25.11.30
Deferred Bonus Plan 2022 (DBP)	Nil	—	—	128,992	—	—	128,992	19.07.25	19.07.32
Save As You Earn Scheme (11) (SAYE)	201p	210p	31,201	—	(22,773)	(8,428)	—	01.03.22	31.08.22
Save As You Earn Scheme (12) (SAYE)	208p	200p	132,766	—	(867)	(19,946)	111,953	01.03.23	31.08.23
Save As You Earn Scheme (13) (SAYE)	164p	180p	623,803	—	(1,524)	(49,396)	572,883	01.03.24	31.08.24
Save As You Earn Scheme (14) (SAYE)	266p	—	166,619	—	—	(93,398)	73,221	01.03.25	31.08.25
Save As You Earn Scheme (15) (SAYE)	161p	—	—	735,679	—	(27,950)	707,729	01.03.26	31.08.26

Details of the terms of the APSP, DBP and SAYE schemes are disclosed in the Directors' Remuneration Report.

For SAYE schemes the weighted average exercise price of all outstanding share options at 31 March 2023 was 171p (2022: 189p).

The weighted average exercise price for APSP and DBP schemes, of all outstanding share options at 31 March 2023 was £nil (2022: £nil).

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. A charge of £1.2m was recognised in respect of share options in the year (2022: £1.1m) including £0.3m (2022: £0.4m) in respect of the Directors' share options. The highest paid Director's share options accounted for £0.2m (2022: £0.2m) of the charge. The Group uses a Black-Scholes pricing model to determine the annual charge for its share-based payments. The assumptions used in this model for each share-based payment are as follows:

	SAYE (11)	SAYE (12)	SAYE (13)	SAYE (14)	SAYE (15)
Date of grant	14.12.18	13.12.19	23.12.20	20.12.21	12.01.23
Initial exercise price	201p	208p	164p	266p	161p
Number of shares granted initially	120,220	306,649	692,908	173,385	735,679
Expected volatility	30.0%	31.0%	42.2%	44.5%	45.5%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.9%	0.3%	1.3%	1.9%	3.8%
Expected dividend yield	4.1%	4.0%	3.8%	2.8%	4.8%

	APSP 2018	APSP 2019	APSP 2020	APSP 2021	APSP 2022
Date of grant	25.07.18	23.07.19	25.11.20	21.07.21	19.07.22
Initial exercise price	Nil	Nil	Nil	Nil	Nil
Number of shares granted initially	861,023	861,447	970,695	700,458	1,069,374
Expected volatility	30.0%	31.0%	42.2%	44.5%	45.5%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.9%	0.9%	1.3%	1.9%	3.8%
Expected dividend yield	4.1%	4.0%	3.8%	2.8%	—

	DBP 2019	DBP 2021	DBP 2022
Date of grant	23.07.19	21.07.21	19.07.22
Initial exercise price	Nil	Nil	Nil
Number of shares granted initially	87,381	109,455	128,992
Expected volatility	31.0%	44.5%	45.5%
Expected option life	3 years	3 years	3 years
Risk free rate	0.9%	1.9%	3.8%
Expected dividend yield	4.0%	2.8%	—

The share price at 31 March 2023 was 186p. The average price during the year was 209.6p. Expected volatility is the Company's three-year historical share price volatility.



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

11. Goodwill

	2023 £m	2022 £m
At 1 April	61.2	60.8
Additions	47.7	—
Exchange differences	(1.0)	0.4
At 31 March	107.9	61.2

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

	2023 £m	2022 £m
Croydex	7.8	7.8
Abode	0.8	0.8
Triton Showers	19.1	19.1
Merlyn	25.5	25.5
Grant Westfield	47.7	—
Tile Africa	2.6	3.0
House of Plumbing	4.4	5.0
	107.9	61.2

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

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

- cash flows before income taxes are based on approved budgets and management projections for the first five years;
- long-term growth rates of 2.0% (2022: 2.0%) for Croydex, Abode, Merlyn, Triton Showers and Grant Westfield and 4.0% (2022: 4.0%) for Tile Africa and House of Plumbing applied to the period beyond which detailed budgets and forecasts do not exist, based on macroeconomic projections for the geographies in which the entities operate; and
- pre-tax discount rates of 11.7% (2022: 11.4%) in the UK and 17.4% (2022: 16.8%) in South Africa based upon the risk free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities and investing in the Group's specific sectors and regions.

Management has applied sensitivities to the key assumptions, including discount rates and growth rates, and believes that there are no reasonably possible scenarios which would result in an impairment of goodwill.



12. Intangible assets

	Customer relationships £m	Brands, trade names and patents £m	Development costs £m	Product certification costs £m	Total £m
Cost					
At 1 April 2021	38.6	10.1	0.6	0.2	49.5
Exchange differences	0.1	—	—	—	0.1
At 31 March 2022	38.7	10.1	0.6	0.2	49.6
Acquisitions	32.5	3.0	—	—	35.5
Additions	—	—	0.6	0.5	1.1
Disposals	—	—	(0.2)	—	(0.2)
Exchange differences	(0.2)	—	—	—	(0.2)
At 31 March 2023	71.0	13.1	1.0	0.7	85.8
Accumulated amortisation					
At 1 April 2021	11.3	4.6	0.6	0.2	16.7
Charge for the year	2.9	0.9	—	—	3.8
At 31 March 2022	14.2	5.5	0.6	0.2	20.5
Charge for the year	5.1	1.1	0.1	—	6.3
Disposals	—	—	(0.2)	—	(0.2)
At 31 March 2023	19.3	6.6	0.5	0.2	26.6
Net book amount at 31 March 2022	24.5	4.6	—	—	29.1
Net book amount at 31 March 2023	51.7	6.5	0.5	0.5	59.2

The amortisation charge for intangibles generated on acquisition is £6.2m (2022: £3.7m) for the year and is included in the acquisition related costs in the Consolidated Income Statement. The amortisation charge for internally generated or acquired intangibles was £0.1m (2022: £0.1m) and was included in the Consolidated Income Statement in the current and prior year.



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2021	33.2	97.8	131.0
Exchange differences	0.5	1.5	2.0
Additions	0.3	5.0	5.3
Disposals	—	(1.4)	(1.4)
At 31 March 2022	34.0	102.9	136.9
Exchange differences	(1.1)	(3.9)	(5.0)
Additions	0.6	4.8	5.4
Acquisitions	—	4.0	4.0
Disposals	(0.2)	(3.1)	(3.3)
At 31 March 2023	33.3	104.7	138.0
Accumulated depreciation			
At 1 April 2021	20.9	82.1	103.0
Exchange differences	0.1	1.1	1.2
Charge for the year	0.6	4.5	5.1
Disposals	—	(1.4)	(1.4)
At 31 March 2022	21.6	86.3	107.9
Exchange differences	(0.4)	(2.9)	(3.3)
Acquisitions	—	2.9	2.9
Impairment	2.1	2.0	4.1
Charge for the year	0.6	4.3	4.9
Disposals	(0.2)	(3.1)	(3.3)
At 31 March 2023	23.7	89.5	113.2
Net book amount at 31 March 2022	12.4	16.6	29.0
Net book amount at 31 March 2023	9.6	15.2	24.8

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

In line with guidance from the Financial Reporting Council, the Group reviews all cash-generating units to determine whether any of the assets related to our operations are impaired. These reviews are performed by comparing the estimated future cash flows generated by the divisions with the carrying value of the assets generating those cash flows. The future cash flows are sensitised for items including reduced margins, increasing energy costs and working capital variances to illustrate a value in use for the business. The discount rates used were in line with the UK pre-tax discount rates utilised in the goodwill impairment assessments. As a result of these reviews and demand uncertainty, tangible and right of use assets within the Johnson Tiles UK business have been impaired with a non-cash impairment charge of £5.0m recognised as an exceptional item in the Income Statement. Impairment of property plant and equipment totalled £4.1m.



14. Right of use asset

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2021	23.9	4.9	28.8
Exchange differences	0.9	0.1	1.0
Additions	1.9	1.2	3.1
Modifications	0.9	—	0.9
Disposals	(0.2)	(0.3)	(0.5)
At 31 March 2022	27.4	5.9	33.3
Exchange differences	(2.4)	(0.2)	(2.6)
Acquisitions	1.7	0.3	2.0
Additions	1.3	1.8	3.1
Modifications	2.2	—	2.2
Disposals	(0.2)	(0.3)	(0.5)
At 31 March 2023	30.0	7.5	37.5
Accumulated depreciation			
At 1 April 2021	6.1	3.1	9.2
Exchange differences	0.3	0.1	0.4
Charge for the year	3.3	0.8	4.1
Disposals	(0.1)	(0.2)	(0.3)
At 31 March 2022	9.6	3.8	13.4
Exchange differences	(1.0)	(0.1)	(1.1)
Impairment	—	0.9	0.9
Charge for the year	3.7	0.9	4.6
Disposals	—	(0.3)	(0.3)
At 31 March 2023	12.3	5.2	17.5
Net book amount at 31 March 2022	17.8	2.1	19.9
Net book amount at 31 March 2023	17.7	2.3	20.0

Impairment in the year related to the impairment of leased right of use assets which was part of the Johnson Tiles UK impairment.

15. Inventories

	2023 £m	2022 £m
Raw materials and consumables	15.3	12.6
Work in progress	1.2	0.8
Finished goods	87.4	87.2
	103.9	100.6

Provisions held against inventories totalled £9.4m (2022: £9.1m).

The cost of inventories recognised as an expense within cost of sales in the Income Statement amounted to £232.0m (2022: £218.6m).

During the year the Group charged £1.3m (2022: £3.6m) of inventory write-downs to the Income Statement within cost of sales.

16. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	80.2	68.1
Less: impairment loss allowance	(1.5)	(1.2)
Trade receivables – net	78.7	66.9
Other receivables	1.3	0.9
Prepayments and accrued income	3.3	3.3
	83.3	71.1

All trade and other receivables are current. The net carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values.



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

16. Trade and other receivables continued

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

	2023 £m	2022 £m
Sterling	66.4	53.1
South African Rand	15.9	16.4
Euro	1.0	1.6
	83.3	71.1

Impairment of trade receivables

	Not yet due £m	0-1 month overdue £m	1-2 months overdue £m	2-3 months overdue £m	>3 months overdue £m	Total £m
31 March 2023						
Expected credit loss rate	0.1%	0.1%	6.7%	14.3%	28.2%	1.9%
Gross trade receivables	64.2	9.9	1.5	0.7	3.9	80.2
Loss allowance	0.1	0.1	0.1	0.1	1.1	1.5
31 March 2022						
Expected credit loss rate	0.2%	2.4%	8.3%	10.0%	23.5%	1.8%
Gross trade receivables	58.4	4.1	1.2	1.0	3.4	68.1
Loss allowance	0.1	0.1	0.1	0.1	0.8	1.2

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

	2023 £m	2022 £m
At the beginning of the year	1.2	0.9
Acquired	0.2	—
Provision for receivables impairment	0.3	0.3
Receivables written off during the year as uncollectable	(0.1)	(0.1)
Exchange differences	(0.1)	0.1
At the end of the year	1.5	1.2

17. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	29.0	27.4

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

18. Trade and other payables

	2023 £m	2022 £m
Trade payables	50.8	56.6
Other tax and social security payables	7.5	5.0
Other payables	4.1	1.9
Accruals and deferred income	36.8	38.9
	99.2	102.4

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



19. Lease liabilities

	Land and buildings £m	Plant and equipment £m	Total £m
At 1 April 2021	21.3	2.9	24.2
Exchange differences	0.7	—	0.7
Additions	1.9	1.2	3.1
Modifications	0.9	—	0.9
Disposals	(0.1)	(0.1)	(0.2)
Interest charge	1.6	0.1	1.7
Gross lease payments	(5.0)	(1.4)	(6.4)
At 1 April 2022	21.3	2.7	24.0
Exchange differences	(1.6)	(0.2)	(1.8)
Acquired	1.7	0.3	2.0
Additions	1.3	1.8	3.1
Modifications	2.2	—	2.2
Disposals	(0.2)	—	(0.2)
Interest charge	1.7	0.1	1.8
Gross lease payments	(4.9)	(1.5)	(6.4)
At 31 March 2023	21.5	3.2	24.7

Lease liabilities are split into £6.1m (2022: £5.7m) payable in less than one year and £18.6m (2022: £18.3m) payable after one year.

20. Financial liabilities – borrowings

	2023 £m	2022 £m
Non-current		
Bank borrowings (unsecured):		
– bank loans	80.0	20.0
– less: costs of raising finance	(1.1)	(1.2)
Total borrowings	78.9	18.8

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

The repayment terms of borrowings are as follows:

	2023 £m	2022 £m
Not later than one year	—	—
After more than one year:		
– between one and two years	—	—
– between two and five years	80.0	20.0
– costs of raising finance	(1.1)	(1.2)
Total borrowings	78.9	18.8

Capital risk management

The amount of committed banking facility remains at £130m (plus a £70m uncommitted accordion). The Group exercised the first of its two one-year extension options in the year, extending the maturity date to October 2026.

This facility provides the Group with a sound financial structure for the medium term and, by reference to the £130m facility available at year end, with £76.2m of headroom being available at 31 March 2023 (2022: £133.4m), after taking into account net debt and ancillary facilities in use of £2.8m (2022: £4.0m) and overseas cash. The Group has been in compliance with all banking covenants (leverage and interest cover covenants) during the year.

Interest rate profile

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

	2023 %	2022 %
Bank loans	6.1	1.9

At 31 March 2023 the bank loans carried interest based on SONIA plus a margin of 1.9% (2022: SONIA plus 1.9%).

**NOTES TO THE GROUP ACCOUNTS CONTINUED**

Year ended 31 March 2023

20. Financial liabilities – borrowings continued**Net (debt)/cash**

The Group's net (debt)/cash is calculated as follows:

	2023 £m	2022 £m
Cash and cash equivalents	29.0	27.4
Total borrowings	(78.9)	(18.8)
	(49.9)	8.6

Currency profile of net debt

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

	2023 £m	2022 £m
Sterling	(71.0)	(15.4)
Euro	0.4	0.4
US Dollar	0.5	1.4
South African Rand	18.6	20.1
Chinese Renminbi	1.6	2.1
	(49.9)	8.6

21. Financial instruments

During the year the Group held financial instruments relating to the risks of the Group's operations.

Financial risk management

The Group's operations expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and energy price risk); credit risk; and liquidity risk. The Group actively seeks to limit the adverse effects of these risks on the financial performance of the Group.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily the US Dollar, the Euro, the Renminbi and the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The foreign currency risk associated with anticipated sales and purchase transactions is hedged out up to twelve months on a rolling basis. Basis adjustments are made to the initial carrying amounts of inventories when the inventories are initially recorded.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount and life) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates. This means that there is an economic relationship between the hedging instrument (the foreign exchange forward derivatives) and the hedged item (highly probable forecast sales and purchases in foreign currency).

The notional value of the hedging instrument (the derivative) is consistent with the designated value of the underlying exposure. Therefore the hedge ratio is 1:1 in all cases. However, potential future rebalancing can be performed if needed.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. Other sources of ineffectiveness arising from these hedging relationships are changes in the settlement date or amount. However, the Group reviews all hedges on every reporting date to ensure their effectiveness.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group has the ability to secure a substantial proportion of its bank loans at fixed rates via interest rate swaps. However, due to the cash generated to pay down borrowings and historically low UK SONIA rates, the Group has decided not to take out any such swaps at the present time. This position is regularly reassessed.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. Each Group business is responsible for managing and analysing the credit risk of potential customers prior to offering credit terms and on an ongoing basis and uses independent ratings agencies, past trading experience and other factors in order to assess the credit quality of the customer. Additionally, the Group maintains a credit insurance policy for all its operations which covers a substantial portion of the Group's trade debtors. For banks and financial institutions only independently rated parties with a strong rating are accepted.



21. Financial instruments continued

Liquidity risk

The Group's banking facilities are designed to ensure there are sufficient funds available for current operations and the Group's further development plans. Cash flow forecasting is performed by the Group's businesses on a rolling basis and is monitored centrally to ensure that sufficient cash is available to meet operational needs while maintaining an appropriate level of headroom on undrawn committed borrowing facilities. At 31 March 2023 the facility had £76.2m of headroom (2022: £133.4m) after taking account of ancillary facilities and overseas cash. The maturity date of the facility is October 2026.

Financial instruments

The Group's financial instruments comprise borrowings, cash, trade receivables and payables, contingent consideration and forward exchange contracts. Based on the hierarchy defined in IFRS 13, contingent consideration is classified as a level 3 instrument. An assessment as to the extent to which the contingent consideration will be payable was undertaken at the year end, and the expected cash payment has been discounted and recognised in non-current liabilities. The remainder of the Group's financial instruments are classified as level 2 instruments. Consequently, fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Financial liabilities

The table below analyses the value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date.

	Not later than one year £m	Later than one year but not later than two years £m	Later than two years but not later than five years £m	Later than five years £m	Total £m
Borrowings ¹	0.4	0.4	20.7	—	21.5
Lease liabilities ²	5.7	5.2	11.9	8.1	30.9
Trade and other payables	102.4	—	—	—	102.4
At 31 March 2022	108.5	5.6	32.6	8.1	154.8
Borrowings ¹	4.9	4.9	87.3	—	97.1
Lease liabilities ²	6.1	5.3	9.0	10.9	31.3
Trade and other payables ³	99.2	—	10.0	—	109.2
At 31 March 2023	110.2	10.2	106.3	10.9	237.6

1 Borrowings include interest costs calculated using the applicable interest rate at year end.

2 Lease liabilities are on an undiscounted basis.

3 Trade and other payables due later than two years but not later than five years relate to contingent consideration and deferred remuneration in relation to the acquisition of Grant Westfield and are on an undiscounted basis.

Derivative foreign currency contracts

The following table details the foreign currency forward contracts outstanding at the end of the reporting year.

	Carrying amount £m	Notional amount £m	Loss recognised in Income Statement £m	Change in fair value taken to hedge reserve £m
As at 31 March 2022:				
Assets	1.6	66.3	—	3.9
As at 31 March 2023:				
Liabilities	(2.0)	64.4	—	(3.6)

As at 31 March 2023, the aggregate amount of (losses)/gains under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to these anticipated future purchase transactions is a loss of £2.0m (2022: gain of £1.6m). It is anticipated that the purchases will take place during the twelve months of the financial year ended 31 March 2024, at which time the amount deferred in equity will be removed from equity and included in the carrying amount of the inventories which are expected to be sold within twelve months of purchase.

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Hedging reserve £m
Fair value	
At 1 April 2022	1.5
Effective portion of changes in fair value	(3.6)
Amount transferred to inventories	(0.1)
Tax effect	0.8
At 31 March 2023	(1.4)



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

21. Financial instruments continued

Sensitivity analysis

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

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

As the Group has borrowings of £80.0m, the effect of a 1% change in market interest rates would be a change in the net finance costs of approximately £0.8m (2022: £0.2m) per annum.

(b) 5% strengthening or weakening in major currencies

A number of the Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening or weakening of Sterling across all currencies would lead to a circa £3.3m (2022: £3.2m) decrease or increase in net assets respectively.

The Group's profits and losses are exposed to both translational and transactional risk of fluctuations in foreign currency risk. The Group seeks to mitigate the majority of its transactional risk using forward foreign exchange contracts and product pricing. Taking into account the unmitigated translational impact, a 5% strengthening or weakening in Sterling against all other currencies would result in an increase or decrease in reported profits of circa £0.5m respectively.

22. Deferred tax

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

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

The analysis of deferred tax assets and liabilities is as follows:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Intangibles £m	Other £m	Total £m
At 1 April 2021	0.1	3.5	(5.7)	1.6	(0.5)
(Charged)/credited to the Consolidated Income Statement	(0.2)	0.8	(0.7)	1.0	0.9
Charged to other comprehensive income	—	(9.2)	—	(0.6)	(9.8)
Exchange differences	—	—	—	—	—
At 31 March 2022	(0.1)	(4.9)	(6.4)	2.0	(9.4)
Acquisitions	(0.2)	—	(8.9)	—	(9.1)
(Charged)/credited to the Consolidated Income Statement	(0.1)	(0.7)	1.2	0.4	0.8
Charged to other comprehensive income	—	1.9	—	0.8	2.7
Exchange differences	—	—	—	—	—
At 31 March 2023	(0.4)	(3.7)	(14.1)	3.2	(15.0)

	2023 £m	2022 £m
Deferred tax assets:		
– to be recovered after more than twelve months	3.0	1.6
– to be recovered within twelve months	0.2	0.4
	3.2	2.0
Deferred tax liabilities:		
– to be charged after more than twelve months	(1.1)	(11.0)
– to be charged within twelve months	(17.1)	(0.4)
	(18.2)	(11.4)
Deferred tax liabilities (net)	(15.0)	(9.4)

Other deferred tax assets relate to share-based payment expenses, provisions and other timing differences.

At the Balance Sheet date the Group has recognised £nil (2022: £nil) in respect of tax losses. No deferred tax asset has been recognised in respect of £6.7m (2022: £6.7m) of UK tax losses as whilst the losses are considered to have no date of expiry, the Company does not believe that utilisation of these losses is probable.

In the prior year, an increase to the UK corporation tax rate from 19% to 25% from 1 April 2023 was enacted and so deferred tax assets and liabilities were grossed up accordingly.

23. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	Total £m
At 1 April 2021	1.0	0.9	2.1	4.0
Credited to the Income Statement	—	—	(0.9)	(0.9)
Property lease discount	—	—	0.1	0.1
Utilisation	(0.1)	(0.2)	(1.3)	(1.6)
At 31 March 2022	0.9	0.7	—	1.6
Charged to the Income Statement	—	4.5	—	4.5
Utilisation	—	(0.4)	—	(0.4)
At 31 March 2023	0.9	4.8	—	5.7

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

The restructuring provision relates to costs to be incurred in relation to the aforementioned Norcros Adhesives closure and due to uncertainty regarding timing of utilisation, the amounts are included within provisions. In addition to the £4.5m above, which has been recognised as a current provision, £0.3m of the £4.8m charge has been credited to accruals.

24. Retirement benefit obligations

(a) Pension costs

Norcros Security Plan

The Norcros Security Plan (the Plan), the principal UK pension scheme of the Group's UK subsidiaries, is funded by a separate trust fund which operates under UK trust law and is a separate legal entity from the Company. The Plan is governed by a Trustee company, which has a board currently composed of three employer representatives and three member representatives. The Trustee is required by law to act in the best interests of the Plan members and is responsible for setting policies together with the Company.

It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits. Norcros plc itself has no employees other than the Directors and so has no liabilities in respect of these pension schemes. The scheme closed to new members and future accrual with effect from 1 April 2013, though active members retain a salary link. This means that employed members of the Plan who were building up benefits at the date of closure to accrual will receive a pension based on their service to 1 April 2013 but using their final pensionable salary at the point they leave employment or retire from the Plan. As a result of the closure a new defined contribution pension scheme was implemented to replace the Plan from the same date.

The weighted average duration of the defined benefit obligation is approximately 11 years (2022: 15 years) and can be attributed to the scheme members as follows:

	2023	2022
Employee members	2%	2%
Deferred members	24%	28%
Pensioner members	74%	70%
Total	100%	100%

The Plan assets do not include any investments in the Company or any property or other assets utilised by the Company.

The Plan is funded by the Company based on a separate actuarial valuation for funding purposes for which the assumptions may differ from those below. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustee and the Company.

In the prior year, the Group reached agreement with the Trustee on the 31 March 2021 triennial actuarial valuation for the UK defined benefit scheme and on a new deficit recovery plan. The actuarial deficit at 31 March 2021 was £35.8m (2018: £49.3m). Deficit repair contributions were agreed at £3.8m per annum from 1 April 2022 to March 2027 (increasing with CPI, capped at 5% per year).

In line with the previous agreement the Group made deficit recovery contributions of £3.8m (2022: £3.3m) into its UK defined benefit pension scheme during the year to 31 March 2023.

Risks

The Plan exposes the Company to a number of actuarial risks which may result in a material change in the net scheme surplus/deficit and potentially result in an increase in cash contributions in later years and higher charges being recognised in future Income Statements. Given the long-term time horizon of the scheme's cash flows this may result in volatility in the valuation of the net scheme surplus from year to year. The main risks are set out below:

Mortality risk – the assumptions used by the Group allow for improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Plan and consequently an increase in scheme liabilities. The Group regularly reviews the mortality assumptions to minimise the risk of using an inappropriate assumption.



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

24. Retirement benefit obligations continued

(a) Pension costs continued

Risks continued

Interest rate risk – a reduction in corporate bond yields would result in a lower discount rate being used to value the scheme liabilities and consequently result in an increase in scheme liabilities. Additionally, an increase in inflation would increase the scheme liabilities as the majority of the pension payments increase in line with inflation, although there are a number of caps in place to ensure that the impact of high inflation is minimised. To mitigate some of the investment volatility a proportion of the scheme assets are held in liability-driven investments which involve hedging some of the Plan's exposure to changes in interest rates and inflation by investing in assets that match the sensitivity of its liabilities. This means that if interest rates or inflation expectations change, assets and liabilities rise or fall together, and the funding level of the Plan should be less volatile.

Investment risk and currency risk – a reduction in the value of investments caused by fluctuating exchange rates and a variety of other market factors would result in a lower valuation of scheme assets. The scheme invests in a diversified range of asset classes to mitigate the risk of falls in any one area of the investments and implements partial currency hedging on the overseas assets to mitigate currency risk.

Defined contribution pension schemes

Contributions made to these schemes amounted to £4.0m (2022: £3.7m).

(b) IAS 19R, 'Employee benefits'

Norcros Security Plan

The valuation used for IAS 19R disclosures has been based on the most recent actuarial valuation at 31 March 2021 and updated by Isio, a firm of qualified actuaries, to take account of the requirements of IAS 19R in order to assess the liabilities of the scheme at 31 March 2023. Scheme assets are stated at their market value at 31 March 2023.

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

	2023 Projected unit	2022 Projected unit
Discount rate	4.90%	2.75%
Inflation rate (RPI)	3.25%	3.70%
Inflation rate (CPI)	2.55%	2.90%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	2.90%	3.55%
Salary increases	2.80%	3.15%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements and are summarised below:

	2023	2022
Life expectancy at age 65:		
Current pensioners – males	19.8	19.7
Current pensioners – females	22.3	22.3
Future pensioners – males (currently aged 45)	20.7	20.6
Future pensioners – females (currently aged 45)	23.5	23.4

Members are assumed to take a 25% (2022: 25%) cash commutation sum on retirement.

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

	2023 £m	2022 £m
Included in operating profit:		
IAS 19R pension administration expenses	1.6	1.7
IAS 19R finance (income)/cost	(0.6)	0.4
Total cost recognised in the Income Statement	1.0	2.1



24. Retirement benefit obligations continued

(b) IAS 19R, 'Employee benefits' continued

Norcros Security Plan continued

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

	Value at 31 March 2023 £m	Value at 31 March 2022 £m
Equities	67.1	99.6
Absolute return funds	—	25.3
Bonds	70.2	109.7
High yield	58.7	73.6
Liability-driven investments	98.7	70.1
Cash and gilts	5.2	9.6
Total fair value of scheme assets	299.9	387.9
Present value of scheme liabilities	(285.0)	(368.3)
Pension asset	14.9	19.6

The fair value of the scheme assets analysed by asset category and subdivided between those assets that have a quoted market price in an active market and those that do not (such as investment funds) are as follows:

	Value at 31 March 2023			Value at 31 March 2022		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	—	67.1	67.1	—	99.6	99.6
Absolute return funds	—	—	—	18.7	6.6	25.3
Bonds	—	70.2	70.2	—	109.7	109.7
High yield	—	58.7	58.7	—	73.6	73.6
Liability-driven investments	—	98.7	98.7	—	70.1	70.1
Cash and gilts	5.2	—	5.2	9.6	—	9.6
Total fair value of scheme assets	5.2	294.7	299.9	28.3	359.6	387.9

The majority of the Plan's assets are invested in pooled investment vehicles, where the fair value has been determined by the individual fund managers by applying fair value principles to the underlying investments.

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

	2023 £m	2022 £m
Asset/(deficit) at the beginning of the year	19.6	(18.3)
Employer contributions – deficit recovery	3.8	3.3
IAS 19R pension administration expenses	(1.6)	(1.7)
IAS 19R finance income/(cost)	0.6	(0.4)
Actuarial (losses)/gains	(7.5)	36.7
Asset at the end of the year	14.9	19.6

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

	2023 £m	2022 £m
Opening fair value of scheme assets	387.9	397.8
Employer contributions – deficit recovery	3.8	3.3
Interest income	10.4	7.9
Benefits paid	(22.0)	(23.5)
Actuarial (losses)/gains on scheme assets	(78.6)	4.1
IAS 19R pension administration expenses	(1.6)	(1.7)
Closing fair value of scheme assets	299.9	387.9

**NOTES TO THE GROUP ACCOUNTS CONTINUED**

Year ended 31 March 2023

24. Retirement benefit obligations continued

(b) IAS 19R, 'Employee benefits' continued

Norcros Security Plan continued

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

	2023 £m	2022 £m
Opening scheme liabilities	(368.3)	(416.1)
Interest cost	(9.8)	(8.3)
Actuarial gains/(losses) arising from changes in financial assumptions	82.5	15.3
Actuarial gains arising from changes in demographic assumptions	—	11.6
Actuarial (losses)/gains arising from experience adjustment	(11.4)	5.7
Benefits paid	22.0	23.5
Closing fair value of scheme liabilities	(285.0)	(368.3)

(vii) Amounts recognised in Other Comprehensive Income are as follows:

	2023 £m	2022 £m
Actuarial (losses)/gains	(7.5)	36.7
Deferred tax	1.9	(9.2)
	(5.6)	27.5

(viii) Sensitivities

Judgements are required in relation to the principal assumptions. The sensitivities regarding these principal assumptions used to measure the Plan's liabilities are as follows:

Assumption	Impact on scheme obligations	
	2023 £m	2022 £m
Discount rate – 0.1% decrease	2.6	4.0
Inflation rate (RPI and CPI) ¹ – 0.1% increase	1.5	3.0
Increase in life expectancy by one year	11.2	17.0

¹ This includes the impact on salary increase and deferred and in payment pension increase assumptions.

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

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

25. Called up share capital

	2023 £m	2022 £m
Issued and fully paid		
2023: 89,274,204 (2022: 81,052,426) ordinary shares of 10p each	8.9	8.1

During the period 8,088,700 ordinary shares were issued as an equity placing ahead of the Grant Westfield acquisition resulting in a share premium of £17.2m. 133,078 of 10p ordinary shares were also issued in order to satisfy vesting of options under the Company's Approved Performance Share Plan, Deferred Bonus Plan and SAYE schemes resulting in share premium of £0.1m.

26. Other non-current liabilities

	2023 £m	2022 £m
Contingent consideration	5.1	—
Deferred remuneration	0.8	—
Other non-current liabilities	0.3	0.3
	6.2	0.3

Other non-current liabilities relate to post-retirement healthcare liabilities in our South African business.



27. Consolidated Cash Flow Statement

(a) Cash generated from operations

The analysis of cash generated from operations is given below:

	2023 £m	2022 £m
Profit before taxation	21.7	33.0
Adjustments for:		
- IAS 19R administrative expenses included in the Income Statement	1.6	1.7
- acquisition related costs included in the Income Statement	8.4	4.8
- exceptional items included in the Income Statement	9.8	(0.9)
- finance costs included in the Income Statement	6.4	2.8
- IAS 19R finance credit/(cost) included in the Income Statement	(0.6)	0.4
- cash flows from exceptional items and acquisition related costs	(3.3)	(1.7)
- depreciation of property, plant and equipment	4.9	5.1
- underlying amortisation	0.1	0.1
- depreciation of right of use asset	4.6	4.1
- pension fund deficit recovery contributions	(3.8)	(3.3)
- IFRS 2 charges	1.2	1.1
Operating cash flows before movement in working capital	51.0	47.2
Changes in working capital:		
- increase in inventories	(3.0)	(22.7)
- increase in trade and other receivables	(3.1)	(5.1)
- (decrease)/increase in trade and other payables	(7.2)	4.2
Cash generated from operations	37.7	23.6

(b) Outflow related to exceptional items

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

(c) Analysis of underlying net cash/(debt)

	Cash £m	Current borrowings £m	Non-current borrowings £m	Underlying net cash/(debt) £m	Lease liabilities £m	Net debt £m
At 1 April 2021	28.3	—	(17.8)	10.5	(24.2)	(13.7)
Cash flow	(2.5)	—	(2.0)	(4.5)	6.4	1.9
Non-cash finance costs	—	—	1.0	1.0	(1.7)	(0.7)
Other non-cash movements	—	—	—	—	(3.8)	(3.8)
Exchange movement	1.6	—	—	1.6	(0.7)	0.9
At 31 March 2022	27.4	—	(18.8)	8.6	(24.0)	(15.4)
Cash flow	4.5	—	(60.0)	(55.5)	6.4	(49.1)
Non-cash finance costs	—	—	(0.1)	(0.1)	(1.8)	(1.9)
Other non-cash movements	—	—	—	—	(7.2)	(7.2)
Exchange movement	(2.9)	—	—	(2.9)	1.9	(1.0)
At 31 March 2023	29.0	—	(78.9)	(49.9)	(24.7)	(74.6)

Non-cash finance costs relate to the movement in the costs of raising debt finance in the year.

28. Dividends

A final dividend in respect of the year ended 31 March 2022 of £6.2m (6.9p per 10p ordinary share) was paid on 29 July 2022 and an interim dividend of £3.0m (3.4p per 10p ordinary share) was paid on 10 January 2023. A final dividend in respect of the year ended 31 March 2023 of £6.1m (6.8p per 10p ordinary share) is to be proposed at the Annual General Meeting on 26 July 2023. These financial statements do not reflect this dividend.

29. Capital commitments

	2023 £m	2022 £m
Contracts placed for future capital expenditure not provided in the financial statements	0.5	0.3



NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2023

30. Related party transactions

The Group considers its Directors to be the key management personnel. Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group are set out in the Remuneration Report on pages 105 to 113. Share based payments in relation to the Directors can be found in note 10.

31. Business combinations

On 31 May 2022, the Group acquired 100% of the ordinary share capital of Granfit Holdings Limited and subsidiaries (Grant Westfield), a market leading designer, manufacturer and supplier of waterproof bathroom panels in the UK. The business was acquired due to its compelling strategic fit with our existing portfolio of businesses and its opportunities for sustainable growth. Full details of the acquisition are provided on the Group's website (www.norcros.com).

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

	£m
Consideration	
Net cash paid	78.3
Cash acquired	38.4
Contingent consideration	4.5
	121.2
	£m
Recognised amounts of identifiable assets and liabilities	
Intangible assets	35.5
Property, plant and equipment	1.1
Right of use assets	2.0
Inventories	4.7
Trade and other receivables	11.0
Cash	38.4
Trade and other payables	(7.8)
Current tax liabilities	(0.3)
Deferred tax liability	(9.1)
Lease liabilities	(2.0)
Total identifiable net assets	73.5
Goodwill	47.7
Total	121.2

The Group has determined the fair values of Grant Westfield's assets and liabilities with intangible assets (excluding goodwill) recognised of £35.5m representing the brand and customer relationships. The values of these intangibles are calculated using assumptions on the expected future profitability of the acquired business. A deferred tax liability of £9.1m has also been recognised mainly arising from the recognition of acquired intangible assets.

In most business combinations there is an element of cost which cannot be allocated against the individual assets and liabilities acquired. This residual amount is recognised as goodwill and is supported by a number of factors which do not meet the criteria required for them to be treated as intangible assets. In this case the most significant elements relate to Grant Westfield's unique product portfolio and its knowledgeable workforce. It is not expected at this stage that any of the goodwill will be deductible for tax purposes.

Total costs relating to the transaction of £3.0m have been expensed to the Consolidated Income Statement and included within acquisition related costs of £1.4m recognised in the year ended 31 March 2023 and the remaining £1.6m recognised in prior years.

Trade and other receivables of £11.0m is the net of £11.2m of gross contractual receivables and a £0.2m provision for doubtful debts.

The contingent consideration of £4.5m to the previous shareholders is dependent on the financial performance of Grant Westfield over the next three years. To the extent that certain profit and cash flow performance criteria are met, cash payments ranging from £nil to £7.0m (on an undiscounted basis) will be paid in the year ended 31 March 2026.

In addition, as part of the transaction a long-term incentive scheme has been put in place for key Grant Westfield management staff which is also dependent on the financial performance of Grant Westfield over the next three years. The maximum amount and current expectation is that £3.0m will be payable in cash under this scheme which will be treated as deferred remuneration and included within acquisition related costs in the Consolidated Income Statement.

The revenue and profit after tax included in the Consolidated Statement of Comprehensive Income since 31 May 2022 contributed by Grant Westfield are £39.5m and £3.4m respectively. On a pro-forma basis, Grant Westfield's revenue and profit after tax contribution had it been part of the Group from the beginning of the period, would have been £47.5m and £4.2m respectively.



31. Business combinations continued

The net cash outflow from the transaction reported within investing activities was as follows:

	£m
Cash consideration	116.7
Cash acquired	(38.4)
Net cash outflow reported in the Consolidated Cash Flow Statement	78.3

In addition to the above, a cash outflow of £3.0m relating to costs incurred in respect of the transaction has been included within cash generated from continuing operations, such that the total net cash outflow from the acquisition in the period was £81.3m. Net proceeds from the equity raise were £18.1m resulting in an overall impact of the acquisition on net debt of £63.2m.

**PARENT COMPANY BALANCE SHEET**

At 31 March 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Investments	3	177.3	177.3
Other receivables	4	27.1	—
Deferred tax assets	5	0.9	0.7
		205.3	178.0
Current liabilities			
Trade and other payables	6	(1.6)	(39.8)
Net current liabilities		(1.6)	(39.8)
Total assets less current liabilities		203.7	138.2
Non-current liabilities			
Financial liabilities – borrowings	7	(78.9)	(18.8)
Net assets		124.8	119.4
Financed by:			
Share capital	8	8.9	8.1
Share premium account		47.6	30.3
Treasury reserve		(0.1)	(0.1)
Retained earnings before loss for the financial year		73.1	83.4
Loss for the financial year		(4.7)	(2.3)
Total shareholders' funds		124.8	119.4

The financial statements of Norcros plc, registered number 3691883, on pages 160 to 166 were authorised for issue on 14 June 2023 and signed on behalf of the Board by:

Thomas Willcocks
Chief Executive Officer

James Eyre
Chief Financial Officer



PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Retained earnings £m	Total equity £m
At 1 April 2021	8.1	30.2	(0.1)	91.4	129.6
Comprehensive expense:					
Loss for the year	—	—	—	(2.3)	(2.3)
Total comprehensive expense for the year	—	—	—	(2.3)	(2.3)
Transactions with owners:					
Shares issued	—	0.1	—	—	0.1
Dividends paid	—	—	—	(9.1)	(9.1)
Equity-settled share options	—	—	—	—	—
Value of employee services	—	—	—	1.1	1.1
At 31 March 2022	8.1	30.3	(0.1)	81.1	119.4
Comprehensive expense:					
Loss for the year	—	—	—	(4.7)	(4.7)
Total comprehensive expense for the year	—	—	—	(4.7)	(4.7)
Transactions with owners:					
Shares issued	0.8	17.3	—	—	18.1
Dividends paid	—	—	—	(9.2)	(9.2)
Equity-settled share options	—	—	—	—	—
Value of employee services	—	—	—	1.2	1.2
At 31 March 2023	8.9	47.6	(0.1)	68.4	124.8



NOTES TO THE PARENT COMPANY ACCOUNTS

Year ended 31 March 2023

1. Statement of accounting policies

General information

Norcros plc (the Company) is the ultimate holding company of the Norcros Group, which designs, manufactures and distributes a range of high quality and innovative bathroom and kitchen products mainly in the UK and South Africa.

The Company is incorporated in the UK as a public company limited by shares and registered in England and Wales. The shares of the Company are listed on the London Stock Exchange market of listed securities. The address of its registered office is Ladyfield House, Station Road, Wilmslow SK9 1BU, UK.

Accounting reference date

UK company law permits a company to draw up financial statements to a date seven days either side of its accounting reference date. For operational reasons the Company has in the current financial year adopted an accounting period of 52 weeks, and as a result of this, the exact year-end date was 2 April 2023. All references to the financial year therefore relate to the 52 weeks commencing on 4 April 2022. In the previous year the accounting period was 52 weeks long, beginning on 5 April 2021 and ending on 3 April 2022.

Basis of preparation

Norcros plc is a qualifying entity able to apply FRS 101, 'Reduced disclosure framework'. The separate financial statements of the Company have been prepared in accordance with FRS 101, on the going concern basis and under the historical cost convention modified for fair values, and in accordance with the Companies Act 2006 and with applicable accounting standards.

These financial statements and accompanying notes have been prepared in accordance with the reduced disclosure framework for all periods presented. A separate profit and loss account dealing with the results of the Company has not been presented as permitted by Section 408(3) of the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 111 (cash flow statement information); and
 - 134–136 (capital management disclosures);
- IFRS 7, 'Financial instruments: disclosures';
- IAS 7, 'Statement of cash flows';
- IAS 8, 'Accounting policies, changes in accounting estimates and errors' – impact of future accounting standards;
- IAS 24 (paragraph 17), 'Related party disclosures' – key management compensation; and
- IAS 24, 'Related party disclosures' – the requirement to disclose related party transactions between two or more members of a group.

As the Group financial statements include the equivalent disclosures, the Company has taken the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2, 'Share-based payments', in respect of Group equity-settled share-based payments; and
- certain disclosures required by IFRS 13, 'Fair value measurement', and disclosures required by IFRS 7, 'Financial instruments: disclosures'.

Critical estimates and judgements

The Directors believe that there are no critical accounting estimates or judgements relating to these financial statements.

A summary of the more important accounting policies, which have been applied consistently, is set out opposite.



1. Statement of accounting policies continued

Investments in subsidiaries

Investments held as fixed assets are stated at cost, less any provision for impairment. The Directors believe the carrying value of investments is supported by their underlying assets and cash flow projections derived from detailed budgets and forecasts. Dividends received from investments are recognised on receipt of the dividend.

Foreign currency transactions

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

Taxation

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

Dividend distribution

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

Financial assets and liabilities

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

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

Share-based payments

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

2. Other information

Auditor's remuneration of £3,000 (2022: £3,000) and staff costs relating to two employees (2022: two) are borne by one of the Company's subsidiaries, without recharge.

Further information about the Directors' remuneration may be found in the Annual Report on Remuneration on pages 105 to 113.

3. Investments

	Shares in subsidiaries £m
At 1 April 2022 and 31 March 2023	177.3

Details of the subsidiaries owned by the Company, held both directly and indirectly, are shown in note 11.

4. Other receivables

	2023 £m	2022 £m
Amounts owed by Group undertakings	27.1	—

Amounts owed by Group undertakings are owed entirely by Norcros Group (Holdings) Limited. This intercompany receivable arose in the year due to the Company drawdown on bank facilities and subsequent loan to Norcros Group (Holdings) Limited. This drawdown was performed to facilitate the acquisition of Grant Westfield in the year.



NOTES TO THE PARENT COMPANY ACCOUNTS CONTINUED

Year ended 31 March 2023

5. Deferred tax assets

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

	2023 £m	2022 £m
Deferred tax asset	0.9	0.7

The analysis of the deferred tax asset is as follows:

	2023 £m	2022 £m
Other timing differences	0.9	0.7

	2023 £m	2022 £m
To be recovered after more than twelve months	—	—
To be recovered within twelve months	0.9	0.7
	0.9	0.7

The full potential asset for deferred tax is as follows:

	2023 £m	2022 £m
Other timing differences	0.9	0.7
Tax losses	4.5	4.5
	5.4	5.2

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

6. Trade and other payables

	2023 £m	2022 £m
Accruals	1.6	2.2
Amounts owed to Group undertakings	—	37.6
	1.6	39.8



7. Financial liabilities – borrowings

	2023 £m	2022 £m
Loans	80.0	20.0
Costs of raising finance	(1.1)	(1.2)
	78.9	18.8
Repayable after more than one year:		
– between one and two years	–	–
– between two and five years	80.0	20.0
– costs of raising finance	(1.1)	(1.2)
	78.9	18.8

The amount of committed banking facility remains at £130m (plus a £70m uncommitted accordion). The Group exercised the first of its two one-year extension options in the year, extending the maturity date to October 2026.

The Group has been in compliance with all banking covenants during the year.

8. Called up share capital

	2023 £m	2022 £m
Issued and fully paid		
2023: 89,274,204 (2022: 81,052,426) ordinary shares of 10p each	8.9	8.1

During the period 8,088,700 ordinary shares were issued as an equity placing ahead of the Grant Westfield acquisition resulting in a share premium of £17.2m. 133,078 10p ordinary shares were also issued in order to satisfy vesting of options under the Company's Approved Performance Share Plan, Deferred Bonus Plan and SAYE schemes resulting in share premium of £0.1m.

9. Dividends

A final dividend in respect of the year ended 31 March 2022 of £6.2m (6.9p per 10p ordinary share) was paid on 29 July 2022 and an interim dividend of £3.0m (3.4p per 10p ordinary share) was paid on 10 January 2023. A final dividend in respect of the year ended 31 March 2023 of £6.1m (6.8p per 10p ordinary share) is to be proposed at the Annual General Meeting on 26 July 2023. These financial statements do not reflect this dividend.

10. Related party transactions

The Company considers its two employees to be its key management personnel. Compensation for these employees, who have the sole responsibility for planning, directing and controlling the Company are set out in the Remuneration Report on pages 105 to 113. Employee remuneration is settled on behalf of the entity by Norcros Group (Holdings) Limited.

11. Contingent liabilities

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

**NOTES TO THE PARENT COMPANY ACCOUNTS CONTINUED**

Year ended 31 March 2023

12. Subsidiaries

The subsidiaries included in the financial statements are disclosed below. All companies are 100% owned by the Group.

Held directly by Norcros plc

Company	Country of incorporation or registration	Registered address
Norcros Group (Holdings) Limited	England	Ladyfield House, Station Road, Wilmslow SK9 1BU, United Kingdom

Held indirectly by Norcros plc

Company	Country of incorporation or registration	Registered address
Abode Home Products Ltd	England	Ladyfield House, Station Road, Wilmslow SK9 1BU, United Kingdom
Bathshoponline Ltd	England	As above
Carlton Holdings Ltd	England	As above
Crittall Construction Ltd	England	As above
Croydex Group Ltd	England	As above
Croydex Ltd	England	As above
Eurobath International Ltd	England	As above
H & R Johnson (Overseas) Ltd	England	As above
H & R Johnson Tiles Ltd	England	As above
Lincolnshire Properties (Norfolk Street) Ltd	England	As above
Merlyn Industries UK Ltd	England	As above
Metlex Industries Ltd	England	As above
Norcros (Trustees) Ltd	England	As above
Norcros Adhesives Ltd	England	As above
Norcros Developments Ltd	England	As above
Norcros Estates Ltd	England	As above
Norcros Group Trusteeships Ltd	England	As above
Norcros Industry (International) Ltd	England	As above
Norcros Securities Ltd	England	As above
Norcros Services Ltd	England	As above
Plumbex UK Ltd	England	As above
Samuel Booth and Company Ltd	England	As above
Stonechester (Stoke) Ltd	England	As above
Taps Direct Ltd	England	As above
Triton Industry Ltd	England	As above
Triton plc	England	As above
UBM Pension Trust Ltd	England	As above
Vado UK Ltd	England	As above
Grant Westfield Ltd	Scotland	Westfield Avenue, Edinburgh, Scotland
Granfit Holdings Ltd	Scotland	As above
Ocean Interiors GMBH	Germany	Vogt 21, 52072 Aachen, Germany
Ocean Interiors BV	Netherlands	WTC Heerlen Aachen, Vogt 21, 6422 RK Heerlen, Netherlands
Cronors Insurance Ltd	Guernsey	Dorey Court, Admiral Park, St. Peter Port GY1 2HT, Guernsey
Merlyn Industries Ltd	Ireland	Merlyn House, Purcellsinch Industrial Estate, Dublin Road, Kilkenny, Ireland
Christa 271 (Pty) Ltd	Namibia	3rd Floor, 344 Independence Avenue, Windhoek, Namibia
Tile Africa Windhoek Property (Pty) Ltd	Namibia	15 van Zyl Street, Suiderhof, Windhoek, Namibia
Ceracon (Pty) Ltd	South Africa	4 Porcelain Road, Olifantsfontein 1665, South Africa
General Adhesives (Pty) Ltd	South Africa	As above
Johnson Tiles Pty Ltd	South Africa	As above
Lesatsi Trading (Pty) Ltd	South Africa	As above
Norcros SA (Pty) Ltd	South Africa	As above
TAL (Pty) Ltd	South Africa	As above
Talcor Properties (Pty) Ltd	South Africa	As above
Tile Adhesives (Pty) Ltd	South Africa	As above
Tile Africa Group (Pty) Ltd	South Africa	As above
Triton SA (Pty) Ltd	South Africa	As above
RAP Plumbing Supplies (Pty) Ltd	South Africa	As above
Norcros Middle East Building Materials Trading LLC	UAE	Warehouse No. 5, St. No. 4, Umm Ramool, Marrakesh Road, P.O. Box 393937, Dubai, UAE



WORLD
LAND
TRUST™

www.carbonbalancedpaper.com
CBP019343

Norcros plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Heaven 42 Matt, an FSC® certified material.

This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

Produced by

designportfolio



NORCROS



Norcros plc
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

www.norcros.com