Norcros plc
Annual report and accounts 2019

norcros

Norcros is a market leading supplier of high quality and innovative bathroom and kitchen products.

We have seven complementary UK businesses: Triton Showers, Merlyn, Vado, Croydex, Abode, Johnson Tiles and Norcros Adhesives, and four complementary businesses in South Africa: Tile Africa, Johnson Tiles South Africa, TAL and House of Plumbing.

Our businesses have a long, successful track record of serving consumers, architects, designers, retailers and wholesalers. Our emphasis is on innovation, quality and service combined with a strong understanding of our customers' needs.

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

Pictured Abode: newly launched Hex, a range of mixer taps in a variety of configurations and finishes, for the growing trend of industrial elements and dark colourways.

UK portfolio

TRITON

abode

MERLYN

JOHNSON·TILES

VADO

norcros ADHESIVES

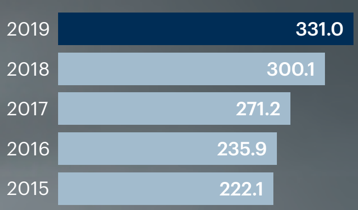
Croydex

Highlights

- Tenth consecutive year of growth
- Underlying operating profit up 25.5% at £34.4m (2018: £27.4m)
- Group operating profit was £25.1m (2018: £19.6m)
- Underlying ROCE at 18.2% (2018: 18.0%)
- Full year dividend increased by 7.7% to 8.4p
- Strong cash generation – net debt reduced by £12.1m to £35.0m
- Acquisition of House of Plumbing completed on 1 April 2019
- Group strategy – strong progress

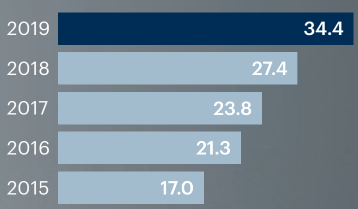
Total revenue £m

£331.0m +10.3%



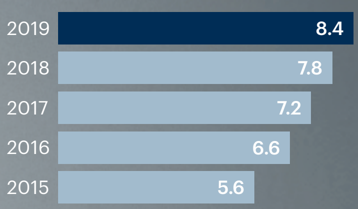
Underlying operating profit £m

£34.4m +25.5%



Dividend per share p

8.4p +7.7%



South African portfolio

TILEAFRICA

JOHNSON·TILES

tal

House of Plumbing

Further information and investor updates can be found on our website at **www.norcros.com**

At a glance

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

UK

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

Manufacturer and distributor of electric and mixer showers and accessories

The UK and Ireland's no. 1 supplier of shower enclosures and trays to the residential, commercial and hospitality sectors

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

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

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

Read more about our UK businesses on **pages 13 to 18**

The leading manufacturer and distributor of ceramic wall and floor tiles

Manufacturer of tile and stone adhesives and ancillary products

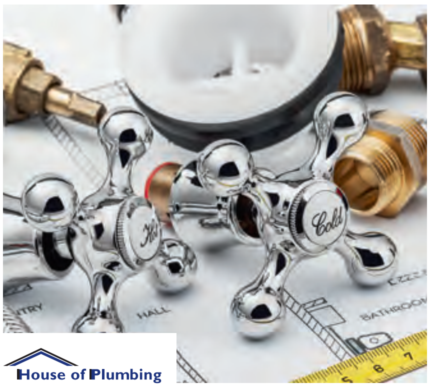
SOUTH AFRICA

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.

A leading retailer of local and international tiles and associated bathroom and kitchen products

A leading manufacturer and distributor of ceramic wall and floor tiles

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



A market leading supplier of specialist plumbing materials, focused on the specification and commercial segments of the market

Read more about our South African businesses on **pages 19 and 20**

Acquisition of House of Plumbing

APRIL 2019

- House of Plumbing has successfully supplied major projects throughout South Africa and neighbouring African countries, such as Angola, Zimbabwe, Mozambique, Zambia and Swaziland, since 2008
- Its projects cover industrial, commercial and residential applications
- Long-standing customers throughout the building industry rely on House of Plumbing's experience and deep knowledge of the products they supply
- They have an extensive range of stock items and an efficient, reliable and on-time delivery service

Read more in the Chief Executive's Statement on **pages 6 and 7**

Chairman's statement

Norcros has recorded another year of growth reflecting the resilience of the Group's business model.

"This is a testament to the management team, the strategy and its highly successful execution."

Overview

I am delighted to announce that Norcros has recorded another year of growth despite the uncertain economic and political backdrop in our two main markets. This reflects the resilience of the Group's business model and the success of our acquisition strategy. It also represents the Group's tenth consecutive year of revenue and underlying operating profit growth, which is a testament to the management team, the strategy and its highly successful execution.

Group revenue for the year was £331.0m, 10.3% higher than the prior year on a reported basis, 11.6% higher on a constant currency basis and 2.3% higher on a like for like constant currency basis. Underlying operating profit at £34.4m was 25.5% higher than the prior year, mainly reflecting the full-year contribution from Merlyn, the return to profitability of Johnson Tiles UK after the restructuring implemented in April 2018 and the strong performance at Triton. This has resulted in a 7.5% increase in underlying diluted earnings per share to 31.7p (2018: 29.5p).

Acquisition of House of Plumbing

The Group announced on 16 January 2019 its acquisition in South Africa of the House of Plumbing business which completed on 1 April 2019 for a total consideration of up to ZAR 215m (approximately £12.1m). The acquisition, funded entirely from local cash resources and existing facilities, is a further step in the Group's strategy to expand its bathroom product portfolio and follows on from a number of successful acquisitions, most recently that of Merlyn, which performed strongly in the year. House of Plumbing offers a range of complementary products and further reinforces the Group's strong positions in the commercial and specification segments of the market and will benefit from the additional distribution channels, procurement experience and strong financial position of the enlarged Group.

Brexit

The impact of Brexit on the Group remains an important short-term consideration for our businesses with potential consequences ranging from increases in cost prices, additional tariffs, lower consumer confidence levels and supply chain disruption. We have identified specific risks relevant to our business and prepared mitigation plans which are well developed. However, at this stage, whilst we are prepared, the high level of uncertainty of both the financial and political implications of Brexit make the success of mitigation activities difficult to predict.

Dividend

The Board is recommending a final dividend for the year of 5.6p (2018: 5.2p) per share. When combined with the interim dividend of 2.8p (2018: 2.6p) per share, which was paid on 11 January 2019, this will make a total dividend for the year of 8.4p (2018: 7.8p) per share, a 7.7% increase on the previous year.

Pension scheme

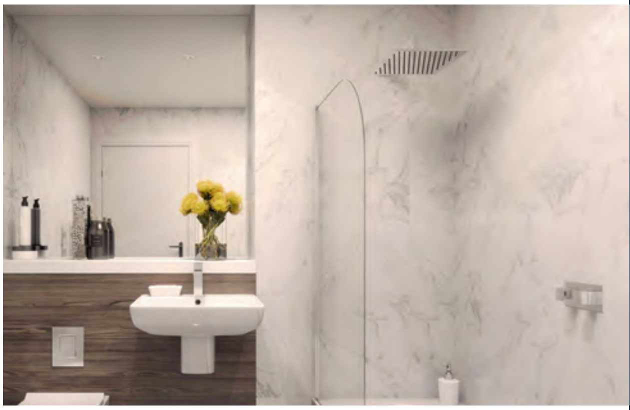
The net deficit relating to our UK defined benefit pension scheme (as calculated under IAS 19R) has reduced to £31.6m at 31 March 2019 from £48.0m at 31 March 2018, primarily due to the impact of the actual mortality rates experienced in the scheme.

We have reached agreement with the pension scheme Trustee on the 2018 actuarial valuation and on a new recovery plan. The actuarial deficit at 1 April 2018 was £49.3m (2015: £73.5m) and contributions of £3.25m per annum plus CPI will be payable for the 6.5 years to 30 September 2025. The Company and the Trustee regard this as an appropriate outcome. We remain confident that our pension obligations continue to be appropriately funded and well managed.

Background pattern: Johnson Tiles – Gill (Design Archive, 1971).

VADO

VADO CASE STUDY



Deansgate Square

THE CHALLENGE

Deansgate Square is a skyscraper cluster development under construction with developers, Renaker Build, on the southern edge of Manchester city centre. The site consists of four skyscrapers, the tallest of which will be 201 metres, when completed.

The development comprises 1,508 luxury apartments and exclusive penthouses, across four iconic towers, with the South Tower being the tallest building in the UK outside of London.

Aiming to set the standard for large-scale residential properties across the globe, VADO's challenge was to assure the project managers, who had previously only used competitors' products, that VADO was best placed to supply the full development.

THE SOLUTION

Renowned for its excellent customer service and agility in supporting large-scale developments, VADO displayed product samples, while demonstrating examples of other notable projects, to reassure the developers that only the finest brassware would be specified. VADO also presented to the appointed plumbing sub-contractors and offered its premium site care service, which entails working alongside the site plumbers at each stage of the development.

THE RESULT

VADO was able to supply 1,800 Tablet Notion shower valves and Aquablade shower heads for the main bathrooms and 1,800 Velo Square shower columns for the en suite bathrooms. To complete the contemporary bathroom aesthetic, VADO also supplied 3,200 Notion basin mixers.

Scheduled for completion in June 2019, VADO's involvement with this residential haven is a true celebration of its premium product offering, quality specification care package and excellent customer service.

Governance

As Chairman, one of my primary responsibilities is to ensure that the Group operates to the highest standards in all aspects of governance and risk management. Our aim at Norcros is to manage a growing business effectively, while ensuring that proper operating procedures and internal controls are maintained at all times. Transparency is central to this objective and you will find more detail about our approach and progress over the last year in the Corporate Governance section on pages 38 to 41.

People

We regard our employees as our most valuable asset and in recognition of this the Group aims to create an environment in which they can see their careers develop. On behalf of the Board I would like to once more thank the Group's employees who have helped to deliver upon the Group's strategic objectives and in particular for their dedication and contribution over the last twelve months. I would also like to welcome the management team and employees of the House of Plumbing business to the Group.

Strategy

The Group refreshed its "strategy for growth" at its successful Analyst and Investor Day in April 2018 and launched the next phase of its development, targeting further growth as part of its 2023 vision. This included an update of our strategic targets which are set out in the Group Chief Executive's statement. I am pleased to report that we have made good progress against these targets in the year.

The Board believes that our focus on our 2023 vision of being a leading supplier of bathroom and kitchen products in selected geographies, offering strong brands, contemporary designs with a reputation for quality, outstanding service and innovation will continue to deliver improved and sustainable returns for our shareholders.

Summary

The Group has delivered another robust performance in 2018/19 despite challenging market conditions. This demonstrates the resilience of our Group with its market leading positions, well-established brands, superior product and service offer and strong financial position. In addition, through the acquisition of the House of Plumbing business at the year-end the Group has taken a further step in its growth strategy by expanding its bathroom product portfolio and commercial and specification offer in South Africa on the back of strong organic revenue growth in that market. It is also particularly pleasing to note the strong performances of both Merlyn, in its first full year since its acquisition in November 2017, and Triton as well as the return to profitability of Johnson Tiles UK following the restructuring of the business, as announced in April 2018.

Whilst market conditions are likely to remain challenging, the Board is confident that these attributes will continue to drive market outperformance leading to further progress in the current year consistent with our strategic objectives.

Martin Towers

Martin Towers
Chairman
12 June 2019

Group Chief Executive's statement

The Group has achieved an important milestone in the year.

"With our leading market positions, portfolio of strong brands, continued new product investment, experienced management team and strong financial position, the Board remains confident that the Group will continue to make further progress for the year ending 31 March 2020."

Overview

The Group has achieved an important milestone in the year recording an uninterrupted decade of year on year revenue and underlying operating profit growth. Group revenue for the year increased by 10.3% to £331.0m (2018: £300.1m) on a reported basis, 11.6% on a constant currency basis, and 2.3% on a like-for-like constant currency basis. Group underlying operating profit was £34.4m, 25.5% higher than the £27.4m recorded in the prior year. Group revenue and Group underlying operating profit were £154.2m and £7.0m respectively in the year ended 31 March 2009.

Revenue in the UK was £228.1m for the year (2018: £200.6m) up 13.7% on prior year principally reflecting the full year contribution from Merlyn which has continued to perform strongly since acquisition. On a like for like basis UK revenue was broadly flat across the year having been 4.1% lower in the first half, recovering strongly with a 3.8% increase in the second half. The weaker first-half was largely due to significantly lower retail revenue at Johnson Tiles UK, which was anticipated and mainly due to the Kingfisher unified programme. Johnson Tiles apart, second half UK like for like revenue increased by 5.0% compared to an increase of 2.5% in the first half on the same basis. The second half on the same basis. The strong second half growth was driven by market share gains as new range listings were secured benefiting from access to the Group's extensive customer base and its strong financial position.

UK underlying operating profit for the year was 42.5% higher than the prior year at £26.5m (2018: £18.6m) with an underlying operating margin of 11.6% (2018: 9.3%). The improvement in profit and margin in the year mainly reflected the full year contribution from Merlyn, the return to profitability of Johnson Tiles after the successful execution of the restructuring programme and the strong performance at Triton.

Our South African business again delivered strong revenue growth despite a challenging market and an uncertain political environment. Revenue in South Africa of £102.9m (2018: £99.5m) was 7.2% higher than the prior year on a constant currency basis and 3.4% higher on a reported basis, continuing the strong outperformance of recent years. In Johnson Tiles SA revenue growth was driven by the focus on the independent customer base and the strong new product programme supported by the increase in manufacturing capacity. In TAL, developments in our flooring ranges and preferred partner status in construction projects led to growth ahead of the market. In Tile Africa, revenue growth benefited from the excellent progress made in the bathroom and tap category, driven in part by access to the wider-group supply chain, and also growth in the specification channel due to the "one-stop-shop" business model that has been implemented.

South African underlying operating profit for the year was, however, 10.2% lower at £7.9m (2018: £8.8m) including a £0.4m adverse impact from a weaker Rand. Underlying profitability and return on sales at 7.7% (2018: 8.8%) were lower than prior year reflecting the impact of a planned and non-comparable plant shutdown at Johnson Tiles South Africa to effect the plant capacity increase in the first half of the year, competitive pricing pressures on some volume lines and power rationing that impacted production and revenue in the final quarter of the year.

Group underlying operating profit at £34.4m (2018: £27.4m) was 25.5% higher than the prior year, with Group underlying operating margins increasing to 10.4% (2018: 9.1%). Underlying operating cash flow improved by 28.4% to £39.8m (2018: £31.0m) reflecting the improved underlying operating profit and continued focus on working capital management.

The Group has a strong balance sheet with net debt of £35.0m (2018: £47.1m), and leverage of 0.8 times underlying EBITDA (2018: pro forma 1.2 times).

Background pattern: Johnson Tiles – Amy (Design Archive, 1928).

On 16 January 2019 the Group announced the acquisition of House of Plumbing, a market leading supplier of specialist plumbing materials to the specification and commercial segment of the market for a total consideration of up to ZAR 215m (approximately £12.1m). The transaction completed on 1 April 2019 following clearance from the South African Competition Authority. The business operates from three branches in South Africa located in Johannesburg (which is also where the head office is based), Pretoria and Lephalale and employs 102 people, being led by an experienced management team who are staying with the business. For the year ended 30 April 2018, House of Plumbing's audited financial statements showed revenue of ZAR 392m (approximately £22.1m), EBITDA of ZAR 33m (approximately £1.9m) and profit before tax of ZAR 34m (approximately £1.9m).

Strategy

In April 2018 we launched a refreshed strategy for growth and a 2023 vision for the Group, including an updated set of strategic targets. During the year we have made good progress against the 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.

Group revenue in the current year has increased by 10.3% to £331.0m with our progress against the strategic targets reflecting the combination of acquisition driven growth of 9.2%, underlying organic growth of 2.3% and currency headwinds of -1.2%. A key factor in our strategy for revenue growth is the continued innovation of our product offer, reflected in 34% of the year's revenue (2018: 34%) being generated from products launched in the previous 3 years.

On a Sterling reported basis, Group revenue derived outside of the UK was 41.7% (2018: 44.3%), reflecting a full year of Merlyn's sales which are mainly in the UK. On a pro-forma basis including the House of Plumbing business and in constant currency terms, we are much more closely in line with our target at 46.4%.

Along with our existing business portfolio all the recently acquired businesses have made a significant contribution towards the Group's underlying return on capital employed of 18.2% (2018: 18.0%), which is ahead of our strategic target.

The performance of the Merlyn business in its first full year under Norcros ownership has been particularly pleasing. The business has already benefited from being part of the wider Norcros Group with further penetration of the specification channel being a direct result. There are also several potential new business opportunities being pursued in areas where Merlyn isn't currently represented utilising the strong positions and customer relationships enjoyed by other Group brands.

I am confident that we remain on track against our ambitious 2023 strategic targets. Looking forward, the combination of our successful record of targeting, acquiring, integrating and subsequently growing quality businesses within the Group, together with our leading customer service, best in class quality and innovative product development, gives me confidence that we will continue to make progress against our strategic targets and create value for our shareholders.

Summary and outlook

The Group has made good progress against its refreshed strategic targets during the year.

Whilst the UK market remains challenging with the Brexit outcome and the fragile political situation impeding activity levels, the strong performance of Triton and Merlyn in combination with a return to profitability of Johnson Tiles UK, together with the further development and progress in our other UK brands provides confidence that the business is well placed to capture further growth opportunities as they arise.

Our South African business has continued to deliver revenue growth, notwithstanding the political uncertainty and a challenging economic environment. Whilst there have been some short-term challenges which have impacted this year's profits the medium-term outlook in South Africa remains positive.

The markets in which we operate in the UK and South Africa remain highly fragmented and continue to provide excellent organic and acquisitive growth opportunities. Our most recent acquisition of the House of Plumbing business in South Africa is a good example of the Group capitalising on growth opportunities as we have expanded our product offering to the important commercial and specification segments as well as providing further opportunities to drive growth through geographical expansion of this business and also through our existing distribution channels.

With our leading market positions, portfolio of strong brands, continued new product investment, experienced management team and strong financial position, the Board remains confident that the Group will continue to make further progress for the year ending 31 March 2020.

Nick Kelsall
Group Chief Executive
12 June 2019

MERLYN

MERLYN CASE STUDY

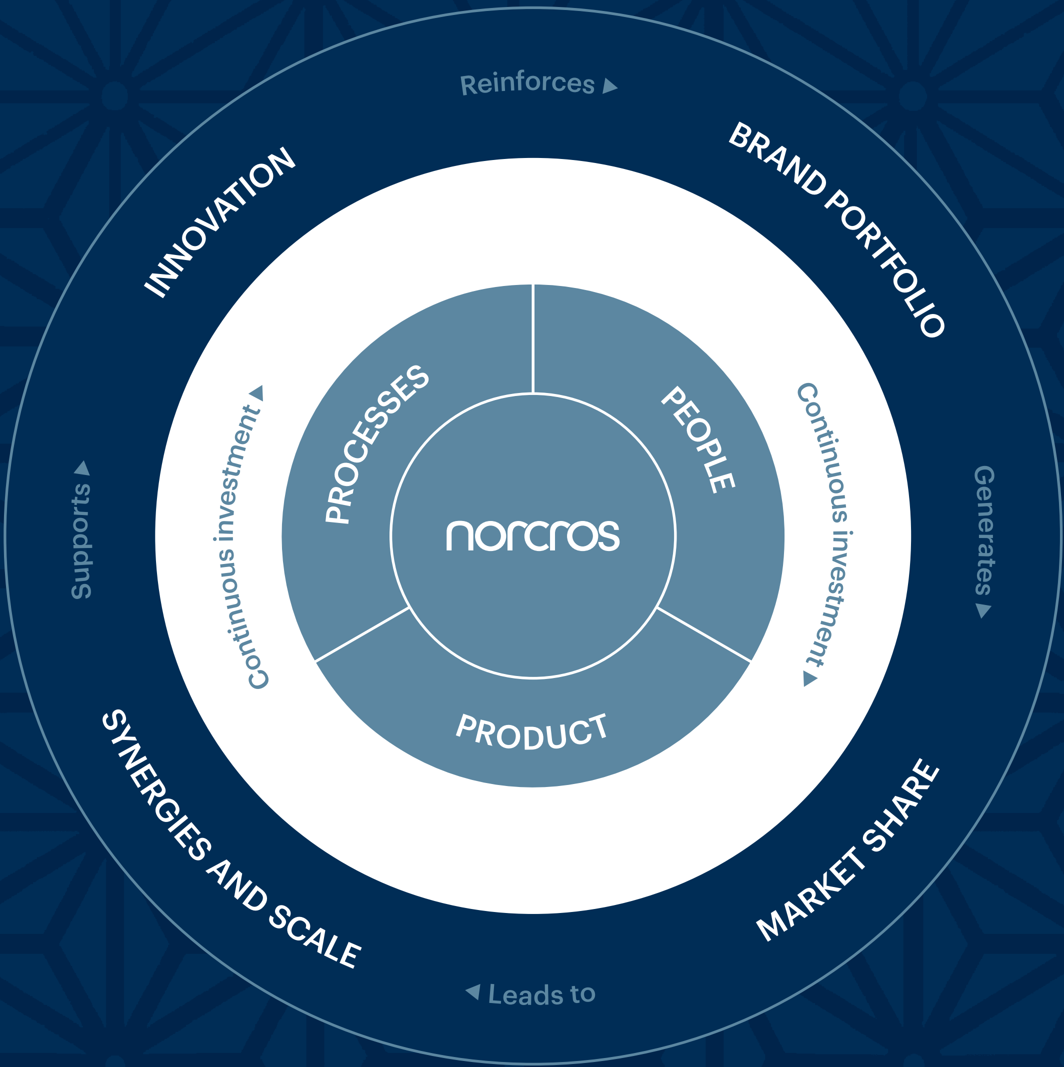
Back to black

Wet rooms are becoming more and more popular, but without an enclosure in a small space, you might feel you are drenching everything in the room.

Merlyn's new matt black squared shower walls are a striking and minimalist choice, creating a wet room shower enclosure, with the feeling of space.

Most importantly, you will not have to worry about chipping or peeling – the materials used in our Merlyn Black range are anodised aluminium with a matt black finish. This is much more durable than standard powder coating and enjoys our Lifetime Guarantee.

Maximising shareholder value through continuous investment.



- Continuous investment in capex and R&D
- Strong portfolio of complementary brands
- Leverage revenue synergies within our portfolio of complementary businesses
- UK better balanced with focus on trade, specification and independent retail sectors

Norcros business model winning share in fragmented markets

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. 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. We invest significantly and continuously in our people, brands, product development and processes and we aim to develop our business in both the quality of our products and the scale of our activities.

How we do it

Brand portfolio
We have a wide range of strong brands with market leading positions across our chosen markets.

Market share
We serve consumers, architects, designers, developers, retailers and wholesalers offering outstanding customer service, bespoke solutions and unrivalled technical support.

Synergies and scale
We benefit from economies of scale and shared synergies across our complementary businesses.

Innovation
Continual investment in new facilities and new product with 34% of 2019 revenue derived from products launched in last 3 years.

What makes us different – our Norcros DNA

- Leading market positions and brands
- Innovation and new product development
- Complementary products and market synergies
- Channel management expertise
- Best in class sourcing and assembly
- Successful acquisition strategy
- Experienced management team

Investment case

DELIVERED A DECADE OF SUSTAINED GROWTH

1. Organic revenue growth enhanced by acquisitions
2. UK profit growth, South Africa turnaround and exit Rest of World
3. Strong return on Capital
4. Track record of progressive dividend growth

WELL POSITIONED FOR FUTURE GROWTH

1. Cohesive portfolio of specialist, well invested, market leading businesses with strong brands
2. Well-developed acquisition pipeline with potential to add complementary brands
3. Market share opportunities in current geographies from failures of under-capitalised competitors in fragmented markets
4. Strong financial position

Background pattern: Johnson Tiles – Mel (Design Archive, 2000).

A focused growth strategy delivering strong sustainable results.

About our strategy

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

Organic growth will continue to be driven by capitalising on our leading market positions in the UK and South Africa. Our strategic initiatives will ensure we maintain the provision of innovative new product programmes, excellent customer service and investment in our brand portfolio. We will also reinforce our “designed in Britain” credentials as well as capture the growth opportunities in South Africa, Sub-Saharan Africa and the Middle East, where medium-term growth rates are likely to be higher than those in the more developed markets.

We will continue to drive faster revenue growth in our existing export markets and develop new emerging export opportunities.

Acquisitions will be targeted at complementary market and industry segments exhibiting attractive returns on capital which are likely to be in bathroom and kitchen products with exposure to commercial and specification segments. The successful acquisitions of Vado, Croydex, Abode and most recently of Merlyn in November 2017 all demonstrate the execution of our strategy. The addition of House of Plumbing to the portfolio will help drive further progress.

Our vision

“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.”

Our strategic objectives

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

Our strategic targets

Grow Group revenue to **£600m** by 2023

Maintain approximately **50%** of Group revenue derived outside the UK

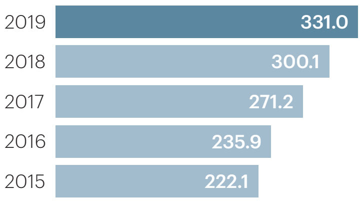
Achieve a sustainable underlying return on capital employed of above **15%** through the economic cycle

Measuring our progress.

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

Total revenue £m

£331.0m +10.3%

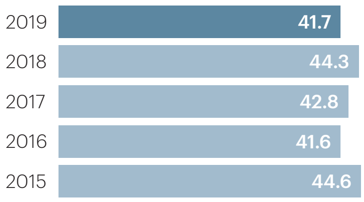


Definition Reported Group revenue for the year which excludes discontinued operations.

Performance Total revenue for the year increased by £30.9m (10.3%), 11.6% on a constant currency basis and 2.3% on a constant currency like for like basis. UK revenues increased by 13.7% and in line with last year on a like for like basis. South African revenues grew by 3.4% on a reported basis and by 7.2% on a constant currency basis.

Group revenue outside the UK %

41.7% -2.6%

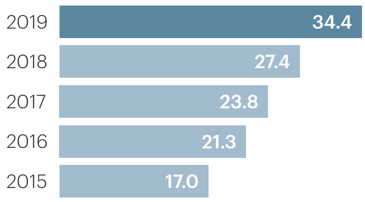


Definition Revenue from the Group's South African operating segment plus export revenue from the Group's UK operating segment.

Performance Group revenue outside the UK has reduced in the year to 41.7%, reflecting a full year of Merlyn within the Group and a weaker Rand. On a pro-forma basis including the House of Plumbing business and in constant currency terms, we are much more closely in line with this target at 46.4%.

Underlying operating profit £m

£34.4m +25.5%

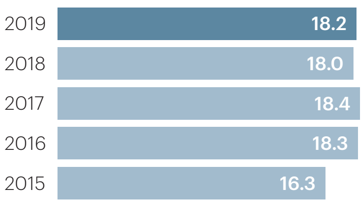


Definition Reported operating profit as adjusted for IAS 19R administrative expenses, acquisition related costs and exceptional operating items, as defined in note 8 to the financial statements.

Performance Underlying operating profit increased by £7.0m (+25.5%) and included the first full year contribution of Merlyn.

Underlying return on capital employed %

18.2% +20bps

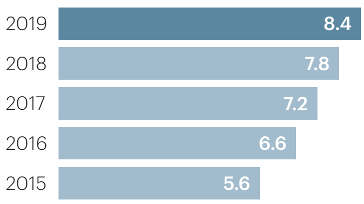


Definition Underlying operating profit expressed as a percentage of the average of opening and closing underlying capital employed (as defined in note 8 to the financial statements).

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

Dividend per share p

8.4p +7.7%

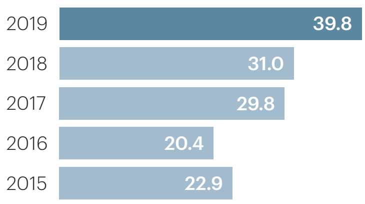


Definition The total of the interim dividend and the proposed final dividend for the financial year. 2015 has been restated to reflect the 10:1 share consolidation completed on 29 September 2015.

Performance In line with the Board's progressive dividend policy the dividend per share increased 7.7% to 8.4p per share from 7.8p per share.

Underlying operating cash flow £m

£39.8m +28.4%



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

Performance Underlying operating cash generation increased to £39.8m, an increase of £8.8m over the prior year, reflecting increased profitability and a continued focus on working capital management.

Background pattern: Johnson Tiles – Mick (Design Archive, 1987).

Norcros has recorded another year of growth.

A summary of our key financials can be found below.

	2019 £m	2018 £m
Revenue	**331.0**	300.1
Operating profit	**25.1**	19.6
IAS 19R administrative expenses	**1.5**	1.4
Acquisition related costs	**3.8**	4.3
Exceptional operating items	**4.0**	2.1
Underlying operating profit	**34.4**	27.4

	2019 £m	2018 £m
Revenue – UK	**228.1**	200.6
Revenue – South Africa	**102.9**	99.5
Revenue – Group	**331.0**	300.1
Underlying operating profit – UK	**26.5**	18.6
Underlying operating profit – South Africa	**7.9**	8.8
Underlying operating profit – Group	**34.4**	27.4
Underlying operating profit margin – UK	**11.6%**	9.3%
Underlying operating profit margin – South Africa	**7.7%**	8.8%
Underlying operating profit margin – Group	**10.4%**	9.1%

	2019 £m	2018 £m
Underlying operating profit	**34.4**	27.4
Depreciation and underlying amortisation	**6.9**	6.4
Underlying EBITDA	**41.3**	33.8
Net working capital movement	**(2.1)**	(2.8)
Share-based payments	**1.2**	0.9
Cash settlement of share options	**(0.6)**	(0.9)
Underlying operating cash flow	**39.8**	31.0

Strategic report

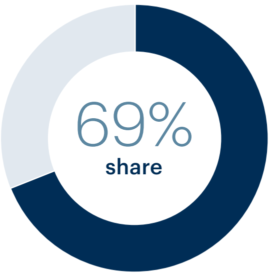
Underlying profit growth.

UK revenue was 13.7% higher than the prior year, principally reflecting the full year contribution from Merlyn which has continued to perform strongly since acquisition.

Highlights 2019

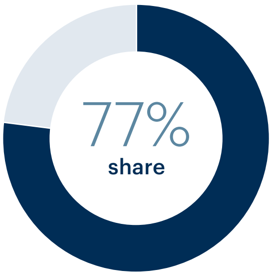
Share of Group revenue

£228.1m



Underlying operating profit

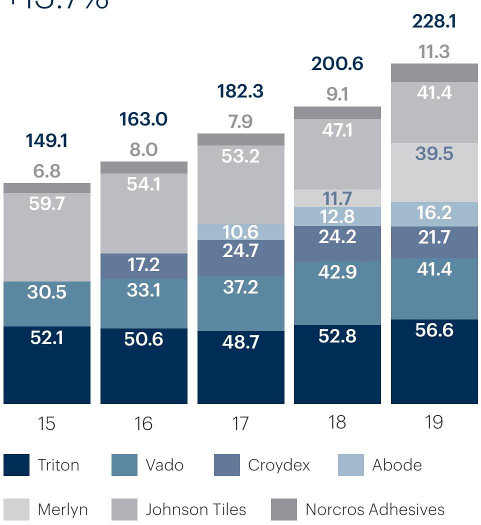
£26.5m



UK revenue £m

£228.1m

+13.7%



UK

In the UK revenue was 13.7% higher than the prior year at £228.1m (2018: £200.6m), principally reflecting the full year contribution from Merlyn which has continued to perform strongly since acquisition. The full year like for like revenue (excluding revenues from Merlyn) was broadly the same as the prior year largely due to significantly lower retail revenues at Johnson Tiles, which was anticipated and mainly due to the Kingfisher unified programme. This mainly impacted the first half of the year which saw like for like revenue decrease by 4.1%. The second half performance was much improved reflecting revenue growth on a like for like basis of 3.8% driven by market share gains as new range listings were secured benefiting from access to the Group's extensive customer base and its strong financial position.

Underlying operating profit grew by £7.9m to £26.5m (2018: £18.6m) with an operating margin of 11.6% (2018: 9.3%). This mainly reflected a full year contribution from Merlyn combined with the return to profitability of Johnson Tiles UK following the successful restructuring of the business during the year and a strong performance from Triton.

> "Underlying operating profit grew by £7.9m to £26.5m (2018: £18.6m) with an operating margin of 11.6% (2018: 9.3%)."

UK business review continued

UK continued

Triton

Revenue at Triton, the UK's market leader in showers, was 7.2% higher than the previous year at £56.6m (2018: £52.8m) reflecting growth in our UK and export markets. The strength and awareness of the Triton brand alongside a multi-channel distribution approach ensured its strong and sustained leadership position was maintained.

In the UK, revenue was 7.7% higher than the prior year, with retail sector customers growing strongly despite challenging market conditions with continued structural changes affecting many major customers. From a product perspective, Triton achieved an all-time company record market share for electric showers; as well as achieving market share growth in mixer and pumped showers. In addition to revenue growth Triton has been shortlisted in the 'Best Bathroom Product' category of the annual BMJ (Builders Merchants Journal) Awards, as voted for by its trade customers.

Export revenue growth continued, finishing 5.1% higher than the previous year reflecting the success of the product offer and the strength of the brand in Ireland, Triton's main international market.

New product innovation remains key to Triton's ongoing market leadership strategy and sales of products launched in the last 3 years contributed 39.3% of current year revenue (2018: 29.4%). During the year Triton introduced a number of innovative new mixer showers and accessories, building on leading positions and growing share in both categories. The H_2OST digital mixer shower was shortlisted for the EKBB Business, Best Bathroom Innovation. A further example of innovation was the recent award of the prestigious Quiet Mark approval, an international award associated with the UK Noise Abatement Society, for several of Triton's new innovative showers. Noise reduction is a growing trend across appliance sectors and Triton will continue to push the boundaries of noise reduction across its next generation of products.

During the year, Triton continued to innovate in its marketing activity, building on the '# See you first thing Britain' campaign. Activity included marketing to consumers and Triton's wide trade installer base using a variety of media through national radio, social media, viral video and blogging, press and PR activity in Home Interest and Trade magazines and targeted installer / trade exhibitions. At the same time Triton is targeting its future installer base through Triton engineers visiting a number of further education colleges and conducting training sessions with trade apprentices.

Underlying operating profit was higher than last year reflecting the higher revenue combined with the continued focus on cost and efficiency offsetting increased commodity prices and adverse currency fluctuations. The business was again highly cash generative in the year.

Merlyn

Merlyn, the UK and Ireland's No. 1 supplier of shower enclosures and trays to the residential, commercial and hospitality sectors performed strongly and recorded revenue of £39.5m (2018: £11.7m), growth of 13.8% on the previous year including the period prior to Norcros ownership. The business provides a quality product offering and customer centric service with the brand well placed to benefit from the growing emphasis on bathrooms and the premiumisation trend within the home.

TRITON CASE STUDY

A digital showering future

THE CHALLENGE

With the rise of smart technology, Britain's homes are becoming increasingly intelligent, and there is a demand to embrace this trend in the bathroom.

THE SOLUTION

Triton's H_2OST digital mixer allows homeowners to enjoy a personalised experience every morning. For quick and easy routines, H_2OST has a wireless start/stop remote control with a warm-up function. The remote can be outside the bathroom and can be activated from the bed. At the press of a button, water is pre-heated and delivered to the perfect temperature. Its technology allows each user to create his/her optimum setting, which means that the whole family can enjoy their individual showering experience with a pre-set button.

H_2OST has also been developed to tackle any layout and existing pipes/cables with the use of discreet wire-free controls. The sleek panel with full text and colour display can be positioned anywhere on a wall within ten metres of the mixer box.

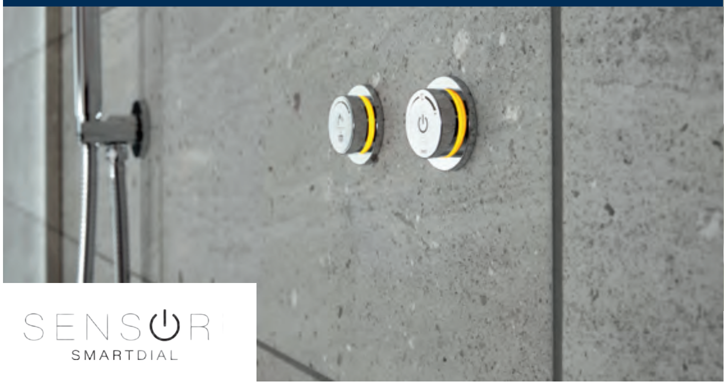
THE RESULT

Complete installation flexibility with no more waiting around for the water to reach the correct temperature, as well as being the ultimate centrepiece for any modern bathroom – Triton's H_2OST is the smarter way to shower.

Smart showers

SENSORI

At VADO, we understand modern demands for innovative smart home solutions that improve the way we live. We strive to match our customer needs and challenge market norms, bringing innovative designs and products that enhance the user experience; VADO's new Sensori collection introduces pioneering technologies to create a luxurious, modern and tailored bathroom solution.



VADO

VADO CASE STUDY

Trade sector revenue grew by 18.7% with the specification channel being the main driver. The business won two major supplier awards from Barratt plc and Neville Lumb in addition to securing solus supply agreements with Bloor Homes and Jones Homes. Outside of specification, new business was gained with Travis Perkins on their own brand iflo range, which offset destocking by Wolseley.

UK retail revenue grew 6.7% from the full prior year, driven by the rollout of new product ranges, in addition to strong revenue growth with independent retailers and buying groups. Merlyn's customer credentials were further enhanced by the winning of five best supplier awards from the independent retail sector.

Export revenue grew by 32% on the full prior year with Ireland representing the majority of revenue. The Irish market continued to recover mainly in the Dublin region whilst the French market also recorded good growth.

New product development remains a core component of the Merlyn growth strategy and this has continued in the current year. Eight new products were successfully launched including: Arysto Quad, Series 6 Frameless, Arysto 6, Arysto 8, Series 8 Shower Wall, Series 8 Frameless Pivot and Merlyn Black. There are also several products in the pipeline and future development, which includes the next generation of shower trays, that are being further influenced by insights gained from customer surveys to ensure customer needs are being met.

Merlyn has further continued to invest in its workforce in the current year, with additional sales resource to target the specification and housebuilder segments, and in customer service and training. Merlyn achieved ISO14001:2015, ISO9001: 2015 and ISO45001: 2018 in the period, further enhancing its quality credentials.

As a relatively new acquisition considerable work has been undertaken on pursuing synergies from wider Norcros Group relationships, with several initiatives including new accounts and procurement savings in progress. We expect to secure meaningful benefits from some of these initiatives as they are progressed.

Merlyn contributed an underlying operating profit and cash generation in line with the Board's expectations.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded revenue of £41.4m for the year (2018: £42.9m), 3.5% lower than the prior year with growth in the UK being more than offset by lower revenues in export markets. Despite this, the continued focus and investment in new product development and recovery in its export markets are expected to drive growth this year.

UK revenue grew by 5.5% with growth on the prior year being achieved in both retail and trade channels. Vado continued to enjoy success in the trade channel, growing revenue with major housebuilder clients. The growth rate also increased in the retail sector with strong performances in the existing client base being augmented with some new customer wins. The successful roll out of market leading point of sale material also continues to yield positive results whilst the award of an OEM supply contract from the Fortis Buying Group is expected to further accelerate this growth in the coming financial year.

Export revenue declined by 26.2% on the prior year with several unconnected specific country issues impacting revenue in the year. Softer market conditions in East Africa, changes to product certification standards in Saudi Arabia, customer liquidity issues in major West African distributors, and unrepeated prior year project work in New Zealand and Sri Lanka all impacted performance.

Following the launch of the Sensori range in July 2018, growth continued in the digital showering category with revenue significantly up on prior year. Vado continues to drive new product development with two further major product launches planned for the first half of this year which will re-enforce Vado's position at the forefront of market trends.

A supplier partnership quality improvement project was piloted in two of Vado's largest suppliers and yielded significant results in production efficiency and reduction of waste. This programme will be rolled out across the entire supply base throughout the coming financial year. Optical Character Recognition software implemented in the business this year also continued to drive operational efficiencies.

Notwithstanding the implementation of a number of cost reduction initiatives, the decline in overall revenue resulted in operating profits being lower than the previous year. Cash generation remained strong in the year.

UK business review continued

UK continued
Croydex

Croydex a market leading innovator, designer and manufacturer of high-quality bathroom accessories, furnishings and shower products recorded revenues of £21.7m for the year (2018: £24.2m) 10.3% lower than achieved in the prior year. This was principally due to the challenging UK retail environment and specifically the disruption following the change of ownership of one of its main customers. The business continues to develop its innovative product range and diversify its geographies and customer base further to ensure it is well positioned to grow this year.

UK revenue fell 8.5% on prior year, primarily driven by the retail sector and the performance and subsequent change in ownership of the Homebase Bunnings business, a major customer of Croydex. The withdrawal of trade credit insurance meant that trading was negligible in the second quarter as the Group actively reduced its exposure. Trading recommenced on a significantly reduced credit limit in the second half, albeit at lower levels than the comparable period.

Revenue in the UK Trade sector however grew strongly by 8.1% driven by outperformance in the National Merchants and growth from Screwfix, which along with confirmed future listings and category rollouts in both Screwfix and Toolstation should drive increased revenue in this channel going forward.

Export revenue declined by 19% in the year due to a decline in European revenue based on significant prior year rollouts into the German DIY market not being repeated. The export business has however continued to evolve with the further development of our online export presence and digital content in our e-commerce export channels with Croydex branded listings going live during the year in Amazon and Wayfair across the US.

New product development, positively influenced by the many IP protected products, continues to drive growth with revenue from products launched in the last three years contributing 41.4% of revenue (2018: 48.1%). Customer bespoke and market specific products are a significant contributor to new product launches. During the year Croydex launched the Metlex commercial product range comprising 140 new products together with bespoke products to meet the McCarthy & Stone and Churchill Retirement specifications and demand from the private house builder sector. Specific promotional products were also created for key retailers including B&Q, Wickes, and Toom Baumarkt in Germany and Home Depot in the US.

Underlying operating profit was below last year due to the reduction in UK and export revenue. Cash generation remained strong in the year.

Croydex

CROYDEX CASE STUDY

Mobility in bathrooms with inclusive products

THE CHALLENGE

Making your bathroom mobility friendly can be as simple as investing in some new accessories to help make life that little bit easier, without compromising on its look and feel.

THE SOLUTION

Croydex offers a whole range of inclusive products for assisted bathing. Shower and bath seats are perfect for creating a more relaxed bathing experience and grab rails attached to walls give stable, handheld support in an area that is often slippery.

Croydex's in-house product design team, in collaboration with Medline, a US healthcare manufacturer, developed the Momentum seat for assistive showering for Medline's US markets. The chair provides cushioned comfort without the compromise on contemporary bathroom styles, but most importantly its light-weight design can withstand considerable loads and still provide ease of movement in confined spaces.

THE RESULT

So impressed by the design, Medline expanded the brief with Croydex to include a Momentum exfoliating bathmat to match the chair and an adhesive fix shower basket – all to be sold as part of its wider range of inclusive products for assisted bathing.

Croydex inclusive products for assisted living in the bathroom, ranging from grab rails to shower and bath seats.

Croydex's Momentum seat and exfoliating bathmat developed for Medline US markets.

abode

ABODE CASE STUDY

Abode's innovation in kitchen taps helps reduce plastic waste and forges further relationships with Wickes and Benchmarx

THE CHALLENGE

Long-lasting, cheap, moisture-resistant plastic has long been deemed as a good material when in use, but it is a much harder substance to love when faced with disposing of it. Discarded plastic bottles contribute to a large proportion of waste, driven mainly by our thirst for bottled water; 13 billion plastic bottles end up in landfill each year in the UK. One change that housebuilders can make, to help combat this problem, is to install filtered water taps into the kitchens of new build properties.

THE SOLUTION

A tap with a built-in water filter function, delivering a constant supply of refreshing water that is pleasant to drink, encouraging consumers to ditch the plastic bottle, while helping save on their shopping bills too – a great contribution to the environment.

Following an initial sales growth success, Wickes and Benchmarx began New Year 2019 by expanding the ranges of Abode products, with the launch of the patented Abode Swich; a versatile product which can be used in new installations or retro-fit alike, aiding the single use plastic reduction drive, by delivering filtered drinking water from any standard tap.

THE RESULT

With a focus on innovation in taps and kitchen sinks, Abode continues to support its trade customers, to build on existing relationships and develop new ones across all retail & merchant sectors. Wickes and Benchmarx have taken stock of the first Abode and Pronteau taps, which have been delivered to over 440 stores, a total of 20 tap designs were launched across the two businesses initially, some of which were new product developments. Following the success these new introductions have had, both businesses will also be launching a comprehensive range of Abode sinks later in the year.

Abode

Abode, a leading designer and distributor of high-quality hot water taps, bathroom brassware, kitchen taps and sinks, recorded revenue of £16.2m for the period (2018: £12.8m), 26.6% higher than the prior year. The business has successfully positioned itself in the market after prior year investment in new product introductions and sales resource resulting in a number of significant new account wins reflected in the current year growth.

The business grew revenues across trade, retail and export sectors, with the branded kitchen sink and taps business continuing to expand rapidly into the UK retail and trade channels. Following substantial investment in new product introductions in 2018, the retail footprint for the brand has been expanded greatly, with over 900 showroom displays across the UK & Ireland, including John Lewis stores. The Pronteau hot water tap, first introduced in 2016, continues to grow in scale and has benefited from range extensions and enhancements made during the year.

The private label operations serviced by Abode also performed well during the year as a result of capturing range expansion opportunities along with the ongoing success of new product designs and finishes.

Underlying operating profit and cash performance was significantly ahead of last year, reflecting the strong revenue growth.

Johnson Tiles

Johnson Tiles, the UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, recorded revenue of £41.4m (2018: £47.1m), 12.1% lower than prior year.

UK retail revenue was 20.7% lower than the previous year. First half revenues declined 35.7%, driven by the impact of the Kingfisher unification programme, whilst second half revenues were in line with last year, with further reductions at Kingfisher being offset by growth in Wickes largely reflecting the introduction of Rigid Luxury Vinyl Tile, a new and exciting product opportunity for the company.

UK trade sector revenue was 7.3% lower than the prior year, with first half revenues down 11.6% driven by the withdrawal from the supply of marginal cheap white tiles and the continued soft social housing market as expenditure continued to be diverted away from bathroom refurbishments. Second half revenues recovered to be 2.7% lower and encouragingly ahead of the first half due to growth in the commercial specification channel and a slowing in the rate of decline in social housing activity levels.

The Johnson Tiles customer focused service model, coupled with market leading specification expertise has led to good progress in the house builder and specification market. This has resulted in gaining specifications to supply a number of major contracts including: Royal Wharf in London, Trinity Way in Manchester, Tottenham Hotspur's new stadium, Hilton Garden Inn in Stoke, Albert's restaurant in Manchester, Shell Petroleum petrol stations nationwide, Costa Coffee nationwide, Asda and Yo Sushi. In addition, the business continued to supply a number of national house builders including Barratt David Wilson, Persimmon Charles Church, Redrow and St Modwen.

Export revenues were in line with last year. First half revenues were down 8%, largely a result of slower sales into Leroy Merlin in France whilst second half sales were up 9.5% driven by growth in the Middle East and the launch of new product ranges into Bauhaus in Germany.

UK business review continued

UK continued

Johnson Tiles continued

As previously reported, a major restructuring programme was implemented at the start of the period. Through exiting low margin business and cutting overhead costs, margins have improved and the business has returned to profitability from loss-making in the previous year resulting in a significant turnaround in performance in the year.

The benefits of the restructuring combined with improvements in customer service levels, improved focus with investment in new product programmes and the winning of new business following the administration of the British Ceramic Tile business should ensure that this level of operating performance is sustained.

Norcros Adhesives

Revenue at Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, was 24.2% higher at £11.3m (2018: £9.1m) continuing the significant growth from the prior year.

UK revenue was 11.1% higher than last year, reflecting growth in Wickes, Travis Perkins and Screwfix, the latter reflecting the launch of the new 'No Nonsense' grouts and adhesives range. Growth in fixer sales and in the new "Resilient" channel which continues to gain traction, was offset by a softer performance in distribution accounts. Revenues to B&Q Tradepoint were marginally above last year, and are expected to see further growth this year as several new lines have been secured.

Our Middle East operation continues to gain momentum with revenue more than doubling in the period as we secured some major projects in the region including the Bahrain International Airport, Mansion Villas, Meydan Hotel and Viceroy Dubai. During the final quarter the business won the contract to supply the prestigious Mall of Oman project which will be an important element of the 2019/20 growth plan.

Norcros Adhesives has reinforced its environmental credentials through successfully renewing both its ISO9001 and ISO14001 accreditations to the latest standards, maintaining the Gold Standard from the Supply Chain Sustainability School (partnered with Barratts) and winning an industry award from The Tile Association relating to the best environmental initiative for the third successive year.

The business made a small operating loss in the period reflecting additional operating costs associated with the significant revenue growth, including increased investment in sales and marketing resource, new business and product development and new business systems. This business is expected to return to profitability in the 2019/2020 financial year.

JOHNSON ·TILES

JOHNSON TILES CASE STUDY

Asda store re-style

THE CHALLENGE

The challenge was to heighten the look and feel of the cut flower display when sited next to an external wall location in store. The objective was to give a more impactful up to date style to the area, whilst maintaining continuity with other Johnson Tiles used in store.

THE SOLUTION

The Asda design teams wanted to create a more contemporary feel to their stores and maintain the subtle colour theme of the Savoy range in Noir as already used in the Delicatessen area. The geometric shapes of the Savoy Hexagons provided a more present-day background to enhance the bright and bold colourful plant and flower areas.

THE RESULT

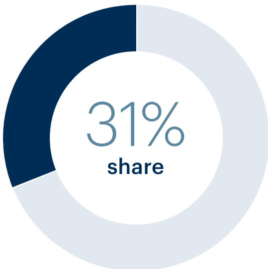
HB Construction was given the task of bringing Asda's brief to life at the trial store in Livingstone, Scotland, and the design concept has now been approved for all future Asda stores, where the cut flower area is placed next to an external wall.

Resilient performance in a challenging trading environment.

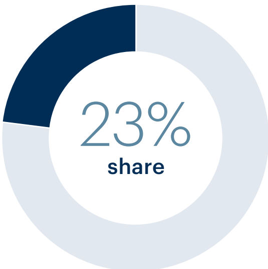
Revenue for the year grew 7.2% on a constant currency basis continuing the outperformance of recent years.

Highlights 2019

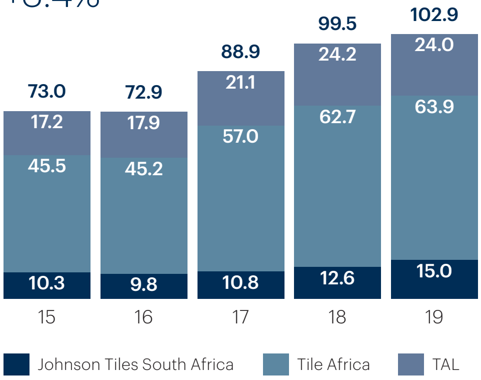
Share of Group revenue
£102.9m



Underlying operating profit
£7.9m



South Africa revenue £m
£102.9m
+3.4%



South Africa

Our South African business delivered a resilient performance in a challenging trading environment. Following a period of political and policy uncertainty, both in South Africa and internationally, South Africa has experienced lower levels of public and private sector investment which contributed to the country slipping into a technical recession in the first half of the year. Despite this, revenue for the year grew 7.2% on a constant currency basis continuing the outperformance of recent years. The Rand depreciated against Sterling during the year with the average exchange rate 3.6% weaker at ZAR 17.95 (2018: ZAR 17.32), resulting in full year reported revenue 3.4% ahead of prior year at £102.9m (2018: £99.5m). Revenue growth slowed in the fourth quarter as the country experienced a rolling programme of power rationing that impacted our production and revenues across the business.

Underlying operating profit for the year was 10.2% lower at £7.9m (2018: £8.8m) including a £0.4m adverse impact from the weaker Rand. The underlying reduction in profitability of £0.5m principally reflected the impact of a planned and non-comparable plant shutdown at Johnson Tiles South Africa in the first half of the year which enabled a necessary expansion of capacity and plant upgrade programme and the impact of the fourth quarter power rationing. The return on sales of 7.7% was 1.1% lower than the previous year.

On 1 April 2019, Norcros South Africa completed the acquisition of House of Plumbing. House of Plumbing is a market leading supplier of specialist plumbing materials focused on the specification and commercial segments of the market. This acquisition complements the Group's strong positions and enhances our product offer to the important commercial and specification segments, where we have been successfully building our business.

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business, recorded revenue of £15.0m (2018: £12.6m), 19.0% higher on a reported basis and 23.0% higher on a constant currency basis. This growth reflected the successful investment in additional capacity and plant improvements in the first half of the year and also the strong new product programme that drove revenue growth from the independent customer base, through both retail and commercial channels, with good growth into the private housebuilder segment. Operating profit in the year was lower than the prior year mainly due to the impact of power rationing, the planned factory shutdown and pricing pressure in the private housing segment.

South Africa business review continued

South Africa continued

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, recorded revenue of £63.9m (2018: £62.7m) 1.9% higher on a reported basis and 5.6% higher on a constant currency basis. The business continued to benefit from excellent growth in the bathroom and tap categories, driven in part by access to the wider-group supply chain.

Tile Africa supplied a number of prestigious projects during the year including The Houghton Hotel, Vincent Park Shopping Centre and Steyn City Aquatics Centre, further consolidating its strong position in the commercial and specification market. Tile Africa is starting to secure both the tile and bathroom specifications on projects with this ability to offer a full basket of alternative wall and floor coverings, including luxury vinyl and laminates, and bathroom products helping to drive ongoing and sustainable market share growth.

Tile Africa opened a new store in Polokwane North, upgraded the Pietermaritzburg and Polokwane South stores during the period and closed the Pinetown store which had reached the end of its lease. Tile Africa currently has 32 owned stores and two franchise stores and is planning to open one new store in this current financial year.

Good management of the cost base saw the business grow operating profit on the prior year.

TAL

Our market leading adhesive business in South Africa, TAL, recorded revenue of £24.0m (2018: £24.2m), 0.8% lower on a reported basis, 3.0% higher on a constant currency basis. TAL made robust progress in driving ahead-of-market growth through further developing its flooring range which helped to lessen the impact of lower sales in neighbouring countries, particularly in Zimbabwe.

TAL was the preferred partner in a number of major construction projects during the year, including the 3,500m^2 Deloitte Head Office in Johannesburg, the 45,000m^2 Pearls Luxury Apartment Complex in Durban, and the 28,000m^2 FNB Office Block in Johannesburg. TAL has a market leading position in the tile adhesive market reflecting its product quality and technical expertise and is driving further growth this year by widening the offering to cover the fixing of alternative floor and wall coverings.

Our TAL business experienced above-inflation increases in the cost of a number of key raw materials that impacted margins. Good management and directed investment in our manufacturing facilities and related overheads saw the business grow operating profit in the year with cash conversion remaining strong.

Bespoke fixing solution created by TAL for the Ndzundza/Nzunza portrait

TAL CASE STUDY

THE CHALLENGE

When a major art installation was commissioned for the side of a Johannesburg office building, there were many challenges for the artist, Hannelie Coetzee. Her inspiration came from the pottery and beadwork of the Nzunza Ndebele people and her vision was to create a portrait of a woman made from ceramic plates, cups and bowls, made in a local pottery. This unique installation demanded a technical bespoke fixing solution from TAL.

THE SOLUTION

The TAL technical team developed a highly flexible adhesive to fix all the crockery pieces to the giant mesh backing, which would have to withstand the extremes of temperatures of the west facing wall.

A TAL Keymix and TAL Keycoat primer slurry coat was applied to the entire façade to prepare the surface for the installation. This slurry coat provides a level of water resistance to the installation, as well as providing a suitable surface for the adhesive system to bond onto.

Each individual item of crockery was first laid out on the floor inside the building and then applied outside in small sections. To accommodate this, TAL supplied the product in 10kg bags, to avoid the product drying too quickly and to avoid wastage. The smaller bags were also more manageable in the limited space many metres above the ground.

THE RESULT

The portrait was officially unveiled on Women's Day, 9 August 2018, and has become a celebrated landmark, representing a culture of diversity in the modern city of Johannesburg.

Group Finance Director's report

Continued growth.

- Group revenue increased by 10.3% to £331.0m (2018: £300.1m)
- Group underlying operating profit of £34.4m was 25.5% ahead of prior year
- Group operating profit was £25.1m (2018: £19.6m)
- Group underlying profit before tax of £32.6m was 24.0% ahead of the prior year
- Group profit before tax was £25.4m (2018: £13.5m)
- Underlying operating cash flow of £39.8m was 96.4% of underlying EBITDA (2018: 91.7%)
- Net debt at £35.0m reduced by £12.1m in the year

Financial overview

	2019 £m	2018 £m
Revenue	**331.0**	300.1
Underlying operating profit	**34.4**	27.4
IAS 19R administrative expenses	**(1.5)**	(1.4)
Acquisition related costs	**(3.8)**	(4.3)
Exceptional operating items	**(4.0)**	(2.1)
Operating profit	**25.1**	19.6
Net finance income/(costs)	**0.3**	(6.1)
Profit before taxation	**25.4**	13.5
Taxation	**(6.0)**	(3.6)
Profit for the year	**19.4**	9.9

Revenue

Group revenue at £331.0m (2018: £300.1m) increased by 10.3% on a reported basis, 11.6% on a constant currency basis, and 2.3% on a constant currency like for like[1] basis.

Underlying operating profit

Underlying operating profit increased by 25.5% to £34.4m (2018: £27.4m). Our UK businesses delivered underlying operating profit of £26.5m (2018: £18.6m), and our South African businesses generated an underlying operating profit of £7.9m (2018: £8.8m). On a constant currency basis, the reduction in underlying operating profit in the South African businesses was £0.5m. Group underlying operating profit margin was 10.4% (2018: 9.1%).

IAS 19R administrative costs

These costs represent the costs incurred by the Trustee of administering the UK pension schemes and are reflected in the Income Statement under IAS 19R. Costs of £1.5m have increased by £0.1m on prior year (2018: £1.4m).

Acquisition related costs

A cost of £3.8m (2018: £4.3m) has been recognised in the year and is analysed as follows:

	2019 £m	2018 £m
Deferred remuneration	**0.2**	(0.3)
Intangible asset amortisation	**3.5**	2.2
Staff costs and advisory fees[2]	**0.1**	2.4
	3.8	4.3

1 Like for like is defined as constant currency (2018 at 2019 monthly average rates) impact being £3.5m and excluding Merlyn revenue of £39.5m in 2019 (2018: £11.7m).

2 Professional and advisory fees incurred in connection with the Group's business combination activities and the costs of maintaining the in-house acquisitions department. During the year to 31 March 2019 the costs of the in-house acquisitions department of £0.4m have been recognised in underlying operating profit. Previously they were excluded from underlying operating profit.

In accordance with IFRS 3R, a proportion of the deferred consideration payable to the former shareholders of certain acquired businesses is required to be treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred. There is a net charge of £0.2m in the year, compared to a net £0.3m income in the prior year, due to the release of an overprovision.

Background pattern: Johnson Tiles – Maria (Design Archive, 2013).

Group Finance Director's report continued

Exceptional operating items

A net exceptional operating charge of £4.0m (2018: £2.1m) has been recognised this year.

	2019 £m	2018 £m
Onerous property lease provision costs	**3.0**	—
GMP equalisation costs	**1.0**	—
Restructuring costs	**—**	2.1
	4.0	2.1

Exceptional costs of £3.0m were incurred in the year to increase the provision in relation to an onerous and surplus legacy property lease following the reappraisal of the likely future cash flows. The property is the only remaining legacy lease the company has which will expire in June 2022.

Exceptional past service costs of £1.0m were estimated in relation to a recent UK High Court ruling that trustees of UK defined benefit pension schemes must equalise guaranteed minimum pensions. The past service cost increases the pension liability.

The prior year exceptional restructuring charge of £2.1m related to a restructuring programme at Johnson Tiles UK announced in April 2018.

Net finance costs

Net finance income for the year of £0.3m compare to a £6.1m cost in 2018, the improvement mainly due to the movement in the fair value of foreign exchange contracts reflecting income in the year of £3.6m (2018: £3.1m cost). Bank interest payable of £1.8m (2018: £1.1m) was higher than the previous year due to an increased level of debt following the Merlyn acquisition.

In addition, the Group has recognised a £1.3m interest cost in respect of the pension scheme liability (2018: £1.6m) which reduced by £0.3m principally reflecting the lower deficit at the start of the year.

norcros ADHESIVES

NORCROS ADHESIVES CASE STUDY

ProPly Tile Backer Board provides a backbone for tiling projects

THE CHALLENGE

When tiling a wall or floor, it is critically important for the integrity of your project that backgrounds are flat, rigid, stable and capable of supporting the weight of your tiles.

THE SOLUTION

Norcros ProPly Tile Backer Board provides a strong and stable background for all types of projects, especially installations in bathrooms and wet rooms. This board meets the requirements of the latest British Standard, BS5385 Part 1, 2018, which deems plywood walls to be unsuitable to receive a direct tiled finish and recommends the use of a bespoke tiling backer board.

THE RESULT

Norcros ProPly Tile Backer Board is a high performance, mineral-based, water-resistant backer board, which is both mould resistant and exceptionally strong. The product is manufactured using a process that produces very few CO_2 emissions, unlike cement particle and gypsum boards. The board is silica and asbestos free and has a Class A1 non-combustibility fire rating, making it ideal for use with underfloor heating and in build-ups for fire resistant systems and firewalls.

The strength and rigidity of the board allows bathroom accessories to be fixed through the tiles into the backer board. It is also highly versatile, being suitable for over-boarding new and existing timber floor, and covering concrete floors, stud walls or masonry walls.

Profit before tax

Underlying profit before tax was £32.6m (2018: £26.3m), reflecting the increased underlying operating profit of £7.0m noted above. Underlying profit before tax is reconciled as shown below:

	2019 £m	2018 £m
Profit before taxation from continuing operations	**25.4**	13.5
Adjusted for:		
– IAS 19R administrative expenses	**1.5**	1.4
– acquisition related costs	**3.8**	4.3
– exceptional operating items	**4.0**	2.1
– amortisation of costs of raising finance	**0.2**	0.3
– net movement on fair value of derivative financial instruments	**(3.6)**	3.1
– IAS 19R finance cost	**1.3**	1.6
Underlying profit before taxation	**32.6**	26.3

Taxation

The tax charge for the year of £6.0m (2018: £3.6m) represents an effective tax rate for the year of 23.6% (2018: 26.7%). This reduction in effective tax rate is mainly due to a lower proportion of the Group's taxable profits being generated in South Africa and the lower non-deductible acquisition related costs incurred in the current year.

The standard rates of corporation tax in the UK and South Africa were 19% (2018: 19%) and 28% (2018: 28%) respectively.

Dividends

As previously announced, it is the Board's intention to continue a progressive yet prudent dividend policy subject to the Group's earnings, cash flow and balance sheet position. As such the Board is recommending a final dividend of 5.6p (2018: 5.2p) per share, which, if approved, together with the interim dividend of 2.8p (2018: 2.6p), makes a total dividend of 8.4p (2018: 7.8p) in respect of the year ended 31 March 2019.

This final dividend, if approved at the Annual General Meeting, will be payable on 2 August 2019 to shareholders on the register on 21 June 2019. The shares will be quoted ex-dividend on 20 June 2019.

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 6 July 2019.

Balance Sheet

The Group's balance sheet is summarised below.

	2019 £m	2018 £m
Property, plant and equipment	**42.3**	45.0
Goodwill and intangible assets	**94.9**	98.9
Deferred tax	**0.8**	4.0
Net current assets excluding cash and borrowings	**61.0**	58.0
Pension scheme liability	**(31.6)**	(48.0)
Other non-current assets and liabilities	**(6.7)**	(6.2)
Cash and borrowings	**(35.0)**	(47.1)
Net assets	**125.7**	104.6

Total net assets increased by £21.1m to £125.7m (2018: £104.6m).

Property, plant and equipment reduced by £2.7m overall, and included additions of £5.8m (2018: £7.5m). The depreciation and underlying amortisation charge was £6.9m (2018: £6.4m) and exchange differences were £2.4m (2018: £0.1m). The disposals in the year had no impact on net book value which was the same in the prior year.

The deferred tax asset reduced by £3.2m to £0.8m (2018: £4.0m). The decrease mainly relates to a reduction in the deferred tax asset of £2.8m reflecting the current year actuarial gains in the pension plan.

Pension schemes

On an IAS 19R accounting basis, the gross defined benefit pension scheme valuation of the UK scheme showed a deficit of £31.6m compared to a deficit of £48.0m last year. Whilst the value of scheme assets reduced by £3.2m in the year, the value of the liabilities fell by £19.6m, which was primarily due to the impact of experience adjustments on the actual mortality rates experienced in the scheme.

The triennial actuarial valuation for the Group's UK defined benefit pension scheme completed in March 2015 and showed a deficit of £73.5m (2012: £61.9m) representing an 84% funding level (2012: 85%). The deficit recovery plan for that valuation was agreed with the scheme Trustee, with a cash contribution of £2.5m per annum starting in April 2016, and increasing with CPI, for a period of ten years.

In line with the above agreement the Group made deficit recovery contributions of £2.6m (2018: £2.5m) into its UK defined benefit pension scheme during the year.

We have reached agreement with the pension scheme Trustee on the 2018 actuarial valuation and on a new deficit recovery plan. The actuarial deficit at 1 April 2018 was £49.3m (2015: £73.5m) representing an 89% funding level and contributions of £3.25m per annum plus CPI will be payable for the 6.5 years to 30 September 2025. The Company and the Trustee regard this as an appropriate outcome. The 2018 valuation has been recently submitted to the Pensions Regulator.

The Group's contributions to its defined contribution pension schemes were £3.6m (2018: £3.5m).

Group Finance Director's report continued

Cash flow and net debt

Net debt reduced by £12.1m in the year to £35.0m (2018: £47.1m). A summary of the movement in net debt is shown below.

Underlying operating cash flow was £8.8m higher than in the prior year at £39.8m (2018: £31.0m). Overall underlying cash conversion in the year was 96.4% of underlying EBITDA (2018: 91.7%).

Cash generated from operating activities was £11.8m higher than the previous year at £35.3m, largely due to the £8.8m improvement in underlying operating cash flows and the £3.1m reduction in outflows from exceptional items and acquisition related costs. Cash flows from exceptional items and acquisition related costs in the current year primarily relate to costs of the restructuring at Johnson Tiles, whilst in the prior year they mainly relate to the Merlyn acquisition in addition to Johnson Tiles restructuring costs.

	2019 £m	2018 £m
Underlying operating cash flow	**39.8**	31.0
Cash flows from exceptional items and acquisition related costs	**(1.9)**	(5.0)
Pension fund deficit recovery contributions	**(2.6)**	(2.5)
Cash flow generated from operations	**35.3**	23.5
Net interest paid	**(1.8)**	(1.1)
Taxation	**(4.6)**	(4.9)
Net cash generated from operating activities	**28.9**	17.5
Capital expenditure	**(5.6)**	(7.7)
Proceeds on disposal of property, plant and equipment	**0.1**	—
Acquisitions	**(2.1)**	(59.1)
Dividends	**(6.4)**	(5.0)
Share transactions	**(0.9)**	30.1
Other items	**(1.9)**	0.3
Movement in net debt	**12.1**	(23.9)
Opening net debt	**(47.1)**	(23.2)
Closing net debt	**(35.0)**	(47.1)

Acquisition expenditure of £2.1m mainly relates to the payment of deferred consideration. In the previous year, the expenditure of £59.1m relates primarily to the acquisition of Merlyn.

Capital expenditure at £5.6m (2018: £7.7m) included a plant upgrade and capacity expansion programme for Johnson Tiles SA. We further invested in the retail portfolio in Tile Africa, major items included the new store at Polokwane North and other store upgrades, mainly at Pietermaritzburg and Polokwane South. In the UK, we continued to invest in operational improvements, new product programmes and development, including an upgrade of our digital printing capability at Johnson Tiles.

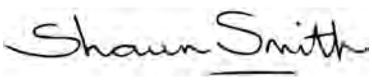
Bank funding

The Group increased the amount of its committed banking facilities to £120m (plus a £30m accordion) at the time of the Merlyn acquisition in November 2017. The maturity date was originally November 2021 with an option to extend for a further year. The Group exercised this option in the current year and has extended the maturity date of the facility to November 2022.

New Accounting Standards

IFRS 16, the new accounting standard for leases replacing IAS 17, will have a material impact on Norcros' accounts in the year to March 2020. While it does not change the underlying nature of our business, from an accounting perspective, it recognises leased assets as 'right of use' assets held on the balance sheet and classifies future lease liabilities as a financial liability. An assessment of the impact on the 2019/20 opening balance sheet has been performed which estimates the financial lease liability and corresponding right of use asset at £27m. Based on this assessment the differential between the lease cost under IAS 17 and depreciation under IFRS 16 will give rise to an estimated increase in underlying operating profit of £0.3m and an estimated decrease in underlying profit before tax of £1.5m in the year to 31 March 2020. The impact assessment does not take into account any leases acquired or entered into after the 31 March 2019. The interim accounts for the period ending 30 September 2019 will be prepared on an IFRS 16 basis.

During 2018, IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers) were adopted, with an immaterial impact on the Group's accounts.



Shaun Smith
Group Finance Director
12 June 2019

	Average rate vs £	
	2019	2018
South African Rand	**17.95**	17.32
Euro	**1.14**	1.14
US Dollar	**1.31**	1.33

	Closing rate vs £	
	2019	2018
South African Rand	**18.79**	16.65
Euro	**1.16**	1.14
US Dollar	**1.30**	1.41

	2019	2018	Change
Revenue (£m)	**331.0**	300.1	10.3%
Underlying operating profit (£m)	**34.4**	27.4	25.5%
Underlying profit before tax (£m)	**32.6**	26.3	24.0%
Underlying diluted earnings per share (pence)	**31.7**	29.5	7.5%
Underlying return on capital employed (%)	**18.2**	18.0	+20bps
Underlying operating cash flow (£m)	**39.8**	31.0	+28.4%
Net debt (£m)	**(35.0)**	(47.1)	+£12.1m

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

MERLYN

MERLYN CASE STUDY

Barratt London – Landmark Place

THE CHALLENGE

Barratt London is a market leading residential developer and over the years they have helped shape one of the world's most exciting, diverse and dynamic cities. Barratt London chose MERLYN to provide high end showering solutions for phases of its new flagship development, Landmark Place, overlooking the River Thames.

Comprising 165 different-sized apartments, with penthouse suites costing in excess of £10m, this unique city location required MERLYN to also tailor delivery logistics and onsite installation support.

THE SOLUTION

MERLYN supplied its premium 10 and 8 Series shower enclosures, bespoke luxury shower walls and bath screens, working with Barratt London to deploy the consistent, proactive working ethos for which MERLYN is renowned. MERLYN offered a solution from survey to measurement, design to supply, with standard and bespoke fitting solutions, and an exemplary after-sales service.

THE RESULT

MERLYN provided tailored specifications across the project with personalised profiles of products in the penthouse suites, which complemented the exclusive colour finishes requested. Working with prestigious builders like Barratt London on ongoing developments across the UK further accentuates MERLYN's superior brand reputation.

Supporting objectives through risk identification, monitoring and mitigation.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance. The objective of our risk management programme, summarised in our risk management framework, is to support the business in meeting its strategic and operational objectives through the identification, monitoring and mitigation of risk.

Risk management framework

How we manage risk

Our risk management activities form part of a flexible and robust governance framework, owned by the Board and overseen by the Audit and Risk Committee. It consists of the following key elements:

(1) Defined risk responsibilities:

Board – Overall responsibility for risk management. Defines the Group's risk appetite and culture

Audit and Risk Committee – Oversight and independent assurance of the framework

Management – Day to day operational management of risk following Group policies and reporting

(2) Defined risk policies and reporting:

- Formal risk policy
- Divisional support from Group Head of Internal Audit and Risk
- Standardised, regular risk reporting

(3) Defined risk processes

Integrated top down and bottom up risk management

Group
STRATEGIC RISK MANAGEMENT
Identification, review and management of Group risks

Group and business units
RISK MONITORING
Review of risk registers

Business units
OPERATIONAL RISK MANAGEMENT
Update and maintain risk registers

Group Internal Audit and Risk
INDEPENDENT ASSURANCE
Facilitate risk reviews
Reporting on principal risks and uncertainties

Group Audit and Risk Committee
RISK OVERSIGHT
Review management of top risks

What we monitor

Risk landscape

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

Emerging risks:
"New" risks with a future impact, identified through the internal risk assessment process

Risk categories

- Strategic
- Commercial
- Operational
- Financial
- People
- Regulatory/legal
- Fraud

What we assess

Risk ownership: Each risk has a named owner

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

Inherent risk: Before mitigating controls

Residual risk: After mitigating controls are applied

Target risk: Desired or acceptable level of risk

Actions: Including target dates to address current risks scoring higher than target risks (i.e. risks that are "out of appetite")

Principal risks

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 or mitigated. The Board has carried out a robust assessment of these and taken them into consideration when assessing the long-term viability of the Company on page 31. The list does not comprise all the risks that the Group may face and they are not listed in any order of priority. Our current view is that these risks remain stable but we continue to monitor them for any changes as part of our risk management process.

Strategic risks

Uncertainty surrounding Brexit

Description
Negotiations have been underway to agree the terms of the UK's exit from the European Union. There is continuing uncertainty around how this will potentially impact the Group's operations and what the ramifications will be in the markets in which the Group carries on its business.

Impact
Changes in the way goods are imported into and exported from the UK may result in higher tariffs and other cost increases.

Economic uncertainty may impact input costs, consumer confidence and demand for the Group's products.

Mitigation
The Group continues to regularly monitor the markets and economic indicators in which it trades and is experienced in implementing appropriate mitigating actions. Group-wide business-specific Brexit risk assessments have been conducted to confirm appropriate mitigants are in place.

The Group has strong relationships with technical specialists and regularly liaises with them to ensure the Group is well placed to react to legislative or other changes which occur as a result of Brexit.

Acquisition risk

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

Impact
Performance of acquired businesses may not reach expectations impacting Group profitability and cash flow.

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, and Group Internal Audit and Risk conducts post-integration audits to ensure operations are fully integrated. Recent acquisitions provide demonstrable evidence of the Group's ability to successfully integrate new businesses.

People risks

Staff retention and recruitment

Description
The Group employs over 2,200 people worldwide.

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

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

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 is able to offer personnel appropriate training and development opportunities and has a demonstrable track record of internal promotion.

Principal risks and uncertainties continued

Commercial risks

Market conditions

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.

Impact
If market conditions unexpectedly deteriorated, demand for our products would reduce, impacting profitability and cash generation.

Mitigation
There are a number of factors that would limit the impact on the Group, including the breadth of products offered, the geographical spread of our businesses, a flexible cost base and supply chain and the replacement cycle of a number of our key products.

On an ongoing basis, actions are taken to ensure the Group has the time and ability to react to unexpected changes in demand, such as maintaining appropriate headroom against its borrowing facilities and covenants, maintaining strong working capital and capital expenditure controls and having disciplined planning, budgeting and forecasting processes.

In previous cyclical downturns, management has proved effective in proactively responding to such events, and it continues to have similar measures available to minimise the effects on profitability and cash generation should the need arise.

Loss of key customers

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

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.

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

Competition

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

Impact
The Group recognises that there is a risk to its results and financial condition caused by the actions of its competitors, including competitors' marketing strategies and new product development.

Mitigation
To help identify such risks, the competitive environment, the specific business marketplace and 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

Description
The Group has 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 "annual shutdown" programme throughout its manufacturing operations.

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

Finished inventory holdings across the operations provide limited "buffer" stocks in the event of operational failure. Disaster recovery plans are in place and business continuity plans are being developed further. 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

Description
Availability of raw materials/components/energy, and supply chain failure.

Raw materials, components and energy represent a significant proportion of the Group's input costs. Availability of supply and product quality standards are key to minimising risk.

Impact
The Group's extended supply chain with its dependency on interconnected third parties for manufacturing has a number of potential points of failure. In particular, the lack of supply of raw materials such as clay or sand, components such as electronics or brassware, or gas or electricity could have significant impacts on the Group's ability to manufacture product. In addition, the risk of energy supply interruption is an elevated risk 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 by holding appropriate levels of stock.

The Group maintains strict product quality standards and, in particular, has procurement and quality control resource in China to ensure these standards are adhered to. The Group will also look to mitigate risks on energy supply where these arise.

Cyber risk and data loss

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 more stringent data protection legislation compliance requirements, present risks to all businesses and organisations across the globe.

Impact
A major failure of systems or a 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, disruption or damage to the reputation of the Group.

Mitigation
The Group uses modern systems that are maintained and updated to mitigate the risk of failure.

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

Each business operates remote backups of data and the Group undertakes annual penetration testing conducted by certified third parties.

Following the extensive programme to ensure Group compliance with the requirements of the General Data Protection Regulation (GDPR), ongoing reviews are undertaken to confirm the effectiveness of the relevant processes and controls.

Staff are regularly briefed on cyber risks and controls and cyber insurance is in place to mitigate the impact of cyber related losses.

Principal risks and uncertainties continued

Financial risks

Exchange rate risk

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 the major 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.

Interest rate risk

Description
The Group pays interest and other facility fees based on local base rates and LIBOR rates.

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

Mitigation
The Group's interest rate risk is reviewed regularly by Executive Management and at least annually as part of the Group budget process, and where considered appropriate the Group will enter into hedging arrangements. Given the current low level of interest rates, it is not considered advantageous to enter into hedging arrangements at the current time.

Pension scheme risk

Description
The Group's pension position is subject to a number of risks including changes in interest rates, inflation and mortality (see note 22 for more detail).

Impact
The above risks could adversely 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 deficit in this scheme, as at 31 March 2019, of £31.6m (2018: £48.0m) assessed in accordance with the accounting standard IAS 19R.

We have reached agreement with the pension scheme Trustee on the 2018 actuarial valuation and on a new recovery plan. The actuarial deficit at 1 April 2018 was £49.3m (2015: £73.5m) and contributions of £3.25m per annum plus CPI will be payable for the 6.5 years to 30 September 2025.

Viability statement

In accordance with provision C.2.2 of the 2016 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 risks and uncertainties it faces, the Board has decided to assess the viability of the Group over a three-year period to 31 March 2022. The Board considers this period appropriate as it believes it is not possible to credibly forecast beyond this time horizon, it reviews annually a three-year strategic plan and it is also the period over which long-term incentives are set for Executive Directors and senior management.

The strategic plan is based on our current strategy set out on page 10. It is built up by individual businesses, using the output of the annual budgeting process for year one and applying conservative general and business-specific assumptions to build years two and three. The Board considers the outputs from this plan, including the Group's cash flows, headroom under existing financial facilities, dividend cover and other key financial ratios over the three-year period. The strategic plan has then been stress tested by modelling severe but plausible downside scenarios linked to our principal risks set out in the Strategic Report on pages 26 to 30. The Board then focused on the most extreme but plausible scenario, that being a market down-turn similar to that encountered by the Group following the global financial crisis of 2008/09, considering its impact on the Group's financial performance (specifically headroom on our financial facilities and covenants) after taking account of mitigating actions that would be made in such a scenario.

The table below details this scenario:

Strategic plan flexed for severe but plausible scenario	Link to principal risks and uncertainties	Level of severity tested	Conclusion
Severe market downturn similar to that experienced in 2008/09	Market conditions	16% fall in like for like revenue in year one followed by modest growth in the following years £8.8m one-off exceptional cost in year one	The stress testing indicates that the Group would be able to withstand the impact of these severe but plausible scenarios over the viability statement period
Depreciation of South African Rand	Foreign currency exchange risk	30% depreciation of the South African Rand over the viability period	

Based on this assessment the Board believes that, taking into account its current position, the principal risks it faces and the mitigating actions available to it, the Group will be able to continue in operation and to meet its liabilities as they fall due for the three-year period of its assessment.

TAL CASE STUDY

Pearl Sky at Pearls of Umhlanga Kwa-Zulu Natal, South Africa

THE CHALLENGE

This 40,000m^2, multi-storey residential development required tiles to be installed over wood and power floated floors. High-rise buildings constantly experience movement through expansion and contraction and require a specialist adhesive system to accommodate these movements.

THE SOLUTION

TAL supplied a multi-level system for levelling floors and tiling in a high-rise building. This consisted of a primer layer including levelling, an underlayment, an adhesive system, and grout and sealer for the movement joints.

THE RESULT

Because TAL's products are designed for the harsh South African climate, and to be fully compatible with each other, they were the perfect solution for this prestigious project.

The Pearls of Umhlanga, which overlooks Umhlanga's beachfront, has won numerous architectural awards and is setting new standards for South African developments, offering the most opulent of lifestyles.

Ensuring long-term sustainability.

The Board promotes the success of Norcros for the benefit of its shareholders as a whole. In doing this, the Board takes regular account of many things, including the interests of all employees, the importance of positive relationships with suppliers and customers and the significance of environmental, ethical and social factors affecting the Group. We recognise that management of these matters is key to ensuring the long-term sustainability of our businesses.

GENDER OF DIRECTORS AND EMPLOYEES[1]

Male Female

1 As at 31 March 2019.

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

Employees

The importance of good relations with all employees is well recognised and accepted throughout the Group. The Board has always been keen to promote employee engagement. The Group is fully committed to keeping its employees informed about their work unit and the wider business, but because the Group's activities are generally organised on a de-centralised basis, with each operating business having a reasonable degree of autonomy over its operations, there is no uniform set of arrangements for employee involvement imposed throughout the Group. Nevertheless, all businesses in the Group are strongly encouraged to devise and adopt whatever means of employee consultation best suits their circumstances. We believe this approach provides flexibility and enables divisional management to tailor its approach to employee engagement to the needs of its particular business. The Board stays in touch with all our employees via regular meetings with divisional management and site visits to our operations, and receives reports on employee engagement.

Across Norcros, great emphasis is placed on the recruitment, training and development of our people. All businesses have training programmes for staff and we have examples of best practice regarding management development. Norcros also recognises the need to train its staff, in order to give them the necessary skills to perform their duties to the high standards required.

From apprentice to full time employee

TRITON

In June 2018 Robert Ormston completed his apprenticeship as a Maintenance Trainee. The programme was delivered through a mix of training at the Midland Group Training Service and on site at Triton. As a result, Robert is now a full time Maintenance Technician at Triton.

We are committed across all Norcros businesses to education and career development.

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

Our people are key to our success as a business and we value the individuality and diversity that each employee brings. Prior to any senior appointment, the Nominations Committee ensures the best person for the role is appointed and in doing so gives due consideration to gender and diversity.

At senior leadership levels 25% of employees are female.

In April 2019 the Group again published its gender pay gap statistics for its UK employees in accordance with the Gender Pay Gap Reporting Regulations. These are available on our website: www.norcros.com. They show the existence of a gender pay gap. Based on current reported information, Norcros in the UK has a gender pay gap which ranks us in the third quartile of the ranking of the reporting entities, using the "mean average hourly rate" measure.

The Board of Norcros plc is committed to gender equality and is satisfied that there is no pay inequality at Norcros – men and women are paid equally for equal work. However, for historical and sociological reasons, there is a preponderance of male employees in some areas of the business, particularly in senior roles. This generates a gender pay gap, as these roles tend to be better paid and receive larger bonuses. As stated above, the Board is committed to promoting diversity in all its forms and will seek to address the causes of this imbalance, where this is practicable.

"
Across Norcros, great emphasis is placed on the recruitment, training and development of our people. All businesses have training programmes for staff, and we have examples of best practice regarding management development."

Business partners

We seek to create and maintain long-term relationships with our key suppliers, and often work together with suppliers and customers to develop new products and improve existing ones. The Group publishes its supplier payment data for the UK in accordance with supplier payment reporting regulations.

Hydrologics training centre

VADO

The Hydrologics Studio is a state-of-the-art training and visitor facility located at VADO, Cheddar, designed to provide visitors with a thorough understanding of brassware manufacturing, plumbing systems, showering and water saving technology.

The centre's attractive five-star boutique hotel environment also allows for an enjoyable and memorable visit, leaving visitors with a lasting "wow" experience. Each tour aims to add to the technical product knowledge VADO's visitors already possess and will always be pitched to precisely the right level.

Corporate responsibility and sustainability continued

Human rights

We are committed to respecting the dignity of the individual and to support the United Nations Declaration of Human Rights and other core conventions. As a result 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 business is cognisant of its responsibilities under the Broad-Based Black Economic Empowerment legislation. In addition, the Group has its Modern Slavery Act statement and a policy in support of this. More generally, our corporate values focus on respect, integrity and fairness.

The environment

Care for the environment and sustainability are at the forefront of all our activities and products. The Board recognises that the Group's activities do have an impact on the environment. We seek to manufacture all our products in a sustainable way and many of the products themselves contain environmental features – for example, our taps and showers encourage water and energy saving and our tiles and adhesives use recycled products where appropriate. In addition, and as featured on page 17, our taps can include a filtered water function which reduces demand for bottled mineral water.

Norcros is committed to minimising this impact by continually improving its efficiency in terms of energy, water and material consumption. We also have rigorous programmes to seek to ensure compliance with all environmental legislation and requirements relating to our operations and our products.

The Group aims to minimise its carbon footprint. Its greenhouse gas emissions are reported on in detail on page 66. Whilst there has been a modest increase in overall emissions compared to last year, this has to be considered in the context of the overall growth in the activities of the Group. Relative to revenue, emissions have fallen by 0.5% year on year. We are cognisant of our obligations in the UK as regards the Energy Savings Opportunity Scheme initiative, and we were fully compliant with this in the financial year under review.

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

> "Norcros is committed to minimising this impact by continually improving its efficiency in terms of energy, water and material consumption."

Best Environmental Initiative

ADHESIVES

Norcros Adhesives has won the Gold Award for Best Environmental Initiative for the third year in a row, with the launch of environmentally friendly products including Norcros Pro 30 Fast Track Eco Levelling Compound, which contains recycled crushed glass, rather than quarried sand, and Norcros Pro Ply, an eco-friendly tile backer board, manufactured from mineral-based magnesium oxide, meaning that very little CO_2 is emitted during its manufacture.

It is also a Gold member of the Supply Chain Sustainability School, which is a construction industry initiative designed to promote sustainability in construction supply chains. It provides free support in the form of e-learning modules, tailored self-assessment and action plans, sustainability training and networking.

Ethics

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

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

We have published a Modern Slavery Act statement, which emphasises the Group's commitment to the eradication of slavery and human trafficking, both within Norcros and in its supply chains.

In order to ensure an open culture of legal and ethical compliance, all of the businesses in the Group have in place "whistleblowing" procedures, so that any concerns can be raised. During the year the Audit and Risk Committee has reviewed these arrangements and is satisfied that all Group employees may, in confidence, raise concerns about possible improprieties.

Unemployment support

SOUTH AFRICA

In 2018, Norcros SA launched its graduate and learnership programmes, to facilitate the employment of its young people and to address the skills gap that existed in the industry. 19 unemployed learners were permanently placed at the end of their programmes in 2018.

Educational initiatives

This year has seen the launch of several programmes aimed at skills development for the previously unemployed in society. At a basic level, our Norcros Tiling Academy took in another batch of very enthusiastic learners, keen to learn the trade of tiling. In another programme, young unemployed people were selected by Norcros SA to commence a year of study and workplace experience to lift them into the realm of the employable. In addition, more unemployed people were accepted onto an artisan apprentice programme.

Social

Our commitment to the society in which we operate is deep. Every Group business has programmes of social engagement, including many charitable activities. Each business has a track record of supporting local and national charities and other voluntary sector organisations. 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 on a monthly basis. A specific example of our commitment to the society in which we operate is given in the case study for Vado:

Vado Rally 2018

VADO

The Vado Rally raised over £100,000 for its children's charity, Variety, and the Rainy Day Trust. 22 teams dressed themselves and their vehicles in wild and off-the-wall designs and travelled a total of 1,000 miles across 6 countries.

The money raised helped to provide a 17-seater Variety Sunshine Coach to transport children to local events. Mrs White from Variety referred to the coach as "an amazing resource, which will allow pupils with profound and multiple learning difficulties to develop an awareness of their local environment. We are extremely grateful for the support our students have received from Variety and Vado."

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 1 to 35 of Norcros plc was approved by the Board and signed on its behalf by:

Nick Kelsall
Group Chief Executive
12 June 2019

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

Martin Towers Chair of the Board	**Nick Kelsall** Group Chief Executive	**Shaun Smith** Group Finance Director	**David McKeith** Non-executive Director
Committee membership			
N R			A N R
Date of appointment			
Joined the Board in July 2011 and was appointed Chair in November 2012	Chief Executive on 1 April 2011 having previously served as Group Finance Director since October 1996	Appointed Group Finance Director in April 2016	Appointed to the Board in July 2013
Length of tenure			
Seven years	Eight years	Three years	Five years
Skills and experience			
Martin is also the non-executive chairman of Tyman plc and Restore plc. He was the senior independent director of RPC Group plc but stepped down from the board in July 2018. He was also formerly chief executive officer of Spice plc and prior to that group finance director of Kelda Group plc, Spring Ram Corporation plc and McCarthy and Stone plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.	Nick joined Norcros as Finance Director of H&R Johnson Tiles Limited in 1993. Formerly, Nick had held a number of senior financial management positions with Touche Ross, Manchester, and, immediately prior to joining Norcros, with Waterford Wedgwood Group plc. Nick was appointed as Group Chief Executive on 1 April 2011 having previously served as Group Finance Director since October 1996. He is a member of the Institute of Chartered Accountants in England and Wales.	Shaun was group finance director and treasurer at AGA Rangemaster Group plc (formerly Glynwed International Plc) until its takeover in 2015. He began his career in retail management and corporate treasury at Marks and Spencer plc before joining Glynwed International Plc in 1989. Shaun is a qualified Corporate Treasurer and has an economics degree. He became a non-executive director of Air Partner plc in 2016 and will step down from this role in June 2019.	David is Senior Independent Director and Chair of the Audit and Risk Committee. David was a senior partner of the Manchester and Liverpool offices of PricewaterhouseCoopers LLP and served on its UK supervisory board. David was until August 2016 a non-executive director and audit committee chairman of Sportech plc, and is the chairman of the Halle Orchestra, Manchester. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Jo Hallas
Non-executive Director

A N R

Appointed to the Board in September 2012

Six years

Jo is Chair of the Remuneration Committee. She is the chief executive of Tyman plc. She was prior to that a business group director for Spectris plc with responsibility for the in-line instrumentation and industrial controls segments. Prior to that Jo was general manager of the Invensys Residential Controls business and she has held a number of senior management positions with Bosch and Procter & Gamble both in the UK and overseas. Jo is a Chartered Engineer. Jo will be stepping down from the Board of Norcros plc at its AGM on 23 July 2019.

Alison Littley
Non-executive Director

A N R

Appointed to the Board in May 2019

One month

Alison was appointed a Non-executive Director in May 2019 and will be appointed Chair of the Remuneration Committee in July 2019. 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 Headlam Group plc, James Hardie Industries Plc, Weightmans LLP and Geoffrey Osborne Group.

Richard Collins
Company Secretary

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

Six years

Richard 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 Nominations Committee
R Remuneration Committee
Chair of Committee

Re-election of all Directors

It is proposed that each Director (other than Jo Hallas) will seek election or re-election at the 2019 AGM. The Board is satisfied that the Directors, individually and collectively, contain the balance of technical expertise, skills and experience to manage the Company's affairs and to further the Group's strategic objectives. In particular, each Director has experience of growing an international business, organically, as well as by acquisition.

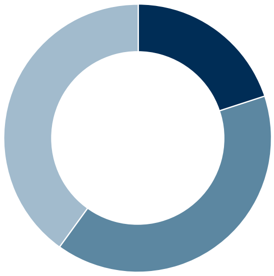
Corporate governance

Committed to ensuring high standards of corporate governance.

Chairman's introduction to governance

For the year under review the Company has complied with the UK Corporate Governance Code. We have carried out a thorough evaluation of Board performance which remains satisfactory.

Breakdown of Executive and Non-executive Directors



(There are currently three Non-executive Directors as Alison Littley was appointed on 1 May 2019 as Chair designate of the Remuneration Committee; the current Chair, Jo Hallas, will step down at the next Annual General Meeting.)

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 2016 (the Code) in all respects. 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 2019, unless otherwise stated.

During the current financial year, and in future years, the Board will be implementing the changes to the Code made in 2018 and applicable to the Company for the current financial year onwards.

Board balance and independence

The Board usually comprises a Non-executive Chairman, two Non-executive Directors and two Executive Directors, who are all equally responsible for the proper stewardship and leadership of the Company. At present there are three Non-executive Directors as there is a handover period between Jo Hallas and Alison Littley as Chair of the Remuneration Committee. The Directors holding office at the date of this report and their biographical details are given on pages 36 and 37.

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

Governance structure

The Board
Martin Towers (C)

Audit and Risk Committee
David McKeith (C)
Jo Hallas
Alison Littley (appointed 1 May 2019 and to replace Jo Hallas from 23 July 2019)

Remuneration Committee
Jo Hallas (C)
Alison Littley (appointed 1 May 2019 and to replace Jo Hallas as Committee Chair from 23 July 2019)
Martin Towers
David McKeith

Nominations Committee
Martin Towers (C)
David McKeith
Jo Hallas
Alison Littley (appointed 1 May 2019 and to replace Jo Hallas from 23 July 2019)

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 Chairman, Group Chief Executive or Group Finance Director has failed to address or resolve, or for which such contact is inappropriate.

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

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

Chairman and Group Chief Executive

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

Board, Committee and Director evaluation

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

Advice for Directors

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

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

Board procedures

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

The Board operates in such a way as to ensure that all decisions are made by the most appropriate people in a timely manner that will not unnecessarily delay progress. The Board has formally delegated specific responsibilities to Board Committees, namely the Nominations Committee, Audit 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 Nominations Committee is on page 47, the report of the Audit and Risk Committee is on pages 42 to 46 and the report of the Remuneration Committee is on pages 48 to 64.

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.

Corporate governance continued

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 Group Chief Executive has no non-executive directorships and the Group Finance Director is a non-executive director of Air Partner plc but will step down from this role on 26 June 2019.

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

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

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

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

Retirement by rotation

Each of the Directors is subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter, in accordance with the Company's Articles of Association, all of the Directors are subject to retirement by rotation such that one third of the Directors retire from the Board each year and each Director must seek re-election at intervals of no more than three years. However, the Board has decided that every Director should, where appropriate, offer themselves for re-election at each Annual General Meeting. Accordingly, each continuing Director will seek re-election at the next Annual General Meeting. As Alison Littley was appointed by the Board on 1 May 2019, the Company will be seeking shareholder approval of her appointment at the next Annual General Meeting. Biographical details of all of the Directors are set out on pages 36 and 37, 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 67.

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 5 meetings	Nominations Committee 3 meetings
Martin Towers, Chairman	8/8	3/3	5/5	3/3
Jo Hallas	8/8	3/3	5/5	3/3
David McKeith	8/8	3/3	5/5	3/3
Nick Kelsall	8/8	—	—	—
Shaun Smith	8/8	—	—	—

Relations with shareholders

The Company recognises the importance of maintaining good communications with shareholders. The Company takes a number of steps to ensure that the Board and, in particular, the Non-executive Directors develop an understanding of the views of major shareholders about the Company. 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 Chairman and the Non-executive Directors are also offered the opportunity to attend meetings with major shareholders and the Non-executive Directors, and in particular the Senior Independent Director, would attend such meetings if requested to do so by any major shareholder. In April 2018 the Company held a capital markets day attended by shareholders and analysts. The information provided at that event was made available to all shareholders via the Company's website.

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

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

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

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

The Chairman seeks to arrange for the Chairs of the Audit and Risk, Remuneration and Nominations 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 67 and the auditor's report on pages 68 to 73. 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, 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 26 to 30.

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 31.

Operational structure, review and compliance

In addition to the Group Finance Director, the Group has Senior Financial Managers at its Head Office. The Group Head of Internal Audit and Risk was appointed in July 2017 and he is in charge of the Internal Audit and Risk function for the Group. Further information on the work of Internal Audit and Risk is in the Audit and Risk Committee's report on pages 42 to 46.

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 Group Finance Director and periodic reporting to the Board on the Group's tax and treasury position.

The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. It is tested and developed as appropriate by the Group Head of Internal Audit and Risk 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 page 66.

Approved by the Board of Directors on 12 June 2019 and signed on its behalf by:

Martin Towers.

Martin Towers
Chairman
12 June 2019

The Committee concluded that the 31 March 2019 Annual Report and Accounts are fair, balanced and understandable.

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 internal audit; and
- advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable.

Members

During the year to 31 March 2019, the Committee consisted of all the Non-executive Directors including the Chair of the Board. As at 31 March 2019 the Board Chair ceased to be a member of the Committee in line with the 2018 UK Corporate Governance Code. Biographies of the members of the Committee appear on pages 36 and 37.

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 chairman 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. Additionally, an appraisal of the Committee was undertaken as part of an evaluation of the entire Board in the year ended 31 March 2019 which concluded that the Committee is operating effectively.

Responsibilities

On 8 November 2018, the Committee amended its name from "Audit" to "Audit and Risk". The terms of reference, which are in compliance with the UK Corporate Governance Code, were also amended to specifically include the responsibility for risk management. 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:

- reviewing the Company's Annual and Interim Reports and other regulatory announcements, including considering and challenging significant financial reporting issues and judgements;
- advising the Board on whether it considers that the Annual Report and Accounts present a fair, balanced and understandable assessment of the Company's financial position and performance, strategy and business model;
- monitoring the Company's risk management and internal control procedures;
- evaluating and advising the Board on the going concern assumption and viability statement;
- agreeing the scope of the annual internal audit programme and reviewing the outputs; and
- overseeing the appointment and work of the external auditor.

Significant financial reporting matters in the 2019 Annual Report

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

Accounting for customer rebates and other trade promotional spend

As part of its trading activities and in accordance with industry norms, a number of the Group's customers are offered rebates and promotional incentives in order to encourage trade and cement strong relationships. Rebates and promotional spend are recognised as a deduction from revenue over the period of the agreement with the customer. Accounting for such arrangements involves 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.

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

Defined benefit pension plan liabilities

The Group's UK defined benefit pension scheme is significant both in terms of its context in the overall Balance Sheet and the results of the Group, notwithstanding the fact that the net deficit has reduced from £48.0m in 2018 to £31.6m in 2019. 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 had engaged an independent firm of qualified actuaries. The Committee reviewed the outputs from this work and benchmarked the assumptions, particularly the net discount rate, with those applied by other companies with defined benefit pension schemes with similar characteristics and having the same measurement date. The Committee concurred with the assumptions put forward by management to value the liability.

During the year the High Court guaranteed minimum pension (GMP) equalisation ruling on 26 October 2018 in the Lloyds Banking Group case had a further impact on the valuation of our pension scheme liabilities and Income Statement, due to the related costs being treated as past service costs. As above, the Committee concurred with the assumptions put forward by management that resulted from work carried out by an independent firm of qualified actuaries.

Accounting for onerous property lease provision

The Group has one remaining onerous legacy property lease that is due to expire In June 2022. In the year the Group recognised an exceptional cost of £3m to increase the onerous lease provision in light of the previous tenant terminating the lease and the Group's view of the likely costs (net of rental income) of the resultant void and final dilapidations which will be incurred over the remainder of the lease tenure.

The Committee considered the approach and judgement taken by management in determining the value of the provision 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, are fair, balanced and understandable, and provide 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 2019 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 2019. By invitation, the Group Chief Executive, Group Finance Director, Company Secretary, Group Head of Internal Audit and Risk 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.

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 and they are summarised in the table below:

Area	Activities
Financial reporting	Review of the Company's trading updates and other financial communications
	Review of the impact assessment of IFRS 16 and related disclosure requirements
	Review of onerous property lease provision
	Review of the Company's interim results for the six months ended 30 September 2018
	Review of the Company's Annual Report and Accounts for the year ended 31 March 2019, including consideration of:
	• significant financial reporting matters;
	• whether the Annual Report and Accounts are fair, balanced and understandable; and
	• the requirements of the viability statement
External audit	Review of the external auditor's proposed audit work plan for the year ended 31 March 2019, including its assessment of the principal financial reporting risks
	Review of the external auditor's terms of engagement and proposed fees
	Assessment of the external auditor's independence, objectivity, qualifications and expertise, including a review of its internal quality control checks
	Review of the findings from the external audit for the year ended 31 March 2019
Internal audit	Review of the internal audit work programme for the year
	Assessment of the work carried out to test and review internal controls and IT security, together with the status of recommendations identified
Compliance	Review of the whistleblowing incidents
	Review of the fraud issues log
	Review of the Global Data Protection Regulation incidents log
Risk management	Review of the Group's principal risks and uncertainties including risk identification, management and monitoring procedures
	Review of the Group's risk assessment and preparedness for Brexit
Governance	Conduct an appraisal of the performance of the Committee
	Review of the Group's policy in respect of the employment of former employees of the external auditor
	Review of the Group's policy in respect of the engagement of the external auditor for non-audit services and non-audit services provided by the external auditor during the year
	Update of the Committee's Terms of Reference in line with current best practice

Internal audit framework

The Group has a dedicated Group-wide Internal Audit and Risk Function that is led by an experienced Group Head of Internal Audit and Risk. This role is supported by a dedicated internal auditor based in South Africa focused on the particular risks faced by the Group's retail and manufacturing operations in South Africa.

The Group operates a rolling twelve-month audit plan prepared by the Group Head of Internal Audit and Risk, which is based on the risk assessments carried out by the Group, including 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 self-assessment questionnaire, completed annually by each business unit, is reviewed by the Committee. This includes a management representation requiring each division to confirm that all known material facts have been appropriately communicated to the Executive Directors. The results of this assessment feed into the audit plan and individual audit engagements.

Internal Audit and Risk activities during the year

A key focus of Internal Audit and Risk during the year was a review of Group-wide business continuity arrangements, resulting in a number of improvement initiatives that will be carried out in 2019. Audits of two operational units were completed, assessing the effectiveness of key controls around financial reporting, inventory management and procurement processes along with follow-ups of the previous year's business audits to confirm progress with agreed actions. In South Africa, whilst the primary focus has remained on the retail outlets with completion of a cycle of operational reviews in all the Tile Africa stores, additional reviews have been conducted of payroll processes and the Supply and Fit division.

Other key activities have included: facilitation of an exercise to monitor and review the implications of Brexit on the strategy and operations of the Group and individual divisions; a review of key controls in place to demonstrate compliance with the requirements of the Bribery Act 2010 and the Criminal Finances Act 2017 (with regard to the facilitation of tax evasion); validation of recently implemented GDPR processes and controls; and completion of an extensive penetration test of the Group IT networks.

Summaries of findings/actions and updates on all audit work and other key activities have been provided to the Audit and Risk Committee meetings.

Risk management framework

Our risk management framework is highlighted on page 26 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 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 it is robust and effective and includes strategic and operational risks that could threaten the business model and future strategy.
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 particular 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 2018 to the date of approval of these Annual Report and Accounts for the year ended 31 March 2019.

Fraud and whistleblowing

The Committee receives regular papers on incidences of fraud and whistleblowing 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.

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.

Audit and Risk Committee report continued

External auditor continued

The external auditor, PricewaterhouseCoopers LLP, was re-appointed in November 2011 following a competitive tender process. The timing of a competitive tender will continue to be assessed on an annual basis, considering the results of the annual effectiveness review. The Committee has, however, committed to conducting a tender process for the role of external auditor at least every ten years in line with current legislation, meaning that the next tender must take place in 2021 at the latest.

The Committee is aware of the need to safeguard the auditor's objectivity and independence and the issue is discussed by the Committee and periodically with the audit engagement partner from PricewaterhouseCoopers LLP. As required by Auditing Practices Board requirements, external auditor independence is maintained by the rotation of the engagement partner every five years. The current audit engagement partner, Hazel Macnamara, has been in place for three years.

Policies on the award of non-audit work to the external auditor and the employment of ex-employees of the external auditor are in place which are reviewed annually. 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.

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 2019 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 2019, the Committee was satisfied with the independence, objectivity and effectiveness of the relationship with PricewaterhouseCoopers LLP as external auditor. In light of this the Committee has recommended to the Board that PricewaterhouseCoopers LLP be re-appointed for the forthcoming year and a resolution proposing this will be put to the 2019 Annual General Meeting.

On behalf of the Audit and Risk Committee

David McKeith
Chairman of the Audit and Risk Committee
12 June 2019

The Committee continues to give careful consideration to succession plans for Board members and senior management across the Group.

Role of the Nominations Committee

The main responsibilities of the Nominations Committee are:

- evaluating the balance of skills, knowledge, independence, diversity and experience of the Board;
- succession planning for the Board;
- 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 Nominations Committee and the Board seek to maintain an appropriate balance between the Executive and Non-executive Directors. The Nominations Committee is chaired by the 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.

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.

During the year under review, the Nominations Committee has evaluated 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. The Committee will utilise external search and selection consultants as appropriate and appointments will be made on the basis of merit and the most appropriate experience against objective criteria in the best interests of shareholders.

During the year the Committee led a process to appoint a Non-executive Director as a replacement for Jo Hallas, who will step down from the Board at the 2019 AGM.

The Committee engaged the services of an external search consultancy, Russell Reynolds, with which the Company has no other connections, and following an open and rigorous search and selection process, Alison Littley was appointed to the Board and Chair of the Remuneration Committee (designate) with effect from 1 May 2019.

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.

In the year under review the Committee has, in addition to its routine responsibilities, given careful consideration to succession planning issues. The Company has in place appropriate plans for succession planning for Board members and senior management across the Group. In the current financial year, the Committee led by the Group Chief Executive is implementing a leadership development programme for senior management in the Group.

Martin Towers.

Martin Towers
Chair of the Nominations Committee
12 June 2019

The Committee continues to place the interests of shareholders at the forefront of its decision making when implementing the current remuneration policy.

Role of the Remuneration Committee

The main responsibilities of the Remuneration Committee are to:

- determine the remuneration policy and keep it under review, including consulting with, and obtaining approval from, shareholders as appropriate;
- implement the approved remuneration policy as regards Executive Director remuneration, benefits and incentives, including the design of, targets for and payout of all incentive arrangements;
- ensure alignment of the remuneration structure for senior executives to the Executive Director remuneration policy, including approval of changes to packages; and
- preparation of the Annual Remuneration Report to be approved by the members of the Company at the Annual General Meeting.

Dear shareholders,

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2019.

The Committee continues to place the interests of shareholders at the forefront of its decision making when implementing the current remuneration policy which was approved by 99.1% of shareholders voting at the 2017 AGM. The policy will be reviewed over the next year with those interests firmly in mind as well as the factors set out in the 2018 UK Corporate Governance Code. This will be submitted for shareholder approval at the 2020 AGM.

Current remuneration strategy

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

Our policy delivers an on-target reward mix for the Group Chief Executive and Group Finance Director comprising 62% fixed pay (52% base salary, 8% pension and 2% benefits), 25% annual bonus and 13% long-term incentive. Under a scenario where all performance conditions are met in full, the Executive Directors' package consists of 38% fixed pay, 31% annual bonus and 31% long-term incentive.

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

The Group has for many years successfully operated an all-employee Save As You Earn (SAYE) share scheme in the UK, and in the year in review we extended SAYE to employees of the recently acquired Merlyn business, thereby enabling even more of our workforce to share in the success of the business.

Alignment with strategic objectives

In 2018, the Company defined its new strategic vision and objectives for the five-year period to 2023. These are set out more fully on page 10. Alongside this process, the Committee undertook a comprehensive review of the remuneration policy to ensure that it would remain fit for purpose in effectively incentivising the delivery of the Group's new strategic goals and the creation of shareholder value over the longer term. The Committee also took into account the wider market context and developments in best practice remuneration governance. After extensive consideration, the Committee concluded that the policy approved by shareholders at the 2017 AGM remains appropriate in this context; it is simple, clear and sufficiently flexible to enable the Committee to revise its approach to implementation in future years if the need arises.

Year in review

In the year in review, the remuneration policy operated as intended as regards Company performance and quantum (details below). There was appropriate engagement with shareholders in advance of the 2018 AGM, and 99.9% of shareholders voting supported the Remuneration Report at that AGM.

The Committee believes that engagement with the Group's workforce on remuneration and other matters is important and this is being done by both direct personal engagement between Committee members and management and staff of all of our businesses, as well as receipt of reports from management on HR matters. Employee engagement will continue to be an area of focus for the Committee in the coming year.

As highlighted in the Chairman's Statement and the Group Chief Executive's Statement on pages 4 and 5 and 6 and 7 respectively, Norcros continues to perform strongly with a tenth consecutive year of growth in both revenue and underlying operating profit. Highlights for the year ended 31 March 2019 include:

- revenue growth of 10.3% (11.6% on a constant currency basis) to £331.0m;
- underlying operating profit increased by 25.5% to £34.4m;
- underlying diluted earnings per share increased by 7.5% to 31.7p; and
- underlying ROCE of 18.2% (2018: 18.0%), which is ahead of the Group strategic target of 15%.

This strong performance delivered underlying profit slightly ahead of the target set by the Committee for the year, resulting in bonus outcomes of 61.1% of the maximum opportunity for the year ended 31 March 2019. The Group exceeded its targets for aggregate underlying earnings per share (EPS) over the three-year period from 1 April 2016 to 31 March 2019. As a result, 57.6% of the APSP awards granted in 2016 will vest on 27 July 2019. The Committee considers this outcome to appropriately reflect the Group's very strong performance and progress against strategic objectives over the period. Accordingly, there were no exercises of discretion with regard to remuneration outcomes for the Executive Directors.

2020 remuneration

In accordance with our remuneration policy, the Committee decided to award base salary increases of 3% to each of our Executive Directors, reflecting their continued contribution to the sustained strong performance of the Company. These increases are broadly in line with the increases for our senior employees in the wider UK-based workforce. There are no other changes to Executive Director remuneration for the year ending 31 March 2020.

For the reasons set out in this letter, the Committee believes that our remuneration strategy and its implementation remain appropriate. The Directors' Remuneration Report will be subject to an advisory vote at the 2019 AGM and I look forward to receiving your support for this.

On a personal note, I shall be stepping down from the Board and as Chair of the Remuneration Committee after the 2019 AGM on 23 July. I am delighted that Alison Littley has joined our Board. She will take over from me as the Chair of the Remuneration Committee and we have a transition period underway for this role, which will be completed by the time of our AGM. I have no doubt that Alison will continue the development of our remuneration strategy, and to align it to the best interests of our shareholders. On behalf of the Remuneration Committee, I would like to thank you all for your continued support.

J.C.Hallas

Jo Hallas
Chair of the Remuneration Committee
12 June 2019

Remuneration disclosure

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

Directors' remuneration policy report

Directors' remuneration policy

This section of the report sets out the remuneration policy for Executive Directors and Non-executive Directors, which was approved by a binding shareholder vote at the 2017 AGM. The policy will remain effective for up to a three-year period ending on the date of the 2020 AGM. The Policy Report is unchanged from that published in last year's Annual Report, save for minor changes to aid clarity and transparency, such as updating the pay scenario charts to reflect current financial year remuneration, and page references.

Executive Director remuneration policy table

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

Component and objective	Operation	Opportunity	Performance measures
Base salary To enable the Group to attract, motivate and retain the people it needs to maximise the value of the business	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
Pension To provide a level of retirement benefit that is competitive in the relevant market	Executive Directors receive pension contributions (either as a direct payment or a cash allowance). Base salary is the only element of remuneration that is pensionable.	Maximum of 15% of base salary.	n/a
Benefits Provision of benefits in line with the market	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.	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. 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. 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).	n/a

Component and objective	Operation	Opportunity	Performance measures
Annual bonus and Deferred Bonus Plan (DBP) To focus Executive Directors on achieving demanding annual targets relating to Group performance and encourage retention	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. 50% of the total bonus payment is paid in cash, and 50% is converted into nil-cost options over Norcros shares under the 2011 Deferred Bonus Plan (DBP). These options are exercisable after three years, subject to continued employment and malus (in whole or in part) during the deferral period in the event of a material misstatement in accounting records or gross misconduct. A payment equivalent to the dividends that would have accrued on deferred bonus awards that vest will be made to participants on vesting.	Maximum opportunity: 100% of base salary. Target opportunity: 50% of base salary. For threshold performance, the bonus payout is up to 25% of maximum.	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 20% of the total opportunity). The primary bonus measure is Group underlying operating profit, although the Committee may, at its discretion and from time to time, supplement this with additional financial measures that reflect the strategic priorities for Norcros for the financial year. 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. Further details including targets attached to the bonus for the year under review are given on page 59 of the Annual Report on Remuneration.
Approved Performance Share Plan (APSP) To incentivise Executive Directors to deliver long-term performance by aligning their performance with shareholders' interests	APSP awards comprise annual conditional awards of nil-cost options following the announcement of the Group's final results. Awards normally vest after three years, subject to the achievement of a performance condition and continued employment with the Group until the vesting date. To the extent an award vests, Executive Directors will be required to hold net vested shares for an additional holding period of two years. A payment equivalent to the dividends that would have accrued on APSP awards that vest will be made to participants on vesting. 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 or gross misconduct.	Maximum opportunity: 100% of base salary. Threshold performance results in 25% vesting. Details of actual APSP awards in respect of each year will be disclosed in the Annual Report on Remuneration.	Vesting of APSP awards is dependent upon the Group's diluted underlying earnings per share (EPS) performance over a three-year period. At the start of each cycle, the Committee will determine the targets that will apply to an award. If the performance targets are not met at the end of the performance period, awards will lapse. 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. The Committee will consult major shareholders on changes to the APSP, although it retains discretion to make non-significant changes to the performance measure without reverting to a full shareholder vote. Further details, including the targets attached to the APSP in respect of each year, are disclosed in the Annual Report on Remuneration.

Directors' remuneration policy report continued

Executive Director remuneration policy table continued

Component and objective	Operation	Opportunity	Performance measures
SAYE To encourage the ownership of Norcros plc shares	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%.	Savings capped at the individual monthly limit set by HMRC (or other such lower limit as the Committee may determine) from time to time.	n/a
Shareholding requirements To align Executive Director and shareholder interests and reinforce long-term decision making	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 100% of salary. Only shares that are held beneficially by an Executive Director or their spouse or partner, or nil-cost options granted under the DBP on or after 27 July 2017 count in the assessment of whether an Executive Director has met the required ownership level.	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, i.e. before 27 July 2017. Details of these awards are, and will be, disclosed in the Annual Report on Remuneration.

Performance measure selection and approach to target setting

The use of Group underlying operating profit in the annual bonus directly reinforces our medium-term growth-orientated strategy (see page 10 for further details). For the APSP, the Committee considers that diluted underlying EPS is a transparent, objective and effective measure of performance which is in the long-term interests of all of our shareholders.

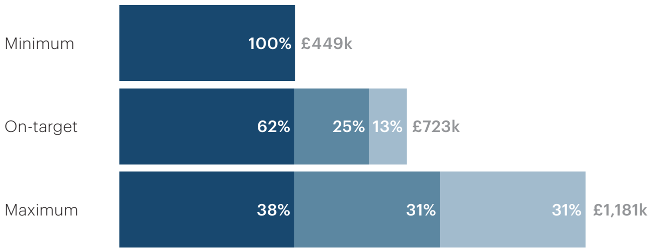
Targets applying to the bonus and APSP are reviewed annually, based on a number of internal and external reference points. Bonus targets are aligned with the annual budget agreed by the Board. Annual bonus targets are considered to be commercially sensitive but will be disclosed retrospectively in next year's Annual Report on Remuneration (see page 59 of the Annual Report on Remuneration). APSP targets reflect industry context, expectations of what will constitute appropriately challenging performance levels and factors specific to the Group. The Committee will determine the APSP targets at the time awards are made and these targets (along with other relevant details of the grant) will be disclosed in next year's Annual Report on Remuneration (see page 60 of the Annual Report on Remuneration).

Differences from remuneration policy for other employees

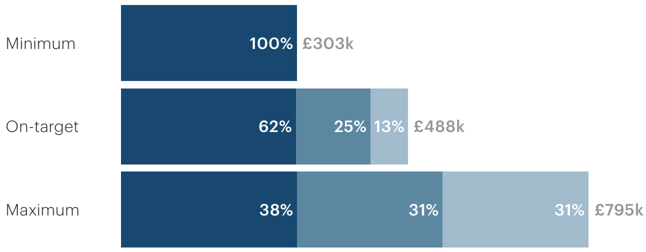
The remuneration policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies.

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.

Group Chief Executive



Group Finance Director



Performance scenario charts

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

The potential opportunities illustrated above are based on the policy applied to the base salary at 1 April 2019. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 March 2020. It should be noted that any bonus deferred into the DBP and APSP awards do not normally vest until the third anniversary of the date of grant. This is intended to illustrate the relationship between executive pay and performance. The values of the DBP and APSP assume no increase in the underlying value of the shares, and actual pay delivered will further be influenced by changes in factors such as the Group's share price and the value of dividends paid.

Valuation assumptions

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

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

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

Approach to Executive Director recruitment 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. The maximum employer contribution will be 15% of salary on the same terms as other Executive Directors.
SAYE	New appointees will be eligible to participate on identical terms to all other employees.
Annual bonus	The bonus structure described in the policy table will apply to new appointees. The maximum opportunity will be 100% of salary, pro-rated in the year of joining to reflect the proportion of that year employed. Performance measures may include strategic and operational objectives tailored to the individual in the financial year of joining. 50% of any bonus earned will be deferred into the DBP on the same terms as other Executive Directors.
APSP	New appointees will be granted annual awards under the APSP on the same terms as other Executive Directors, as described in the policy table. In exceptional circumstances, such as to facilitate the recruitment of an external hire, the Committee may, in its absolute discretion, make awards up to 150% of salary.

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

Service contracts and policy for payment for loss of office

Executive Directors have signed rolling contracts, terminable on twelve months' notice by either the Group or the Director. The Group entered into a contract with Nick Kelsall on 1 April 2011, and with Shaun Smith on 31 March 2016. 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 is due to receive. The Company reserves the right to reduce the amount of the instalments by the amount of such income. The Committee would expect to include similar pay in lieu of notice provisions in any future Executive Director's service contract. In the case of Nick Kelsall's service contract, these pay in lieu of notice provisions can also be activated by Mr Kelsall if he exercises his contractual right to terminate his employment upon a change of control of the Company or a transfer of his employment to an acquirer of the Company's business. The Committee would not envisage including a similar right to terminate in any future Executive Director's service contract, and there is no such provision in Shaun Smith's 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 vesting
Annual bonus		
Voluntary resignation or summary dismissal	No bonus paid.	n/a
All other circumstances	Bonuses are paid only to the extent that the associated objectives, as set at the beginning of the plan year, are met. Any such bonus would normally be paid on a pro-rata basis, taking account of the period actually worked.	At the normal vesting date unless the Committee, in its absolute discretion, determines that awards should vest on cessation of employment.
DBP		
Summary dismissal	Awards lapse.	n/a
Injury, illness, disability, death, retirement with the agreement of the Group, redundancy or employing company leaving 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	Unapproved option awards lapse unless the Committee, in its absolute discretion, determines that awards should vest, subject to being pro-rated for time and performance to the date of cessation of employment. Approved option awards lapse, except in the case of retirement with the agreement of the employer, when awards will vest, subject to pro-rating as stated above.	On cessation of employment unless the Committee, in its absolute discretion, determines otherwise.
Death	Unapproved option awards vest in full, but may be subject to the application of the performance conditions attached to them. Approved option awards are pro-rated for time and performance to that date.	Immediately.
Change of control	Awards vest, subject to being pro-rated for time and performance to the date of cessation of employment, unless the Committee determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.	On change of control.

Directors' remuneration policy report continued

External appointments

Executive Directors are permitted to take up non-executive positions on the boards of other companies, subject to the prior approval of the Board. The Executive 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.

Consideration of employment conditions elsewhere in the Group

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

Consideration of shareholder views

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

Non-executive Director remuneration policy

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

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

Non-executive Director	Date of appointment	Notice period
Martin Towers	28 July 2011	1 month
Jo Hallas	27 September 2012	1 month
David McKeith	24 July 2013	1 month
Alison Littley	1 May 2019	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 Chairman is determined by the Committee excluding the Chairman. The fees paid to the other Non-executive Directors are determined by the Chairman and the Executive Directors. 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. Additional fees are payable for acting as Chairman of the Audit and Risk and Remuneration Committees.	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 Chairman of the Audit and Risk or Remuneration Committees.

Annual report on remuneration

The following section provides details of how our policy was implemented during the year ended 31 March 2019 and will be implemented in the year ending 31 March 2020.

Remuneration Committee membership in the year ended 31 March 2019

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

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

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

All members of the Committee are independent. They serve on the Committee for a minimum three-year term and a maximum of 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 2019. We are pleased to report this review concluded that the Committee continues to operate effectively.

In addition, the Group Chief Executive 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 five times during the year. Attendance by individual members at meetings is detailed on page 40.

Main activities of the Committee during the year ended 31 March 2019

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

- reviewing and setting salary levels for Executive Directors and senior management;
- determining the annual bonus outcome for the year ended 31 March 2018;
- setting operating profit targets for the annual bonus for the year ended 31 March 2019;
- approving the APSP outcome for the 2015 APSP awards (which vested in 2018);
- calibrating EPS targets for, and granting of, 2018 APSP awards;
- reviewing developments in remuneration governance;
- reviewing and setting the fees payable to the Non-executive Chairman; and
- reviewing and aligning, where appropriate, the compensation and benefits provided to senior management.

Advisers

The Company uses Mercer Kepler as the independent remuneration adviser to the Remuneration Committee. Mercer Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In the year to 31 March 2019, Mercer Kepler provided the following services:

	Services provided	Fees (excl. VAT) £
Mercer Kepler	Guidance on developments in remuneration governance and implications for Norcros, support on setting incentive targets, Remuneration Report drafting support and general support to the Remuneration Committee throughout the year.	£7,900

Mercer Kepler provides no other services to the Company or its Directors and the Committee is satisfied that the advice it receives continues to be independent. Mercer Kepler's parent company, Mercer, provides limited services to the Company relating to its all-employee pension scheme.

Annual report on remuneration continued

Summary of shareholder voting at the AGM

The following table shows the results of the binding vote on the remuneration policy at the 2017 AGM and advisory vote on the 2018 Annual Report on Remuneration at the 2018 AGM:

	Remuneration Policy (2017 AGM)		Annual Report on Remuneration (2018 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	36,094,786	99.08%	50,559,837	99.94%
Against	334,124	0.92%	30,974	0.06%
Total votes cast (excluding withheld votes)	36,428,910	100.00%	50,590,811	100.00%
Votes withheld	10,895		1,340	
Total votes (including withheld votes)	36,115,470		50,592,151	

The Committee welcomes the very strong support it continues to receive from shareholders for remuneration at Norcros.

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

The following table provides a single figure for total remuneration of the Executive Directors for the year to 31 March 2019, together with comparative figures for the year to 31 March 2018. 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		Shaun Smith	
	2019 £	2018 £	**2019 £**	2018 £
Base salary	**366,170**	355,505	**245,935**	238,772
Taxable benefits[1]	**16,070**	16,292	**13,070**	97,616
Annual bonus[2]	**223,730**	177,752	**150,266**	119,386
Long-term incentives[3]	**289,155**	371,261	**194,209**	—
Pension benefit[4]	**55,191**	48,904	**36,890**	35,816
SAYE[5]	**—**	1,996	**—**	—
Total	**950,316**	971,710	**640,370**	491,590

1 Taxable benefits consist of car allowance (Nick Kelsall – 2019: £15,000, 2018: £15,000; and Shaun Smith – 2019: £12,000, 2018: £12,000) and private medical insurance. For 2018, Shaun Smith's taxable benefits also include the cost of relocation on joining Norcros of £84,324. This cost is part of the relocation allowance (capped at £100k gross of tax) agreed in connection with his appointment and disclosed in the 2017 report.

2 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 2019" below for further details.

3 For 2019, the APSP value reflects the estimated value of APSP awards granted in July 2016, of which 57.6% will vest to Nick Kelsall and Shaun Smith on 27 July 2019 and includes the value of dividends accrued on these awards over the vesting period (£31,307 and £21,027 respectively). The value of awards is estimated using the three-month average share price to 31 March 2019 of 192.65p, and will be trued up to reflect the vest-date value of awards in next year's Annual Report on Remuneration. For 2018, the APSP value has been trued up from that disclosed in last year's Remuneration Report to reflect the Group's share price of 212.0p on the date of vesting (22 July 2018) of awards granted in July 2015. The gain on exercise of share options for Nick Kelsall in the year was £451,270.

4 The pension benefit provided to Nick Kelsall and Shaun Smith in 2019 comprises cash in lieu (Nick Kelsall – £54,925; and Shaun Smith – £36,890) and amounts related to the defined benefit scheme (Nick Kelsall – £266; and Shaun Smith – n/a). In 2018, pension benefits comprised cash in lieu (Nick Kelsall – £53,326; and Shaun Smith – £35,816) and amounts related to the defined benefit scheme (Nick Kelsall – (£4,422); and Shaun Smith – n/a). See "Total pension entitlements" on page 60 for further details.

5 Embedded gain on grant of Save As You Earn scheme grants made. See "2018 SAYE" on page 60 for further details.

Incentive outcomes for the year ended 31 March 2019 (audited information)

Annual bonus in respect of performance in the year ended 31 March 2019

The 2019 Annual Bonus Plan was based 100% on Group underlying operating profit performance for the year to 31 March 2019. The maximum annual bonus opportunity for the year was 100% of base salary for the Group Chief Executive and for the Group Finance Director. Based on the Company's performance in 2019, against targets set at the start of the year, the Committee decided to award an annual bonus of 61.1% of the maximum opportunity to the Executive Directors. Further details, including the profit targets set and actual performance, are provided below:

	Underlying profit target £m	Payout (% of max.)	2019 outturn £m	Bonus (% of max.)
Maximum	36.5	100%		
Target	33.8	50%	34.4	61.1%
Threshold	31.1	25%		

50% of each Executive Director's annual bonus award of 61.1% of base salary, i.e. 30.55% of salary, will be deferred into shares under the DBP. This DBP award will vest on the third anniversary of grant, subject to continued employment.

The table below sets out the actual bonuses to be paid in cash and deferred shares for each Executive Director for the year to 31 March 2019:

	Annual cash bonus		Deferred share bonus	
	% of earned bonus	£	Value of deferred shares £	Total £
Nick Kelsall	50%	111,865	111,865	223,730
Shaun Smith	50%	75,133	75,133	150,266

Deferred Bonus Plan (DBP)

The grant of options under the DBP in respect of the year to 31 March 2019 has not yet been made. As a result of this, the precise number of options to be granted in respect of the year to 31 March 2019 cannot yet be calculated, though the proposed monetary value of the bonus earned is known. Accordingly, Nick Kelsall will receive a number of nil-cost options calculated by dividing the proposed value of £111,865 by the share price at the date of grant. Shaun Smith will receive a number of nil-cost options calculated by dividing the proposed value of £75,133 by the share price at the date of grant.

2016 APSP awards vesting

Effective July 2016, APSP awards of 232,356 shares were granted to Nick Kelsall and of 156,060 shares to Shaun Smith. Vesting of these awards was based on Norcros' aggregate diluted underlying EPS over the three financial years to 31 March 2019. Based on performance over this period, the Committee has determined that these awards will each vest as to 57.6% of maximum on 27 July 2019, being the end of the relevant three-year vesting period according to the APSP rules. Performance targets and actual performance against these, as determined by the Committee, are summarised in the table below:

	Aggregate underlying EPS	% vesting	Norcros' performance	Award vesting (% of APSP award)
Threshold	84.3p	25%		
Maximum	96.5p	100%	89.6p[1]	57.6%

1 Reflects an adjustment of 0.6p in the 2018/19 underlying diluted EPS due to the impact of a change in accounting policy compared with that used in the EPS target.

Annual report on remuneration continued

Scheme interests awarded in 2019 (audited information)

2018 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 2018):

	Nick Kelsall	Shaun Smith
Basis of award	50% of earned bonus	50% of earned bonus
Grant date	25 July 2018	25 July 2018
Number of nil-cost options granted	41,337	27,764
Grant-date share price (p)	215.0p	215.0p
Grant-date face value (£)	88,875	56,693
Normal vesting date	25 July 2021	25 July 2021
Performance conditions	None	None

2018 APSP

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

	Nick Kelsall	Shaun Smith
Basis of award	100% of base salary	100% of base salary
Grant date	25 July 2018	25 July 2018
Number of nil-cost options granted	170,311	114,388
Grant-date share price (p)	215.0	215.0
Grant-date face value (£)	366,169	245,934
Normal vesting date	25 July 2021	25 July 2021
Performance period	1 April 2018–31 March 2021	1 April 2018–31 March 2021
Performance conditions	Three-year aggregate underlying EPS Threshold: 96.1p (25% of element vesting) Maximum: 109.7p (100% of element vesting) Straight-line vesting between these points	
Holding period	25 July 2021–25 July 2023	25 July 2021–25 July 2023

2018 SAYE

In the year ended 31 March 2019, Nick Kelsall and Shaun Smith did not enter into a further savings contract under the SAYE during the year as each is contracted under previous SAYE grants at the HMRC limits.

Total pension entitlements (audited information)

As part of their remuneration arrangements, Nick Kelsall and Shaun Smith 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 £54,925 (2018: £53,326) with no amounts paid directly into a pension scheme (2018: £nil). Shaun Smith elected to take a taxable pension allowance of £36,890 (2018: £35,816) with no amount paid into a personal pension plan (2018: £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. Shaun Smith 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 £	Increase in accrued pension net of CPI £	Transfer value of net increase £	Additional value of pension on early retirement £	Pension value in the year from DB scheme £	Pension value in the year from cash allowance £	Total £
Nick Kelsall	23,109	13	10,294	—	266	54,925	55,191
Shaun Smith	—	—	—	—	—	36,890	36,890

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 2019 and the prior year:

	Total fee	
	2019 £	2018 £
Martin Towers	105,000	100,980
Jo Hallas	43,940	42,662
David McKeith	43,940	42,662

Payments to past Directors (audited information)

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

Exit payments made in the year (audited information)

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

External appointments in the year

Shaun Smith is a non-executive director of Air Partner plc. In respect of this role, Shaun Smith received from Air Partner plc fees of £35,000 during the year ended 31 March 2019, which he retained. No other external appointments were held by the Executive Directors during the year.

Percentage change in CEO remuneration

The table below shows the percentage change in the CEO's salary, benefits (excluding pension) and annual bonus between the 2018 and 2019 financial years compared with the percentage change in the average of each of those components of pay for all UK staff employed in continuing operations. A UK subset of employees was selected as a suitable comparator group for this analysis because the CEO is based in the UK (albeit with a global role 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.

	CEO % change 2018–2019	Average of other employees % change 2018–2019
Salary	3.0%	3.0%
Benefits	(1.4)%	3.0%
Bonus	25.9%	23.5%

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.

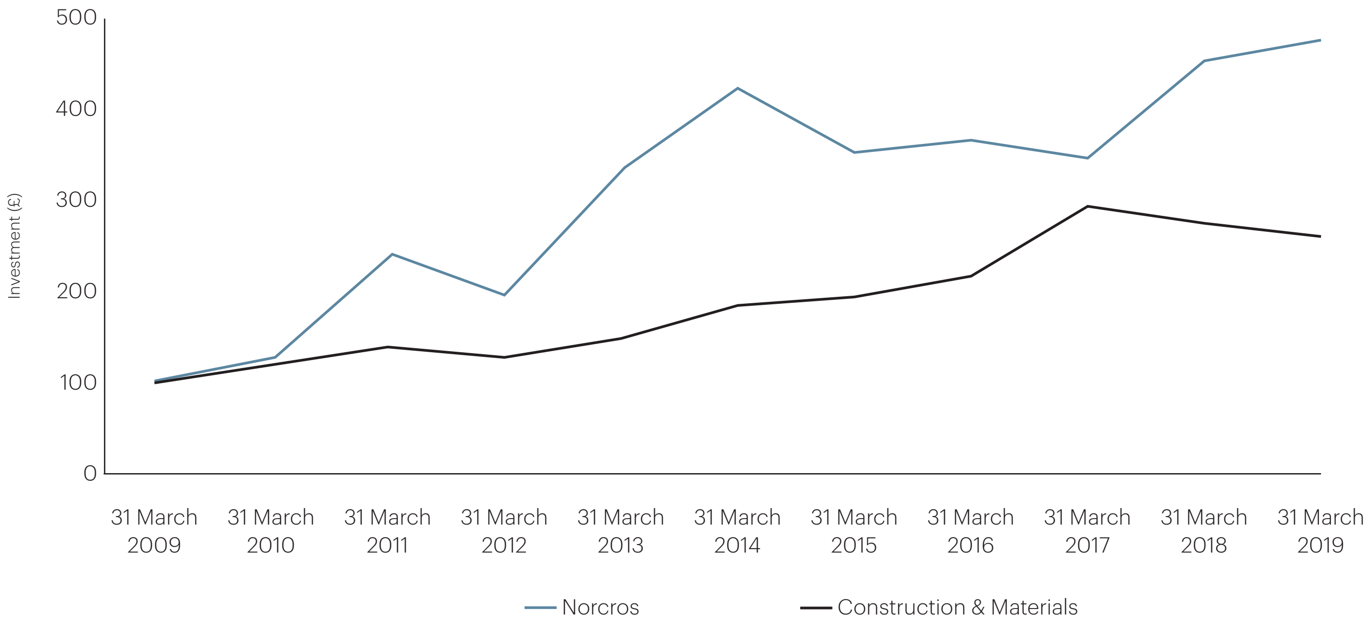
	2019 £m	2018 £m	% change
Dividends	6.4	5.0	28.0%
Dividend per share	8.4p	7.8p	7.7%
Total staff costs	60.7	59.9	1.3%

Annual report on remuneration continued

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 2009)



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

	2010	2011	2012	2013	2014	2015	2016	2017	2018 updated	**2019**
CEO single figure of remuneration (£000)										
Incumbent	Joe Matthews	Joe Matthews	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	**Nick Kelsall**
Total remuneration	£488,000	£611,000	£380,780	£526,282	£917,530	£1,161,288	£928,764	£1,025,158	£971,710	**£950,316**
Annual bonus (as a % of max. opportunity)	38%	81%	0%	50%	54%	69%	81%	68%	50%	**61%**
APSP vesting (as a % of max. opportunity)	n/a	0%	n/a	n/a	100%	99%	100%	100%	100%	**58%**

Implementation of Executive Director remuneration policy for the year to 31 March 2020

The Remuneration Committee conducted a thorough review of Executive Directors' remuneration, effective 1 April 2019. The results of this review are as follows:

Base salary

Base salaries were reviewed taking into account individual performance and competitive practice for similar roles in the Company's remuneration peer group, and remuneration awards within the Group. The Committee decided to increase Executive Director salaries in line with the rest of the UK businesses in the Group by 3%. For the year ending 31 March 2020, base salaries will be £377,155 for Nick Kelsall and £253,313 for Shaun Smith.

Pension

There is no change in the contribution percentage for Executive Directors for the year ending 31 March 2020, which remains at 15% of salary.

Benefits

There is no change in the car allowance for Executive Directors for the year ending 31 March 2020, which is £15,000 p.a. for Nick Kelsall and £12,000 p.a. for Shaun Smith.

Annual bonus

The annual bonus opportunity for Executive Directors will remain unchanged for the 2020 financial year with a maximum bonus entitlement of 100% of salary. The bonus outcome for Executive Directors will continue to be based entirely on Group underlying operating profit. Of any bonus earned 50% will be deferred into nil-cost options for a further three years under the DBP. Annual bonus targets are considered to be commercially sensitive but will be disclosed retrospectively in next year's Annual Report on Remuneration.

APSP

The structure of APSP awards to be made in the 2020 financial year will be unchanged from 2019. Awards with face values of 100% of salary will be granted to Nick Kelsall and Shaun Smith, with vesting subject to the achievement of three-year aggregate diluted underlying EPS targets. To the extent an award vests, vested shares will be subject to a further two-year holding period. The Committee will determine these targets at the time awards are made and these targets (along with other relevant details of this grant) will be disclosed in next year's Annual Report on Remuneration.

SAYE

Nick Kelsall and Shaun Smith 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 2020

The Committee has reviewed the Board Chairman's fee and concluded that an increase of 4.8% (to £110,000 p.a.) was appropriate. The Board Chairman and the Executive Directors reviewed Non-executive Director fees at the same time and concluded that a percentage increase of 4% for Non-executive Director fees and 9% for the additional fee for chairing a committee would be appropriate. Accordingly, for the 2020 financial year, Non-executive Director fees will be as follows:

Executive Director	Fee at 1 April 2019	Fee from 1 April 2018	Percentage increase
Board Chairman	**£110,000**	£105,000	5%
Non-executive Director	**£40,000**	£38,451	4%
Additional fee for chairing Audit and Risk or Remuneration Committees	**£6,000**	£5,489	9%

Executive Director shareholdings (audited information)

The table below shows the shareholding of each Executive Director and their respective shareholding requirement as at 31 March 2019:

		Options held						
	Shares owned	Vested but not exercised	Unvested and subject to performance	Unvested but not subject to performance	Shareholding guideline % of salary	% current holding	% potential holding	Requirement met?
Nick Kelsall	1,275,600	—	375,805	347,916	100%	671%	854%	Yes
Shaun Smith	27,275	—	252,406	175,548	100%	21%	159%	No

Current shareholding is based on shares owned outright and valued using the average share price over three months ended 31 March 2019 of 192.65p. The potential shareholding includes shares owned outright and shares not under performance conditions valued using the average share price over three months ended 31 March 2019 of 192.65p.

Details of the options held are provided in the table overleaf.

Annual report on remuneration continued

Directors’ share scheme interests (audited information)

Share options

	Scheme	Date of grant	Vested date	Expiration date	Exercise price	Shares under option 1 April 2018	Granted in 2019	Vested in 2018	Exercised in 2019	Lapsed in 2019	Shares under option 31 March 2019
Nick Kelsall	**DBP**	22.07.15	22.07.18	22.07.25	—	53,934	—	53,934	53,934	—	—
		27.07.16	27.07.19	27.07.26	—	92,544	—	—	—	—	92,544
		16.11.17	16.11.20	16.11.27	—	68,920	—	—	—	—	68,920
		25.07.18	25.07.21	25.07.28	—	—	41,337	—	—	—	41,337
					Total	**215,398**	**41,337**	**53,934**	**53,934**	**—**	**202,801**
	APSP	22.07.15	22.07.18	22.07.25	—	158,930	—	158,930	158,930	—	—
		27.07.16	27.07.19	27.07.26	—	232,356	—	—	—	—	232,356
		16.11.17	16.11.20	16.11.27	—	205,494	—	—	—	—	205,494
		25.07.18	25.07.21	25.07.28	—	—	170,311	—	—	—	170,311
					Total	**596,780**	**170,311**	**158,930**	**158,930**	**—**	**608,161**
	SAYE	15.12.17	01.03.21	31.08.21	159p	11,278	—	—	—	—	11,278
					Total	**11,278**	**—**	**—**	**—**	**—**	**11,278**
Shaun Smith	**DBP**	16.11.17	16.11.20	16.11.27	—	45,993	—	—	—	—	45,993
		25.07.18	25.07.21	25.07.28	—	—	27,764	—	—	—	27,764
					Total	**45,993**	**27,764**	**—**	**—**	**—**	**73,757**
	APSP	27.07.16	27.07.19	27.07.26	—	156,060	—	—	—	—	156,060
		16.11.17	16.11.20	16.11.27	—	138,018	—	—	—	—	138,018
		25.07.18	25.07.21	25.07.28	—	—	114,388	—	—	—	114,388
					Total	**294,078**	**114,388**	**—**	**—**	**—**	**408,466**
	SAYE	16.12.16	01.03.20	01.03.20	151p	11,900	—	—	—	—	11,900

	Three-year aggregate EPS targets				
Performance	% vesting	22.07.15 award	27.07.16 award	16.11.17 award	25.07.18 award
Threshold	25%	64.1p	84.3p	91.8p	96.1p
Maximum	100%	72.9p	96.5p	104.7p	109.7p

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 2019 was 5.7% for the all-share schemes limit and 3.3% for executive schemes.

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

Director	31 March 2019 Ordinary shares	31 March 2018 Ordinary shares
Nick Kelsall	**1,275,600**	1,162,783
Shaun Smith	**27,275**	26,275
Martin Towers	**160,815**	160,815
Jo Hallas	**23,921**	23,921
David McKeith	**17,941**	17,941

This report was approved by the Board of Directors on 12 June 2019 and signed on its behalf by:

Jo Hallas
Chair of the Remuneration Committee
12 June 2019

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2019.

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.

Results and dividends

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects, is included in the Chairman's Statement, the Group Chief Executive's Statement and the Strategic Report on pages 1 to 35. Key performance indicators are shown on page 11.

The Directors recommend a final dividend for the year ended 31 March 2019 of 5.6p (2018: 5.2p). This follows the decision to pay an interim dividend earlier in the year of 2.8p (2018: 2.6p).

Directors' and officers' liability insurance and indemnities

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

Purchase of own shares

In 2007 the Company formed the Norcros Employee Benefit Trust (the Trust). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust purchased 480,000 shares during the year (2018: 220,000). At the Company's 2018 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 8,019,528 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 on pages 111 to 114.

Employees

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

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

The Group is fully committed to keeping its employees informed about their work unit and the wider business including the financial and economic factors that impact the performance of the Group. The Group encourages the involvement of employees in the Company's performance through an employee "save as you earn" share scheme.

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

Directors

Biographical details of the present Directors are set out on pages 36 and 37. The Directors who served during the year and to the date of this report are set out below:

Director	Role
Martin Towers	Chair
Jo Hallas	Non-executive Director
David McKeith	Non-executive Director
Alison Littley	Non-executive Director (appointed 1 May 2019 and to replace Jo Hallas from 23 July 2019)
Nick Kelsall	Group Chief Executive
Shaun Smith	Group Finance Director

The interests of the Directors in the shares of the Company at 31 March 2019 and 31 March 2018 are shown on page 64.

Substantial shareholding

As at 11 June 2019 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
Canaccord Genuity Group Inc	13.26
Miton Group	10.65
J O Hambro Capital Management Ltd	10.16
FIL Ltd	7.55
Artemis Fund Managers	7.45
Prudential plc	5.03
SVM Asset Management	5.02
Invesco Ltd	3.14

Directors' report continued

Greenhouse gas emissions

The Board presents this report in order to meet the Company's obligation under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 to disclose the Group's worldwide emissions of the six Kyoto gases attributable to human activity measured in tonnes of carbon dioxide equivalent. As stated in the Corporate Responsibility and Sustainability section on pages 32 to 35, the Company is committed to reducing and minimising its impact on the environment.

Global GHG emissions data Year ended 31 March	Tonnes of CO_2e 2019	Tonnes of CO_2e 2018
Emissions from:		
Combustion of fuel and operation of facilities (Scope 1)	61,947	57,028
Electricity, heat, steam and cooling purchased for own use (Scope 2)	32,766	29,264
Total	94,713	86,292
Company's chosen intensity measurement[1]	286.1	287.5

1 Emissions per £m of revenue.

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

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

Political donations

There were no political donations (2018: £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 38 to 41. 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 26 to 30 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 19 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 64.

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 2 November 2017 in respect of the £120.0m unsecured revolving credit facility and the £30.0m accordion facility which contain mandatory prepayment provisions on a change of control.

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

Statement of disclosure of information to auditor

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

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

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

Independent auditor

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor to the Company will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will take place at 11.00 am on 23 July 2019 at Mere Golf Resort & Spa, Chester Road, Mere, Knutsford, Cheshire WA16 6LJ. The notice convening that meeting, together with the resolutions to be proposed, appears on pages 111 to 114 of this document. The Directors recommend that all shareholders vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

By order of the Board

RH Collins

Richard Collins
Company Secretary
12 June 2019

Statement of Directors' responsibilities

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced disclosure framework', 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 and Company 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 IFRSs as adopted by the European Union 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced disclosure framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and 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 Group and Company's auditor is aware of that information.

Nick Kelsall
Group Chief Executive
12 June 2019

Shaun Smith
Group Finance Director

Independent auditors' report

to the members of Norcros plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Norcros plc's group financial statements and parent company financial statements (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 2019 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts 2019 (the "Annual Report"), which comprise: the consolidated and parent company balance sheets as at 31 March 2019; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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.

Independence

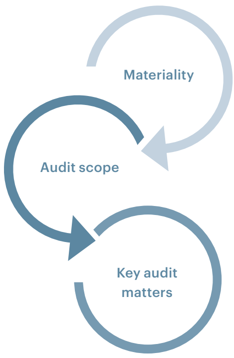
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 April 2018 to 31 March 2019.

Our audit approach

Overview



- Overall group materiality: £1,710,000 (2018: £1,360,000), based on 5% of underlying profit before tax.
- Overall parent company materiality: £350,000 (2018: £250,000), based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).
- The group consists of ten operating divisions, alongside its head office functions. Our audit focused on the most significant of these in terms of materiality to the group financial statements. The components within the scope of our work accounted for 92% of group revenue and 96% of group underlying profit before tax.
- Defined benefit pension plan liabilities (group).
- Accounting for customer rebates and other trade promotional spend (group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Report on the audit of the financial statements continued

Our audit approach continued

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, tax legislation, employment law and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. 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 and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular their anti-bribery controls;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to defined benefit pension plan liabilities and accounting for customer rebates and other trade promotional spend (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by senior management or including specific key words.

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Defined benefit pension plan liabilities Refer to note 1 (Accounting policies), page 80 (Critical accounting estimates and judgements) and note 22. The group has a defined benefit pension plan net liability of £31.6m (2018: £48.0m), which is significant in the context of both the overall balance sheet and the results of the group. A major constituent of this net liability is the value attributed to the gross liabilities of the pension scheme. The valuation of these gross liabilities requires significant judgement and expertise primarily in respect of the key assumptions used. These assumptions include both financial assumptions e.g. the discount rate and inflation, but also key demographic assumptions e.g. mortality rates. Modest changes in a number of these key assumptions can have a material impact on the calculation of the liability. We therefore focused our work on this area. The gross liabilities also include an estimate relating to the GMP equalisation court ruling made during the year. **Group**	We obtained the external actuary's report used in valuing the scheme's liabilities, including the impact of GMP equalisation, and determined, using our experience of the valuation of similar schemes, and our own pension specialists, that the methodologies adopted by the actuary in forming the valuation were consistent with industry practice and our expectations. We also agreed the key financial assumptions used within the valuation of the scheme's liabilities, including the discount and inflation rates, to our internally developed benchmarks. We compared the assumptions around salary increases to historic salary increases and considered the appropriateness of the mortality assumptions. The assumptions used within the valuation of the scheme's liabilities were in line with our benchmarks and were considered appropriate. Disclosures We read the disclosures within the financial statements in respect of the defined benefit scheme and, based on our work, determined that they are consistent with accounting standards.

Independent auditors' report continued

to the members of Norcros plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Accounting for customer rebates and other trade promotional spend Refer to note 1 (Accounting policies) and page 80 (Critical accounting estimates and judgements). As is normal industry practice, the group has a number of trading agreements in place with its largest customers to encourage them to purchase and promote the group's products. These consist of various types of rebates and other trade spend commitments, which may then be subject to variation from time to time. Rebates on sales are recognised as a deduction from revenue and are earned over the period of the contractual agreements with individual customers. The total amount recognised in a year is therefore based on the expected amount payable up to the balance sheet date under each customer agreement. Promotional spend is a further deduction from revenue. The funding paid is recognised in the period to which it relates in accordance with the agreement with the customer. We focused on such arrangements because of the significance of the amounts to the group's gross profit, the significant number of transactions and agreements in place, and the industrywide focus on this area of accounting. The amount to be recognised in the income statement for such arrangements requires the directors to apply judgement based on the agreements in place with each of the group's customers, together with estimates of amounts the group owes where transactions span the financial year end. The relative level of judgement in each of the categories of arrangements noted above is considered below: Volume based rebates Volume based rebates are driven by customers achieving sales volume targets agreed with the group for specific products over a pre-determined period. There is, therefore, judgement involved in estimating the volume of sales, particularly where rebate agreements span a financial year end, which is the case in a large number of instances. In such instances the key judgement that we focused on was the estimate of the rebate expense accrued at year end. Other trade promotional spend This expense varies with regards to the nature and timing of the activity to which it relates, and is recognised in accordance with the terms agreed with customers. It derives from a number of varying agreements and its recognition requires the group to determine the extent to which the promotional activity has taken place and, hence, the amount payable by the group. Our focus was on assessing the accuracy of the expense charged, whether the amount recognised was recorded in the appropriate period and the completeness of the expense. **Group**	Our audit work in respect of accounting for customer rebates and other trade promotional spend comprised a combination of substantive testing, controls testing, and an assessment of the group's disclosures in this area. Each element of our work is considered in more detail below. Substantive testing We tested a sample of the underlying agreements to provide the core evidence to support the amount and timing of recognition of both customer rebates and other trade promotional spend. This work involved evaluating whether the amount and timing of recognition was consistent with the contractual arrangements. Where such agreements spanned the year end, or where the agreements were on a calendar year basis and the 2019 calendar year agreements had not yet been agreed, we critically assessed the judgements taken by the directors in estimating year end accruals for amounts owing to customers. This work included the use of look back tests to assess the accuracy of the accruals in previous years, alongside the use of "reasonableness checks" around the key assumptions of rebate terms and, in the case of volume rebates, the level of sales likely to occur in the rebate period, with reference to historic events. This testing did not identify any evidence of bias in the directors' judgements. We also analysed rebate expense and promotional expense recognised each month and compared them to gross sales to identify whether there were any unusual trends in the amounts or timing of rebate expense and promotional expense recognised in each period. Alongside this we held discussions with members of management within the sales teams to further understand the substance of these agreements and trends in the year. No unusual trends were identified. Additionally, testing was performed in respect of post-year end credit notes issued and debit notes received, where applicable, to determine whether specific promotions were appropriately provided for as at the balance sheet date at the appropriate amount. Controls testing Where appropriate, our substantive work was supplemented by controls work which encompassed understanding, evaluating and testing key controls in respect of the approval of customer rebates and other trade promotional spend. We determined that we were able to obtain evidence from the operation of these controls for the purpose of our audit of whether customer rebates and other trade promotional spend had been recorded appropriately. Disclosures We read the disclosures within the financial statements in respect of customer rebates and other trade promotional spend and, based on our work, determined that they are consistent with accounting standards and the recent guidance on the reporting of complex supplier arrangements issued by the Financial Reporting Council.

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope

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

The group consists of 16 statutory entities (excluding dormant entities) and a number of divisions. These are predominantly based within the UK and Ireland and South Africa, which also form the reporting segments of Norcros plc. In the UK and Ireland Norcros operate under seven brands, each a separate division of Norcros Group Holdings Limited. These are Vado, Johnson Tiles, Norcros Adhesives, Triton, Croydex, Merlyn and Abode. South Africa is similarly made up of three entities, Johnson Tiles South Africa, TAL and Tile Africa which are each a separate brand. Each division or entity has its own finance function, who report directly to head office, with the head office function incurring certain central costs on behalf of the group.

Consistent with the group's operations, we scoped our audit at a divisional level. The work at the operating divisions in the UK was performed by the UK engagement team whilst the work at the South African operating divisions and at the Merlyn division, whose finance team is based in Ireland, were performed by PwC teams based in South Africa and Ireland respectively. The UK team instructed the South African and Irish teams to perform a full scope audit of the South African and Merlyn operations, both in UK and Ireland, and to focus their work on customer rebates/other trade promotional spend. The UK engagement team attended planning calls with both the South African and Irish teams where the scope of their work was discussed, including their planned work in respect of customer rebates/other trade promotional spend. Further the UK engagement team visited both South Africa and Ireland to review the working papers of the overseas teams and attended meetings with the overseas teams and the respective finance teams following completion of the divisional work.

The parent company is accounted for by the head office finance team. The audit work in respect of the parent company is completed by the UK engagement team.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£1,710,000 (2018: £1,360,000).	£350,000 (2018: £250,000).
How we determined it	5% of underlying profit before tax.	Based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).
Rationale for benchmark applied	We believe that profit before tax, adjusted for those items set out in note 8 to the group financial statements ("underlying profit before tax") provides us with a consistent year on year basis for determining materiality based on the underlying trading performance of the group, but eliminating non-recurring and non-cash items.	We believe that calculating statutory materiality based on 1% of total assets is appropriate as total assets is a typical primary measure for users of the financial statements of holding companies, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £350,000 and £1,300,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £85,000 (group audit) (2018: £60,000) and £85,000 (Parent company audit) (2018: £60,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

to the members of Norcros plc

Report on the audit of the financial statements continued

Our audit approach continued

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 27 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 31 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Report on the audit of the financial statements continued

Reporting on other information continued

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 67, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 42 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members during 1999 to audit the financial statements for the year ended 31 March 2000 and subsequent financial periods. The period of total uninterrupted engagement is 20 years, covering the years ended 31 March 2000 to 31 March 2019.

Hazel Macnamara (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
12 June 2019

Consolidated income statement

Year ended 31 March 2019

	Notes	2019 £m	2018 £m
Continuing operations			
Revenue	2	**331.0**	300.1
Underlying operating profit		**34.4**	27.4
IAS 19R administrative expenses	22	**(1.5)**	(1.4)
Acquisition related costs	5	**(3.8)**	(4.3)
Exceptional operating items	5	**(4.0)**	(2.1)
Operating profit		**25.1**	19.6
Finance costs	6	**(2.0)**	(4.5)
Finance income	6	**3.6**	—
IAS 19R finance cost	22	**(1.3)**	(1.6)
Profit before taxation		**25.4**	13.5
Taxation	7	**(6.0)**	(3.6)
Profit for the year from continuing operations		**19.4**	9.9
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From profit for the year	9	**24.2p**	14.5p
Diluted earnings per share:			
From profit for the year	9	**23.9p**	14.1p
Weighted average number of shares for basic earnings per share (millions)	9	**80.2**	68.0
Alternative performance measures			
Underlying profit before taxation (£m)	8	**32.6**	26.3
Underlying earnings (£m)	8	**25.7**	20.6
Basic underlying earnings per share	9	**32.1p**	30.3p
Diluted underlying earnings per share	9	**31.7p**	29.5p

Consolidated statement of comprehensive income

Year ended 31 March 2019

	Notes	2019 £m	2018 £m
Profit for the year		**19.4**	9.9
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the Income Statement			
Actuarial gains on retirement benefit obligations	22	**14.6**	12.6
Items that may be subsequently reclassified to the Income Statement			
Foreign currency translation adjustments		**(6.2)**	0.4
Other comprehensive income for the year		**8.4**	13.0
Total comprehensive income for the year		**27.8**	22.9

Items in the statement are disclosed net of tax.

Consolidated balance sheet

At 31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Goodwill	11	**56.3**	56.6
Intangible assets	12	**38.6**	42.3
Property, plant and equipment	13	**42.3**	45.0
Deferred tax assets	20	**0.8**	4.0
		138.0	147.9
Current assets			
Inventories	14	**79.5**	74.9
Trade and other receivables	15	**62.5**	64.4
Derivative financial instruments	19	**0.3**	—
Cash and cash equivalents	16	**27.2**	25.8
		169.5	165.1
Current liabilities			
Trade and other payables	17	**(79.6)**	(77.0)
Derivative financial instruments	19	**—**	(3.3)
Current tax liabilities		**(1.7)**	(1.0)
Financial liabilities – borrowings	18	**(3.8)**	(8.5)
		(85.1)	(89.8)
Net current assets		**84.4**	75.3
Total assets less current liabilities		**222.4**	223.2
Non-current liabilities			
Financial liabilities – borrowings	18	**(58.4)**	(64.4)
Pension scheme liability	22	**(31.6)**	(48.0)
Other non-current liabilities	24	**(0.9)**	(1.3)
Provisions	21	**(5.8)**	(4.9)
		(96.7)	(118.6)
Net assets		**125.7**	104.6
Financed by:			
Share capital	23	**8.0**	8.0
Share premium		**29.9**	29.7
Retained earnings and other reserves		**87.8**	66.9
Total equity		**125.7**	104.6

The financial statements of Norcros plc, registered number 3691883, on pages 74 to 104, were authorised for issue on 12 June 2019 and signed on behalf of the Board by:

Nick Kelsall
Group Chief Executive

Shaun Smith
Group Finance Director

Consolidated cash flow statement

Year ended 31 March 2019

	Notes	2019 £m	2018 £m
Cash generated from operations	25	**35.3**	23.5
Income taxes paid		**(4.6)**	(4.9)
Interest paid		**(1.8)**	(1.1)
Net cash generated from operating activities		**28.9**	17.5
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(5.6)**	(7.7)
Proceeds on disposal of property, plant and equipment		**0.1**	—
Acquisition of subsidiary undertakings (including payment of deferred consideration) net of cash acquired		**(2.1)**	(59.1)
Net cash used in investing activities		**(7.6)**	(66.8)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**0.2**	32.1
Costs of equity issue		**—**	(1.6)
Purchase of treasury shares		**(1.1)**	(0.4)
Costs of raising debt finance		**(0.2)**	(0.6)
(Repayment)/drawdown of borrowings		**(6.0)**	35.0
Dividends paid to the Company's shareholders	26	**(6.4)**	(5.0)
Net cash (used in)/generated from financing activities		**(13.5)**	59.5
Net increase in cash at bank and in hand and bank overdrafts		**7.8**	10.2
Cash at bank and in hand and bank overdrafts at the beginning of the year		**17.3**	6.6
Exchange movements on cash and bank overdrafts		**(1.7)**	0.5
Cash at bank and in hand and bank overdrafts at the end of the year		**23.4**	17.3

Consolidated statement of changes in equity

Year ended 31 March 2019

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2017	6.1	1.1	—	(6.7)	56.1	56.6
Comprehensive income:						
Profit for the year	—	—	—	—	9.9	9.9
Other comprehensive income:						
Actuarial gain on retirement benefit obligations	—	—	—	—	12.6	12.6
Foreign currency translation adjustments	—	—	—	0.4	—	0.4
Total other comprehensive income for the year	—	—	—	0.4	12.6	13.0
Transactions with owners:						
Shares issued	1.9	28.6	—	—	—	30.5
Dividends paid	—	—	—	—	(5.0)	(5.0)
Purchase of treasury shares	—	—	(0.4)	—	—	(0.4)
Cash-settled share options	—	—	—	—	(0.9)	(0.9)
Equity-settled share options	—	—	0.4	—	(0.4)	—
Value of employee services	—	—	—	—	0.9	0.9
At 31 March 2018	8.0	29.7	—	(6.3)	73.2	104.6
Comprehensive income:						
Profit for the year	—	—	—	—	19.4	19.4
Other comprehensive income/(expense):						
Actuarial gain on retirement benefit obligations	—	—	—	—	14.6	14.6
Foreign currency translation adjustments	—	—	—	(6.2)	—	(6.2)
Total other comprehensive income for the year	—	—	—	(6.2)	14.6	8.4
Transactions with owners:						
Shares issued	—	0.2	—	—	—	0.2
Dividends paid	—	—	—	—	(6.4)	(6.4)
Purchase of treasury shares	—	—	(1.1)	—	—	(1.1)
Settlement of share option schemes	—	—	0.8	—	(1.4)	(0.6)
Value of employee services	—	—	—	—	1.2	1.2
At 31 March 2019	**8.0**	**29.9**	**(0.3)**	**(12.5)**	**100.6**	**125.7**

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 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 which are stated at their fair value. The consolidated financial statements have been prepared in accordance with IFRS as endorsed by the European Union issued by the International Accounting Standards Board (IASB), with the interpretations issued by the IFRS Interpretations Committee (IFRS IC) of the IASB that are effective as of the Balance Sheet date and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 80. 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 adopts an accounting period of 52 weeks, and as a result of this, the exact year-end date was 31 March 2019 in line with the Company's accounting reference date. All references to the financial year therefore relate to the 52 weeks commencing on 2 April 2018. In the previous year the accounting period was 52 weeks long, beginning on 3 April 2017 and ending on 1 April 2018.

Going concern

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

New standards and amendments to standards or interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2018.

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

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 9	Financial instruments: classification and measurement	1 April 2018
IFRS 15	Revenue from contracts with customers	1 April 2018
Amendment to IFRS 2	Share-based payments	1 April 2018
Amendment to IAS 40	Investment properties	1 April 2018
Annual improvements 2014–2016	Various	1 April 2018

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

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 16	Leases	1 April 2019

Norcros will adopt IFRS 16 using the modified retrospective approach and the right of use asset on transition will equal the lease liability. The cumulative effect of initially adopting IFRS 16 will be recognised as an increase to assets and liabilities at 1 April 2019 with no restatement of comparative information.

Norcros intends to avail itself of the exemptions for short-term leases and leases of low-value items. Norcros has designed a new lease accounting process and has implemented a new lease accounting software solution.

We have assessed the estimated impact that initial application of IFRS 16 will have on our consolidated financial statements, as described below. The estimated impact of adopting the standard on 1 April 2019 may change because the new accounting policies are subject to amendment prior to presenting our first financial statements that include the initial application of the standard. Additionally, changes in our lease portfolio during the year or the prevalent exchange rates or discount rates used could also have a significant impact on the assessment.

1. Group accounting policies continued

New standards and amendments to standards or interpretations continued

Based on the information currently available, Norcros estimates that on adoption of IFRS 16 it will recognise additional lease assets and liabilities of £27m on the Balance Sheet as at 1 April 2019. Norcros estimates that the differential between the lease cost under IAS 17 and depreciation under IFRS 16 will give rise to a £0.3m benefit to underlying operating profit whilst the differential between IAS 17 lease cost and IFRS 16 depreciation and interest cost will give rise to a £1.5m adverse impact to underlying profit before tax in the year to 31 March 2020.

Summary of significant accounting policies

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

Basis of consolidation

Subsidiaries

Subsidiaries are 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.

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

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

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 assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- 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 assumptions applied in the calculation of scheme liabilities, which are set out in note 22, represent a key source of estimation uncertainty for the Group; and
- UK property provision – the valuation of the UK property provision relating to the one remaining onerous legacy property lease requires an assessment of the likely income from rental, costs from a void period, and final dilapidations, which will be incurred over the remainder of the lease tenure. The resulting valuation set out in note 21 represents a key source of estimation uncertainty for the Group.

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 – 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;
- 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 choice of discount rate applied in the calculation of scheme liabilities is a key judgement in applying the Group's accounting policy. Details of the accounting policies applied in respect of retirement benefit schemes are set out in note 22; 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. 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.

1. Group accounting policies continued

Summary of significant accounting policies continued

Revenue recognition

Policy from 1 April 2018:

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, which is recognised over time and is 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 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.

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.

Policy prior to 1 April 2018:

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

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

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

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

Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker (being the Board) assesses performance and allocates resources based on geography and accordingly segments have been determined on this basis. Corporate costs are allocated to segments on the basis of external turnover.

Goodwill

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

Intangible assets

Acquired intangible 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	10–15 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.

Notes to the Group accounts continued

Year ended 31 March 2019

1. Group accounting policies continued

Summary of significant accounting policies continued

Impairment of long-life assets continued

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

Taxation

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

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

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

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

Operating leases

Annual rentals are charged/credited directly to the Consolidated Income Statement on a straight-line basis over the lease term.

Provisions

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

Restructuring provisions – provision is made for costs of restructuring activities to be carried out by the Group when the Group is demonstrably committed to incurring the cost in a future period and the cost can be reliably measured.

Property provisions – where the Group has vacated a property but is committed to a leasing arrangement, an onerous lease provision is recorded. This is calculated as the cost that management expects to incur over the period of the lease including final 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.

1. Group accounting policies continued

Summary of significant accounting policies continued

Employee benefits continued

(a) Pension obligations continued

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.

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

Past-service costs are recognised immediately in income.

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

(b) Other post-employment obligations

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

(c) Termination benefits

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

(d) Profit sharing and bonus plans

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

Exceptional items

Exceptional items are disclosed separately in accordance with the requirements of IAS 1, 'Presentation of financial statements'. They include profits and losses on disposal of non-current assets outside the normal course of business, restructuring costs and large or significant one-off items which in management's 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.

Acquisition related costs

Acquisition related costs include deferred remuneration, amortisation of acquired intangibles and professional advisory fees. In the year to 31 March 2018 it also included the costs of maintaining an internal acquisitions department directly related to business combination activity and in the year to 31 March 2019 these costs are now included in underlying operating profit.

Financial assets and liabilities

Borrowings

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

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

Treasury derivatives

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of these derivative instruments are recognised immediately within finance costs/income in the Income Statement.

Notes to the Group accounts continued

Year ended 31 March 2019

1. Group accounting policies continued

Summary of significant accounting policies continued

Financial assets and liabilities continued

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Cash and cash equivalents are offset against overdrafts and borrowings only when there is a legally enforceable right to do so and there is a clear intention to undertake settlement of such overdrafts or 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 as well as 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.

Trade payables

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

Fair value estimation

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

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

Research and development

Expenditure on research is charged against profits for the year in which it is incurred. Development costs are capitalised once the technical feasibility of a project has been established and a business plan, which demonstrates how the project will generate future economic benefits, has been approved. 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 overseas net assets and results are taken directly to reserves.

Share capital

Issued share capital is recorded in the Balance Sheet at nominal value with any premium at 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.

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.

1. Group accounting policies continued

Summary of significant accounting policies continued

Share-based payments continued

Share-based payments are settled through the Norcros Group Employee Benefit Trust that 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.

2. Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker (being the Board) assesses performance and allocates resources based on geography and accordingly segments have been determined on this basis. Corporate costs are allocated to segments on the basis of external turnover.

Continuing operations — year ended 31 March 2019

	UK £m	South Africa £m	Group £m
Revenue	228.1	102.9	331.0
Underlying operating profit	26.5	7.9	34.4
IAS 19R administrative expenses	(1.5)	—	(1.5)
Acquisition related costs	(3.8)	—	(3.8)
Exceptional operating items	(4.0)	—	(4.0)
Operating profit	17.2	7.9	25.1
Finance income (net)			0.3
Profit before taxation			25.4
Taxation			(6.0)
Profit for the year from continuing operations			19.4
Net debt			(35.0)
Segmental assets	236.9	70.6	307.5
Segmental liabilities	(166.0)	(15.8)	(181.8)
Additions to property, plant and equipment	2.9	2.9	5.8
Depreciation	4.4	2.2	6.6

Continuing operations — year ended 31 March 2018

	UK £m	South Africa £m	Group £m
Revenue	200.6	99.5	300.1
Underlying operating profit	18.6	8.8	27.4
IAS 19R administrative expenses	(1.4)	—	(1.4)
Acquisition related costs	(4.3)	—	(4.3)
Exceptional operating items	(2.1)	—	(2.1)
Operating profit	10.8	8.8	19.6
Finance costs (net)			(6.1)
Profit before taxation			13.5
Taxation			(3.6)
Profit for the year from continuing operations			9.9
Net debt			(47.1)
Segmental assets	239.4	73.6	313.0
Segmental liabilities	(189.0)	(19.4)	(208.4)
Additions to property, plant and equipment	4.9	2.6	7.5
Depreciation	4.2	2.2	6.4

Notes to the Group accounts continued

Year ended 31 March 2019

2. Segmental reporting continued

The split of revenue by geographical destination of the customer is below:

	2019 £m	2018 £m
UK	198.2	171.8
Africa	104.9	102.2
Rest of World	27.9	26.1
	331.0	300.1

No one customer had revenue over 10% of total Group revenue.

Reported revenue within the South African segment contains £3.9m (2018: £4.3m) of revenue from services performed which have been recognised over time.

3. Operating profit

Operating profit is derived after deducting cost of sales of £206.8m (2018: £190.4m), distribution costs of £20.1m (2018: £17.4m) and administrative expenses of £79.0m (2018: £72.7m).

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

	2019 £m	2018 £m
Staff costs (see note 4)	60.7	59.9
Depreciation of property, plant and equipment (all owned assets)	6.6	6.4
Amortisation of intangible assets	3.8	2.2
Other operating lease rentals payable – continuing operations:		
– plant and machinery	1.8	2.0
– other	3.9	4.1
Research and development expenditure	3.9	3.9

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:

	2019 £m	2018 £m
Audit of the Parent Company and consolidated financial statements	0.1	0.1
Audit of the Company's subsidiaries	0.2	0.2
Other services including due diligence	—	0.3
	0.3	0.6

4. Employees

	2019 £m	2018 £m
Staff costs from continuing operations:		
– wages and salaries	52.5	52.3
– social security costs	3.4	3.2
– share-based payments (see note 10)	1.2	0.9
Pension costs:		
– defined contribution (see note 22)	3.6	3.5
Total staff costs	60.7	59.9

Included in wages and salaries was £nil (2018: £2.1m) of redundancy costs which were classified as exceptional items in the Income Statement. Further details are provided in note 5.

	2019 Number	2018 Number
Average monthly numbers employed in continuing operations:		
– UK	1,044	1,079
– overseas	1,031	1,011
	2,075	2,090

Full details of Directors' remuneration may be found in the Remuneration Report on pages 57 to 64.

5. Acquisition related costs and exceptional operating items

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

Acquisition related costs	2019 £m	2018 £m
Deferred remuneration[1]	0.2	(0.3)
Intangible asset amortisation[2]	3.5	2.2
Advisory fees and staff costs[3]	0.1	2.4
	3.8	4.3

1 In accordance with IFRS 3R, a proportion of the deferred consideration payable to the former shareholders of certain acquired businesses is required to be treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred.

2 Non-cash amortisation charges in respect of acquired intangible assets.

3 Professional and advisory fees incurred in connection with the Group's business combination activities and the costs of maintaining the in-house acquisitions department. During the year to 31 March 2019 the costs of the in-house acquisitions department of £0.4m have been recognised in underlying operating profit. Previously they were excluded from underlying operating profit.

Exceptional operating items	2019 £m	2018 £m
Onerous property lease provision costs[1]	3.0	—
GMP equalisation costs[2]	1.0	—
Restructuring costs[3]	—	2.1
	4.0	2.1

1 Exceptional costs of £3.0m were incurred in the year to increase the provision in relation to an onerous and surplus legacy property lease following the reappraisal of the likely future cash flows. The property is the only remaining legacy lease the Company has which will expire in June 2022.

2 Exceptional past service costs of £1.0m were estimated in relation to a recent UK High Court ruling that trustees of UK defined benefit pension schemes must equalise guaranteed minimum pensions. The past service cost increases the pension liability.

3 The prior year exceptional restructuring charge of £2.1m related to a restructuring programme at Johnson Tiles UK announced in April 2018.

6. Finance income and costs

	2019 £m	2018 £m
Interest payable on bank borrowings	(1.8)	(1.1)
Amortisation of costs of raising debt finance	(0.2)	(0.3)
Movement on fair value of derivative financial instruments	—	(3.1)
Finance costs	(2.0)	(4.5)
Movement on fair value of derivative financial instruments	3.6	—
Net finance income/(costs)	1.6	(4.5)

7. Taxation

Taxation comprises:

	2019 £m	2018 £m
Current		
UK taxation	2.0	1.0
Overseas taxation	3.5	2.5
Prior year adjustment	0.2	—
Total current taxation	5.7	3.5
Deferred		
Origination and reversal of temporary differences	0.3	0.1
Total tax charge	6.0	3.6

Notes to the Group accounts continued

Year ended 31 March 2019

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:

	2019 £m	2018 £m
Profit before tax	**25.4**	13.5
Tax calculated at domestic tax rates applicable to profits in the respective countries	**5.2**	3.3
Tax effects of:		
– adjustments in respect of prior years	**0.2**	—
– expenses not deductible for tax purposes	**0.3**	0.5
– effect of different tax rates and change in rate of deferred tax	**—**	(0.3)
– origination and reversal of timing differences	**0.3**	0.1
Total tax charge	**6.0**	3.6

The weighted average applicable tax rate was 20% (2018: 24%). The decrease is mainly due to the full year impact of Merlyn profits from Ireland and the increased profits in the UK due to decreased acquisition related costs. The standard rate of corporation tax in the UK is 19% (2018: 19%), in South Africa is 28% (2018: 28%) and in Ireland is 12.5% (2018: 12.5%).

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, net movement on fair value of derivative financial instruments, 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 adjusted for business combinations where relevant 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 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
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
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

Underlying profit and underlying earnings per share measures provide shareholders with additional useful information on the underlying performance of the Group. This is because these measures are those principally used by the Directors to assess the performance of the Group and are used as the basis for calculating the level of the annual bonus and long-term incentives earned by the Directors. Underlying ROCE is one of the Group's strategic key performance indicators and is therefore provided so that shareholders can assess the Group's performance in relation to its strategic targets. Underlying EBITDA and underlying operating cash flow are also used internally by the Directors in order to assess the Group's cash generation. The term "underlying" is not recognised under IFRS and consequently the Group's definition of underlying may differ from that used by other companies.

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

	2019 £m	2018 £m
Profit before taxation from continuing operations	25.4	13.5
Adjusted for:		
– IAS 19R administrative expenses	1.5	1.4
– acquisition related costs (see note 5)	3.8	4.3
– exceptional operating items (see note 5)	4.0	2.1
– amortisation of costs of raising finance	0.2	0.3
– net movement on fair value of derivative financial instruments	(3.6)	3.1
– IAS 19R finance cost	1.3	1.6
Underlying profit before taxation	32.6	26.3
Taxation attributable to underlying profit before taxation	(6.9)	(5.7)
Underlying earnings	25.7	20.6

(b) Underlying EBITDA

	2019 £m	2018 £m
Operating profit from continuing operations	25.1	19.6
Adjusted for:		
– depreciation and amortisation	6.9	6.4
– IAS 19R administrative expenses	1.5	1.4
– acquisition related costs (see note 5)	3.8	4.3
– exceptional operating items (see note 5)	4.0	2.1
Underlying EBITDA	41.3	33.8

Consolidated Cash Flow Statement

(a) Underlying operating cash flow and underlying return on capital employed

	2019 £m	2018 £m
Cash generated from operations (see note 25)	35.3	23.5
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see note 25)	1.9	5.0
– pension fund deficit recovery contributions (see note 25)	2.6	2.5
Underlying operating cash flow	39.8	31.0

Consolidated Balance Sheet

(a) Underlying capital employed and underlying return on capital employed

	2019 £m	2018 £m
Net assets	125.7	104.6
Adjusted for:		
– pension scheme liability (net of associated tax)	26.3	39.9
– cash and cash equivalents	(27.2)	(25.8)
– financial liabilities – borrowings	62.2	72.9
Capital employed	187.0	191.6
Foreign exchange adjustment	1.8	(1.7)
Adjustment for acquisitions	—	(16.9)
Underlying capital employed	188.8	173.0
Average underlying capital employed	188.7	151.8
Underlying return on capital employed	18.2%	18.0%

Notes to the Group accounts continued

Year ended 31 March 2019

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 2019 the potential dilutive ordinary shares amounted to 985,038 (2018: 1,778,436) as calculated in accordance with IAS 33.

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

	2019 £m	2018 £m
Profit for the year	**19.4**	9.9

	2019 Number	2018 Number
Weighted average number of shares for basic earnings per share	**80,154,891**	68,043,628
Share options	**985,038**	1,778,436
Weighted average number of shares for diluted earnings per share	**81,139,929**	69,822,064

	2019	2018
Basic earnings per share:		
From profit for the year	**24.2p**	14.5p
Diluted earnings per share:		
From profit for the year	**23.9p**	14.1p

Basic and diluted underlying earnings per share

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

	2019 £m	2018 £m
Underlying earnings (see note 8)	**25.7**	20.6

	2019	2018
Basic underlying earnings per share	**32.1p**	30.3p
Diluted underlying earnings per share	**31.7p**	29.5p

10. Share-based payments

	Exercise price per share	Weighted average share price at date of exercise	1 April 2018	Granted	Exercised	Lapsed	31 March 2019	Date from which exercisable	Expiry date
Approved Performance Share Plan 2013 (APSP)	Nil	214p	2,909	—	(2,909)	—	—	27.09.16	27.09.23
Approved Performance Share Plan 2014 (APSP)	Nil	214p	6,674	—	(6,674)	—	—	23.07.17	23.07.24
Approved Performance Share Plan 2015 (APSP)	Nil	214p	634,141	—	(616,705)	(5,725)	**11,711**	22.07.18	22.07.25
Approved Performance Share Plan 2016 (APSP)	Nil	190p	1,161,223	—	(2,230)	(68,221)	**1,090,772**	27.07.19	27.07.26
Approved Performance Share Plan 2017 (APSP)	Nil	—	1,083,055	—	—	(78,428)	**1,004,627**	16.11.20	16.11.27
Approved Performance Share Plan 2018 (APSP)	Nil	—	—	861,023	—	(4,029)	**856,994**	25.07.21	25.07.28
Deferred Bonus Plan 2015 (DBP)	Nil	214p	90,159	—	(90,159)	—	—	22.07.18	22.07.28
Deferred Bonus Plan 2016 (DBP)	Nil	—	92,544	—	—	—	**92,544**	27.07.19	27.07.29
Deferred Bonus Plan 2017 (DBP)	Nil	—	114,913	—	—	—	**114,913**	16.11.20	16.11.30
Deferred Bonus Plan 2018 (DBP)	Nil	—	—	69,101	—	—	**69,101**	25.07.21	25.07.31
Save As You Earn Scheme (7) (SAYE)	158p	204p	14,809	—	(13,670)	(1,139)	—	01.03.18	31.08.18
Save As You Earn Scheme (8) (SAYE)	180p	204p	80,300	—	(67,700)	(8,800)	**3,800**	01.03.19	31.08.19
Save As You Earn Scheme (9) (SAYE)	151p	204p	283,577	—	(13,491)	(41,368)	**228,718**	01.03.20	31.08.20
Save As You Earn Scheme (10) (SAYE)	160p	204p	343,344	—	(1,877)	(21,346)	**320,121**	01.03.21	31.08.21
Save As You Earn Scheme (11) (SAYE)	201p	—	—	120,220	—	(2,689)	**117,531**	01.03.22	31.08.22

Details of the terms of the APSP, DBP and SAYE schemes are disclosed in the Directors' Remuneration Report.

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period on the Group's estimate of shares that will eventually vest. A charge of £1.2m was recognised in respect of share options in the year (2018: £0.9m) including £0.5m (2018: £0.4m) in respect of the Directors share options. The highest paid Director's share options accounted for £0.3m (2018: £0.3m) 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 (7)	SAYE (8)	SAYE (9)	SAYE (10)	SAYE (11)
Date of grant	19.12.14	17.12.15	16.12.16	15.12.17	14.12.18
Initial exercise price	158p	180p	151p	160p	201p
Number of shares granted initially	315,269	154,800	297,238	345,599	120,220
Expected volatility	42.8%	36.2%	36.1%	35.1%	30.0%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	2.4%	1.7%	0.3%	0.9%	0.9%
Expected dividend yield	2.6%	2.6%	4.0%	4.0%	4.1%

	APSP 2013	APSP 2014	APSP 2015	APSP 2016	APSP 2017	APSP 2018
Date of grant	27.09.13	23.07.14	22.07.15	27.07.16	16.11.17	25.07.18
Initial exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Number of shares granted initially	304,040	864,301	770,152	1,193,500	1,083,055	861,023
Expected volatility	42.7%	42.8%	36.2%	36.1%	35.1%	30.0%
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years
Risk free rate	1.5%	2.4%	1.9%	0.3%	0.9%	0.9%
Expected dividend yield	2.3%	2.6%	2.6%	4.0%	4.0%	4.1%

	DBP 2015	DBP 2016	DBP 2017	DBP 2018
Date of grant	22.07.15	27.07.16	16.11.17	25.07.18
Initial exercise price	Nil	Nil	Nil	Nil
Number of shares granted initially	90,159	92,544	114,913	69,101
Expected volatility	43.3%	38.0%	35.6%	30.0%
Expected option life	3 years	3 years	3 years	3 years
Risk free rate	3.2%	1.8%	1.5%	0.9%
Expected dividend yield	2.3%	3.2%	3.4%	4.1%

The share price at 31 March 2019 was 192p. The average price during the year was 204p. Expected volatility is based on historical volatility over the last three years' data of the Company.

Notes to the Group accounts continued

Year ended 31 March 2019

11. Goodwill

	2019 £m	2018 £m
At 1 April	56.6	31.1
Additions	—	25.5
Exchange differences	(0.3)	—
At 31 March	56.3	56.6

The additions in the prior year relate to the acquisition of Merlyn.

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

	2019 £m	2018 £m
Croydex	7.8	7.8
Abode	0.8	0.8
Triton Showers	19.1	19.1
Merlyn	25.5	25.5
Tile Africa	3.1	3.4
	56.3	56.6

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

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

- cash flows before income taxes are based on approved budgets and detailed forecasts for the first five years;
- long-term growth rates of 2.2% (2018: 2.2%) for Croydex, Abode, Merlyn and Triton Showers and 7.6% (2018: 7.6%) for Tile Africa 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 7.8% (2018: 7.8%) in the UK and 16.2% (2018: 16.2%) 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 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 2017	8.2	7.7	0.5	0.1	16.5
Acquisitions	28.3	2.4	—	—	30.7
Additions	—	—	—	0.1	0.1
At 31 March 2018	36.5	10.1	0.5	0.2	47.3
Additions	—	—	0.1	—	0.1
At 31 March 2019	**36.5**	**10.1**	**0.6**	**0.2**	**47.4**
Accumulated amortisation					
At 1 April 2017	1.2	1.6	—	—	2.8
Charge for the year	1.4	0.6	0.1	0.1	2.2
At 31 March 2018	2.6	2.2	0.1	0.1	5.0
Charge for the year	2.8	0.8	0.2	—	3.8
At 31 March 2019	**5.4**	**3.0**	**0.3**	**0.1**	**8.8**
Net book amount at 31 March 2018	33.9	7.9	0.4	0.1	42.3
Net book amount at 31 March 2019	**31.1**	**7.1**	**0.3**	**0.1**	**38.6**

The amortisation charge for intangibles generated on acquisition is £3.5m for the year and is included in the acquisition related costs in the Consolidated Income Statement. The £0.3m amortisation charge for internally generated or acquired intangibles is included in the Consolidated Income Statement.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2017	34.9	88.0	122.9
Exchange differences	0.1	0.1	0.2
Acquisitions	0.4	0.4	0.8
Additions	0.7	6.8	7.5
Disposals	(0.1)	(4.2)	(4.3)
At 31 March 2018	36.0	91.1	127.1
Exchange differences	(1.2)	(3.1)	(4.3)
Additions	0.3	5.5	5.8
Disposals	—	(1.1)	(1.1)
At 31 March 2019	**35.1**	**92.4**	**127.5**
Accumulated depreciation			
At 1 April 2017	15.1	64.8	79.9
Exchange differences	—	0.1	0.1
Charge for the year	1.1	5.3	6.4
Disposals	(0.1)	(4.2)	(4.3)
At 31 March 2018	16.1	66.0	82.1
Exchange differences	(0.3)	(2.1)	(2.4)
Charge for the year	1.1	5.5	6.6
Disposals	—	(1.1)	(1.1)
At 31 March 2019	**16.9**	**68.3**	**85.2**
Net book amount at 31 March 2018	19.9	25.1	45.0
Net book amount at 31 March 2019	**18.2**	**24.1**	**42.3**

Plant and equipment include motor vehicles, computer equipment, and plant and machinery. There were no assets held under finance leases in either year.

14. Inventories

	2019 £m	2018 £m
Raw materials and consumables	**13.1**	12.0
Work in progress	**1.0**	0.8
Finished goods	**65.4**	62.1
	79.5	74.9

Provisions held against inventories totalled £4.4m (2018: £4.1m).

The cost of inventories recognised as an expense within cost of sales in the Income Statement amounted to £181.1m (2018: £167.8m).

During the year the Group charged £0.7m (2018: £0.8m) of inventory write-downs to the Income Statement within cost of sales.

15. Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**58.4**	59.5
Less: impairment loss allowance	**(0.6)**	(1.0)
Trade receivables – net	**57.8**	58.5
Other receivables	**2.0**	2.7
Prepayments and accrued income	**2.7**	3.2
	62.5	64.4

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 2019

15. Trade and other receivables continued

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

	2019 £m	2018 £m
Sterling	**46.5**	50.0
South African Rand	**12.9**	11.8
Euro	**1.3**	1.7
UAE Dirham	**1.8**	0.9
	62.5	64.4

Impairment of trade receivables

31 March 2019	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
Expected credit loss rate	**0.1%**	**2.0%**	**5.0%**	**15.0%**	**25.0%**	**1.0%**
Gross trade receivables	**50.8**	**5.0**	**0.8**	**0.5**	**1.3**	**58.4**
Loss allowance	**0.1**	**0.1**	**—**	**0.1**	**0.3**	**0.6**

31 March 2018	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
Expected credit loss rate	0.2%	5.0%	10.0%	15.0%	25.0%	1.6%
Gross trade receivables	49.6	7.4	0.8	0.5	1.2	59.5
Loss allowance	0.1	0.4	0.1	0.1	0.3	1.0

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

	2019 £m	2018 £m
At the beginning of the year	**1.0**	0.6
Provision for receivables impairment	**0.1**	0.3
Receivables written off during the year as uncollectable	**(0.4)**	(0.1)
Exchange differences	**(0.1)**	—
Acquisitions	**—**	0.2
At the end of the year	**0.6**	1.0

16. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**27.2**	25.8

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

	2019 £m	2018 £m
Cash at bank and in hand	**27.2**	25.8
Less: bank overdrafts (see note 18)	**(3.8)**	(8.5)
	23.4	17.3

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

17. Trade and other payables

	2019 £m	2018 £m
Trade payables	**44.6**	41.1
Other tax and social security payables	**4.6**	4.2
Contingent and deferred consideration	**0.4**	2.0
Other payables	**0.5**	0.2
Accruals and deferred income	**29.5**	29.5
	79.6	77.0

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

Contingent and deferred consideration as at 31 March 2019 reflects the current best estimate of amounts of contingent consideration payable to the former shareholders of Abode, and as at 31 March 2018 reflects the best estimate of amounts of deferred consideration payable to the former shareholders of Abode and Croydex.

18. Financial liabilities – borrowings

	2019 £m	2018 £m
Non-current		
Bank borrowings (unsecured):		
– bank loans	**59.0**	65.0
– less: costs of raising finance	**(0.6)**	(0.6)
Total non-current	**58.4**	64.4
Current		
Bank borrowings (unsecured):		
– bank overdrafts	**3.8**	8.5
Total borrowings	**62.2**	72.9

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:

	2019 £m	2018 £m
Not later than one year	**3.8**	8.5
After more than one year:		
– between one and two years	**—**	—
– between two and five years	**59.0**	65.0
– costs of raising finance	**(0.6)**	(0.6)
	58.4	64.4
Total borrowings	**62.2**	72.9

Capital risk management

The Group increased the amount of its committed banking facilities to £120m (plus a £30m accordion) at the time of the Merlyn acquisition in November 2017. The maturity date was originally November 2021 with an option to extend for a further year. The Group exercised this option in the year and has extended the maturity date of the facility to November 2022.

This facility provides the Group with a sound financial structure for the medium term with £57.5m of headroom being available at 31 March 2019 (2018: £49.6m), after taking into account net debt and ancillary facilities in use of £2.8m (2018: £3.3m). The Group has been in compliance with all banking covenants during the year.

Notes to the Group accounts continued

Year ended 31 March 2019

18. Financial liabilities – borrowings continued

Interest rate profile

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

	2019 %	2018 %
Bank loans	2.6	2.7
Overdraft	2.6	2.7

At 31 March 2019 the bank loans carried interest based on LIBOR plus a margin of 1.9% (2018: 2.2%). Overdrafts carry interest at base rate plus a margin of 1.9% (2018: 2.2%).

Net debt

The Group's net debt is calculated as follows:

	2019 £m	2018 £m
Cash and cash equivalents	(27.2)	(25.8)
Total borrowings	62.2	72.9
	35.0	47.1

Currency profile of net debt

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

	2019 £m	2018 £m
Sterling	58.1	66.7
Euro	(1.6)	(2.1)
US Dollar	(4.3)	(2.6)
South African Rand	(17.2)	(14.9)
	35.0	47.1

19. Financial instruments

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

- financial instruments relating to the operations, financing and risks of the Group's operations; and
- financial instruments relating to the financing and risks of the Group's bank debt.

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.

Through its centralised treasury function the Group seeks to hedge its UK-based transactional foreign exchange risk on a rolling annual basis through the use of forward exchange contracts and similar hedging instruments. The Group's principal UK-based foreign currency exposures are largely hedged until at least December 2019 based on current forecasts. In the overseas businesses the policy is to hedge the local transactional risk to the extent this is permitted and not cost prohibitive.

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

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 current level of debt and historically low UK LIBOR rates, the Group has decided not to take out any such swaps at the present time. This position is regularly reassessed.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. 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.

19. 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.

The table below analyses the present value of the Groups financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Not later than a 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]	10.5	1.8	67.9	—	80.2
Trade and other payables	77.0	—	—	—	77.0
At 31 March 2018	87.5	1.8	67.9	—	157.2
Borrowings[1]	5.5	1.5	61.6	—	68.6
Trade and other payables	79.6	—	—	—	79.6
At 31 March 2019	**85.1**	**1.5**	**61.6**	**—**	**148.2**

1 Borrowings includes interest costs calculated using the applicable interest rate at year-end.

Financial instruments

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

Derivative financial instruments carried at fair value through profit and loss

	2019 Assets £m	2019 Liabilities £m	2018 Assets £m	2018 Liabilities £m
Forward foreign exchange contracts:				
– current	**0.3**	**—**	—	(3.3)

Forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2019 were €16m, US$55.8m and CNH 87m (2018: €18.8m and US$65.3m).

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

Sensitivity analysis

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

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

As the Group has net debt of £35.6m (excluding unamortised finance costs) the effect of a 1% change in market interest rates would be a change in the net finance costs of approximately £0.4m 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 £2.3m devaluation 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 £0.3m respectively.

Notes to the Group accounts continued

Year ended 31 March 2019

20. Deferred tax

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

The main rate of UK corporation tax reduced to 19% from 1 April 2017 and will decrease further to 17% from 1 April 2020, with the latter amendment being substantively enacted on 6 September 2016. The deferred tax asset at 31 March 2019 reflects these rate changes.

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	Other £m	Total £m
At 31 March 2017	1.2	10.7	(0.9)	11.0
(Charged)/credited to the Consolidated Income Statement	(0.9)	—	0.8	(0.1)
Charged to the Consolidated Statement of Comprehensive Income	—	(2.6)	—	(2.6)
Exchange differences	—	—	—	—
Acquisitions	(0.1)	—	(4.2)	(4.3)
At 31 March 2018	0.2	8.1	(4.3)	4.0
(Charged)/credited to the Consolidated Income Statement	(0.5)	0.2	—	(0.3)
Charged to the Consolidated Statement of Comprehensive Income	—	(3.0)	—	(3.0)
Exchange differences	0.1	—	—	0.1
At 31 March 2019	**(0.2)**	**5.3**	**(4.3)**	**0.8**

	2019 £m	2018 £m
Deferred tax assets:		
To be recovered after more than twelve months	5.6	8.5
– To be recovered within twelve months	0.2	0.1
	5.8	8.6
Deferred tax liabilities:		
To be recovered after more than twelve months	(4.4)	(4.0)
– To be recovered within twelve months	(0.6)	(0.6)
	(5.0)	(4.6)
Deferred tax assets (net)	**0.8**	4.0

Other deferred tax liabilities mainly relate to deferred tax recognised against intangible amortisation and share-based payment expenses.

At the Balance Sheet date the Group has recognised £nil (2018: £0.1m) in respect of tax losses. No deferred tax asset has been recognised in respect of £6.7m (2018: £6.7m) of tax losses as the Company does not believe that utilisation of these losses is probable.

21. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	Total £m
At 1 April 2017	1.9	2.1	1.7	5.7
Charged to the Income Statement	0.9	2.1	—	3.0
Utilisation	(1.5)	(2.2)	(0.1)	(3.8)
At 31 March 2018	1.3	2.0	1.6	4.9
Charged to the Income Statement	1.2	—	3.0	4.2
Utilisation	(1.3)	(1.4)	(0.6)	(3.3)
At 31 March 2019	**1.2**	**0.6**	**4.0**	**5.8**

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 recognised during the prior year was in connection with the restructuring of the Group's UK tiles business. It is expected that the remaining provision will be incurred as expenditure within one year of the Balance Sheet date.

21. Provisions continued

The UK property provision relates to the one remaining onerous legacy property lease that is due to expire in June 2022. In the year the Group recognised an exceptional cost of £3.0m to increase the onerous lease provision in light of the previous tenant terminating the lease and the Group's view of the likely costs (net of rental income) of the resultant void and final dilapidations which will be incurred over the remainder of the lease tenure.

22. 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 four 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 16 years (2018: 15 years) and can be attributed to the scheme members as follows:

	2019	2018
Employee members	7%	8%
Deferred members	32%	31%
Pensioner members	61%	61%
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.

The triennial actuarial valuation for the Group's UK defined benefit pension scheme completed in March 2015 showed a deficit of £73.5m (2012: £61.9m) representing an 84% funding level (2012: 85%). The deficit recovery plan for that valuation was agreed with the Scheme Trustee, with a cash contribution of £2.5m per annum starting in April 2016, and increasing with CPI, for a period of ten years.

In line with the above agreement the Group made deficit recovery contributions of £2.6m (2018: £2.5m) into its UK defined benefit pension scheme during the year.

We have reached agreement with the pension scheme Trustee on the 2018 actuarial valuation and on a new deficit recovery plan. The actuarial deficit at 1 April 2018 was £49.3m (2015: £73.5m) representing an 89% funding level and contributions of £3.25m per annum plus CPI will be payable for the 6.5 years to 30 September 2025. The Company and the Trustee regard this as an appropriate outcome. The 2018 valuation has been recently submitted to the Pensions Regulator.

Risks

The Plan exposes the Company to a number of actuarial risks which may result in a material change in the net scheme 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 deficit 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.
- 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.

Notes to the Group accounts continued

Year ended 31 March 2019

22. Retirement benefit obligations continued

(a) Pension costs continued

Defined contribution pension schemes

Contributions made to these schemes amounted to £3.6m (2018: £3.5m), which includes £0.3m (2018: £0.2m) for the provision of life insurance cover.

(b) IAS 19R, 'Employee benefits'

Norcros Security Plan

The valuation used for IAS 19R disclosures has been based on the most recent actuarial valuation at 31 March 2018 and updated by KPMG, a firm of qualified actuaries, to take account of the requirements of IAS 19R in order to assess the liabilities of the scheme at 31 March 2019. Scheme assets are stated at their market value at 31 March 2019.

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

	2019 Projected unit	2018 Projected unit
Discount rate	**2.50%**	2.65%
Inflation rate (RPI)	**3.25%**	3.10%
Inflation rate (CPI)	**2.25%**	2.10%
Increases to deferred benefits during deferment (non-GMP liabilities)	**3.11%**	2.98%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	**3.11%**	2.98%
Salary increases	**2.50%**	2.35%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements and are summarised below:

	2019	2018
Life expectancy at age 65:		
Current pensioners – males	**20.5**	20.9
Current pensioners – females	**22.8**	23.2
Future pensioners – males (currently aged 40)	**21.9**	22.3
Future pensioners – females (currently aged 40)	**24.3**	24.8

Members are assumed to take a 25% (2018: 25%) cash commutation sum on retirement.

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

	2019 £m	2018 £m
Included in operating profit:		
IAS 19R pension administration expenses	**1.5**	1.4
Past service costs	**1.0**	—
IAS 19R finance cost	**1.3**	1.6
Total amounts recognised in the Income Statement	**3.8**	3.0

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

	Value at 31 March 2019 £m	Value at 31 March 2018 £m
Equities	**83.4**	84.6
Absolute return funds	**102.4**	108.6
Bonds	**159.7**	158.2
Property	**20.1**	20.3
Liability-driven investments	**27.5**	25.3
Cash and gilts	**3.3**	2.6
Total fair value of scheme assets	**396.4**	399.6
Present value of scheme liabilities	**(428.0)**	(447.6)
Pension deficit	**(31.6)**	(48.0)

22. 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: continued

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 2019			Value at 31 March 2018		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	—	83.4	83.4	—	84.6	84.6
Absolute return funds	31.5	70.9	102.4	37.2	71.4	108.6
Bonds	—	159.7	159.7	—	158.2	158.2
Property	—	20.1	20.1	—	20.3	20.3
Liability-driven investments	—	27.5	27.5	—	25.3	25.3
Cash and gilts	3.3	—	3.3	2.6	—	2.6
Total fair value of scheme assets	34.8	361.6	396.4	39.8	359.8	399.6

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 deficit in the year is as follows:

	2019 £m	2018 £m
Deficit at the beginning of the year	(48.0)	(62.7)
Employer contributions – deficit recovery	2.6	2.5
IAS 19R pension administration expenses	(1.5)	(1.4)
IAS 19R finance cost	(1.3)	(1.6)
Past service costs	(1.0)	—
Actuarial gains	17.6	15.2
Deficit at the end of the year	(31.6)	(48.0)

Exceptional past service costs of £1.0m were estimated in relation to a recent UK High Court ruling that trustees of UK defined benefit pension schemes must equalise guaranteed minimum pensions.

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

	2019 £m	2018 £m
Opening fair value of scheme assets	399.6	404.4
Employer contributions – deficit recovery	2.6	2.5
Interest income	10.3	10.2
Benefits paid	(24.8)	(24.0)
Actuarial gains on scheme assets	10.2	7.9
IAS 19R pension administration expenses	(1.5)	(1.4)
Closing fair value of scheme assets	396.4	399.6

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

	2019 £m	2018 £m
Opening scheme liabilities	(447.6)	(467.1)
Interest cost	(11.6)	(11.8)
Actuarial (losses)/gains arising from changes in financial assumptions	(10.1)	4.8
Actuarial gains arising from changes in demographic assumptions	5.4	2.5
Experience gains on liabilities	12.1	—
Past service costs	(1.0)	—
Benefits paid	24.8	24.0
Closing fair value of scheme liabilities	(428.0)	(447.6)

Notes to the Group accounts continued

Year ended 31 March 2019

22. Retirement benefit obligations continued

(b) IAS 19R, 'Employee benefits' continued

Norcros Security Plan continued

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

	2019 £m	2018 £m
Actuarial gains	17.6	15.2
Deferred tax	(3.0)	(2.6)
	14.6	12.6

(viii) Sensitivities

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

	Impact on scheme deficit	
Assumption	2019 £m	2018 £m
Discount rate – 0.1% decrease	5.2	6.0
Inflation rate (RPI and CPI)[1] – 0.1% increase	3.4	3.8
Increase in life expectancy by one year	14.9	15.1

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.

23. Called up share capital

	2019 £m	2018 £m
Issued and fully paid		
80,368,315 (2018: 80,181,418) ordinary shares of 10p each	8.0	8.0

During the year, the Company issued 186,897 10p ordinary shares in order to satisfy vesting of options under the Company's Approved Performance Share Plan, Deferred Bonus Plan and SAYE schemes.

24. Other non-current liabilities

	2019 £m	2018 £m
Deferred consideration	—	0.3
Other non-current liabilities	0.9	1.0
	0.9	1.3

Deferred consideration as at 31 March 2018 reflects the best estimate of amounts payable to the former shareholders of Abode. Other non-current liabilities principally include accrued lease obligations in respect of the Group's retail business in South Africa.

25. Consolidated Cash Flow Statement

(a) Cash generated from operations

The analysis of cash generated from operations is given below:

Continuing operations

	2019 £m	2018 £m
Profit before taxation	**25.4**	13.5
Adjustments for:		
– IAS 19R administrative expenses included in the Income Statement	**1.5**	1.4
– acquisition related costs included in the Income Statement	**3.8**	4.3
– exceptional items included in the Income Statement	**4.0**	2.1
– finance (income)/costs included in the Income Statement	**(1.6)**	4.5
– IAS 19R finance cost included in the Income Statement	**1.3**	1.6
– cash flows from exceptional items and acquisition related costs	**(1.9)**	(5.0)
– settlement of share options	**(0.6)**	(0.9)
– depreciation and underlying amortisation	**6.9**	6.4
– pension fund deficit recovery contributions	**(2.6)**	(2.5)
– share-based payments	**1.2**	0.9
Operating cash flows before movement in working capital	**37.4**	26.3
Changes in working capital:		
– increase in inventories	**(7.6)**	(0.5)
– decrease in trade and other receivables	**0.1**	4.8
– increase/(decrease) in trade and other payables	**5.4**	(7.1)
Cash generated from operations	**35.3**	23.5

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

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

(c) Analysis of net debt

	Net cash and current borrowings £m	Non-current borrowings £m	Net debt £m
At 1 April 2017	6.6	(29.8)	(23.2)
Cash flow	10.2	(34.4)	(24.2)
Other non-cash movements	—	(0.2)	(0.2)
Exchange movement	0.5	—	0.5
At 31 March 2018	17.3	(64.4)	(47.1)
Cash flow	7.8	6.2	14.0
Other non-cash movements	—	(0.2)	(0.2)
Exchange movement	(1.7)	—	(1.7)
At 31 March 2019	**23.4**	**(58.4)**	**(35.0)**

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

Financial statements

Notes to the Group accounts continued

Year ended 31 March 2019

26. Dividends

A final dividend in respect of the year ended 31 March 2018 of £4.1m (5.2p per 10p ordinary share) was paid on 2 August 2018 and an interim dividend of £2.3m (2.8p per 10p ordinary share) was paid on 11 January 2019. A final dividend in respect of the year ended 31 March 2019 of £4.5m (5.6p per 10p ordinary share) is to be proposed at the Annual General Meeting on 23 July 2019. These financial statements do not reflect this final dividend.

27. Capital and other financial commitments

(a) Capital commitments

	2019 £m	2018 £m
Contracts placed for future capital expenditure not provided in the financial statements	**1.0**	1.6

(b) Operating lease commitments

	2019 £m	2018 £m
Total commitments under operating leases:		
– not later than one year	**5.2**	6.2
– later than one year and not later than five years	**14.7**	14.7
– later than five years	**7.5**	8.0
	27.4	28.9

Total future sub-lease payments receivable relating to the above operating leases amounted to £nil (2018: £0.4m).

The above operating lease commitments are analysed as:

	2019 £m	2018 £m
Equipment:		
– not later than one year	**1.1**	1.7
– later than one year and not later than five years	**2.6**	2.4
Land and buildings:		
– not later than one year	**4.1**	4.5
– later than one year and not later than five years	**12.1**	12.3
– later than five years	**7.5**	8.0
	27.4	28.9

28. Post Balance Sheet event

On 1 April 2019, Norcros South Africa (Proprietary) Limited acquired the entire issued share capital of RAP Plumbing Supplies (Proprietary) Limited, trading as House of Plumbing (House of Plumbing), a private company owned by the directors and a number of other employees and private investors that is a market leading supplier of specialist plumbing materials. The initial consideration will be ZAR 172m (approximately £9.7m[1]) on a debt and cash free and normalised working capital basis. A further ZAR 43m (approximately £2.4m[1]) earn-out may be payable in the year ending 31 March 2022 on achievement of EBITDA and cash targets.

For the year ended 30 April 2018, House of Plumbing's audited financial statements showed revenue of ZAR 392m (approximately £22.1m[1]), EBITDA of ZAR 33m (approximately £1.9m[1]) and profit before tax of ZAR 34m (approximately £1.9m[1]). As at 30 April 2018 the business had gross assets of ZAR 112m (approximately £6.3m[1]). It is anticipated that there will be goodwill arising on the acquisition.

1 Exchange rate of 17.7 ZAR/GBP.

29. 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 57 to 64.

Parent Company balance sheet

At 31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investments	3	**177.3**	177.3
Deferred tax assets	4	**0.5**	0.5
		177.8	177.8
Current assets			
Trade and other receivables	5	**23.1**	39.4
Current liabilities			
Trade and other payables	6	**(0.8)**	(0.8)
Net current assets		**22.3**	38.6
Total assets less current assets		**200.1**	216.4
Non-current liabilities			
Financial liabilities – borrowings	7	**(58.4)**	(64.4)
Net assets		**141.7**	152.0
Financed by:			
Share capital	8	**8.0**	8.0
Share premium account		**29.9**	29.7
Treasury reserve		**(0.3)**	—
Retained earnings before loss for the financial year		**107.7**	116.8
Loss for the financial year		**(3.6)**	(2.5)
Total shareholders' funds		**141.7**	152.0

The financial statements of Norcros plc, registered number 3691883, on pages 105 to 110, were authorised for issue on 12 June 2019 and signed on behalf of the Board by:

N Kelsall · Shaun Smith

Nick Kelsall
Group Chief Executive

Shaun Smith
Group Finance Director

Parent Company statement of changes in equity

Year ended 31 March 2019

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Retained earnings £m	Total equity £m
At 1 April 2017	6.1	1.1	—	121.9	129.1
Comprehensive expense:					
Loss for the year	—	—	—	(2.5)	(2.5)
Total comprehensive expense for the year	—	—	—	(2.5)	(2.5)
Transactions with owners:					
Shares issued	1.9	28.6	—	—	30.5
Dividends paid	—	—	—	(5.0)	(5.0)
Purchase of treasury shares	—	—	(0.4)	—	(0.4)
Cash-settled share options	—	—	—	(0.6)	(0.6)
Equity-settled share options	—	—	0.4	(0.4)	—
Value of employee services	—	—	—	0.9	0.9
At 31 March 2018	8.0	29.7	—	114.3	152.0
Comprehensive expense:					
Loss for the year	—	—	—	(3.6)	(3.6)
Total comprehensive expense for the year	—	—	—	(3.6)	(3.6)
Transactions with owners:					
Shares issued	—	0.2	—	—	0.2
Dividends paid	—	—	—	(6.4)	(6.4)
Purchase of treasury shares	—	—	(1.1)	—	(1.1)
Equity-settled share options	—	—	0.8	(1.4)	(0.6)
Value of employee services	—	—	—	1.2	1.2
At 31 March 2019	**8.0**	**29.9**	**(0.3)**	**104.1**	**141.7**

Notes to the Parent Company accounts

Year ended 31 March 2019

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 adopts an accounting period of 52 weeks, and as a result of this, the exact year-end date was 31 March 2019 in line with the Company's accounting reference date. All references to the financial year therefore relate to the 52 weeks commencing on 2 April 2018. In the previous year the accounting period was 52 weeks long, beginning on 3 April 2017 and ending on 1 April 2018.

New standards and amendments to standards or interpretations

The new standards, amendments to standards or interpretations which are mandatory for the first time for the financial year beginning 1 April 2018 are set out in the Group financial statements on pages 79 and 80. None of these standards and interpretations has had any material effect on the Company's results or net assets.

The standards, amendments and interpretations which are not yet effective and have not been adopted early by the Company are set out in the Group financial statements on page 79 and 80. None of these standards or interpretations is expected to have a material impact on the Company.

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 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 instrument: disclosures'.

Critical estimates and judgements

The Directors believe that there are no critical accounting estimates relating to these financial statements.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Investments in subsidiaries

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

Foreign currency transactions

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

Taxation

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

Notes to the Parent Company accounts continued

Year ended 31 March 2019

1. Statement of accounting policies continued

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 (2018: £3,000) and staff costs relating to two employees (2018: two) are borne by the Company's subsidiary, without recharge.

Further information about the Directors' remuneration may be found in the Annual Report on Remuneration on pages 57 to 64.

3. Investments

	Shares in subsidiaries £m
At 1 April 2018 and 31 March 2019	**177.3**

Details of the subsidiaries owned by the Company, held both directly and indirectly, are shown in note 11.

4. 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:

	2019 £m	2018 £m
Deferred tax asset at the beginning and end of the year	**0.5**	0.5

The analysis of the deferred tax asset is as follows:

	2019 £m	2018 £m
Other timing differences	**0.5**	0.5

	2019 £m	2018 £m
To be recovered after more than twelve months	**0.3**	0.3
To be recovered within twelve months	**0.2**	0.2
	0.5	0.5

The full potential asset for deferred tax is as follows:

	2019 £m	2018 £m
Other timing differences	**0.5**	0.5
Tax losses	**4.5**	4.5
	5.0	5.0

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

5. Trade and other receivables

	2019 £m	2018 £m
Amounts owed by Group undertakings	22.6	39.4
Corporation tax recoverable through group relief	0.5	—
	23.1	39.4

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

6. Trade and other payables

	2019 £m	2018 £m
Accruals	0.8	0.8
	0.8	0.8

7. Financial liabilities – borrowings

	2019 £m	2018 £m
Loans and bank overdrafts	59.0	65.0
Costs of raising finance	(0.6)	(0.6)
	58.4	64.4
Repayable after more than one year:		
– between one and two years	—	—
– between two and five years	59.0	65.0
– costs of raising finance	(0.6)	(0.6)
	58.4	64.4

The Group increased the amount of its committed banking facilities to £120m (plus a £30m accordion) at the time of the Merlyn acquisition in November 2017. The maturity date was originally November 2021 with an option to extend for a further year. The Group exercised this option in the year and has extended the maturity date of the facility to November 2022.

8. Called up share capital

	2019 £m	2018 £m
Issued and fully paid		
80,368,315 (2018: 80,181,418) ordinary shares of 10p each	8.0	8.0

During the year, the Company issued 186,897 10p ordinary shares in order to satisfy vesting of options under the Company's Approved Performance Share Plan, Deferred Bonus Plan and SAYE schemes.

9. Dividends

A final dividend in respect of the year ended 31 March 2018 of £4.1m (5.2p per 10p ordinary share) was paid on 2 August 2018 and an interim dividend of £2.3m (2.8p per 10p ordinary share) was paid on 11 January 2019. A final dividend in respect of the year ended 31 March 2019 of £4.5m (5.6p per 10p ordinary share) is to be proposed at the Annual General Meeting on 23 July 2019. These financial statements do not reflect this final dividend.

10. Contingent liabilities

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

Notes to the Parent Company accounts continued

Year ended 31 March 2019

11. 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
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
Norcros Middle East Building Materials Trading LLC	UAE	Warehouse No. 5, St. No. 4, Umm Ramool, Marrakesh Road, P.O. Box 393937, Dubai, UAE

Notice of Annual General Meeting

Notice is given that the 2019 Annual General Meeting of the Company will be held at 11.00 am on 23 July 2019 at The Mere Golf Resort & Spa, Chester Road, Mere, Knutsford, Cheshire WA16 6LJ, for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions and resolutions 12 to 15 (inclusive) will be proposed as special resolutions.

1. To receive the audited accounts and the auditor's and Directors' reports for the year ended 31 March 2019.
2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 March 2019.
3. To declare a final dividend of 5.6p per ordinary share for the year ended 31 March 2019.
4. To elect Alison Littley as a Director.
5. To re-elect Martin Towers as a Director.
6. To re-elect David McKeith as a Director.
7. To re-elect Nick Kelsall as a Director.
8. To re-elect Shaun Smith as a Director.
9. To re-appoint PricewaterhouseCoopers LLP as auditor.
10. To authorise the Audit and Risk Committee of the Board of Directors to agree the remuneration of the auditor.
11. That the Directors are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (Allotment Rights), but so that:

    (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £5,358,007 of which:

        (i) one half may be allotted or made the subject of Allotment Rights in any circumstances; and

        (ii) the other half may be allotted or made the subject of Allotment Rights pursuant to any rights issue (as referred to in the Financial Conduct Authority's Listing Rules) or pursuant to any arrangements made for the placing or underwriting or other allocation of any shares or other securities included in, but not taken up under, such rights issue;

    (b) this authority shall expire at the close of business on 30 September 2020 or, if earlier, on the conclusion of the Company's next Annual General Meeting;

    (c) the Company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry and the Directors may allot shares or grant Allotment Rights under any such offer or agreement as if the authority had not expired; and

    (d) all authorities vested in the Directors on the date of the notice of this Annual General Meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked.

12. That, subject to the passing of resolution 11 in the notice of this Annual General Meeting (the Notice), the Directors are empowered pursuant to Sections 570 and 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash, pursuant to the authority conferred on them by resolution 11 in the Notice or by way of a sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power is limited to:

    (a) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Conduct Authority's Listing Rules) or any other pre-emptive offer that is open for acceptance for a period determined by the Directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange; and

    (b) the allotment of equity securities (other than pursuant to paragraph (a) above) with an aggregate nominal value of £401,850,

    and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by resolution 11 in the Notice, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

Notice of Annual General Meeting continued

13. That, subject to the passing of resolution 11 in the notice of this Annual General Meeting (the Notice) and, in addition to the power contained in resolution 12 set out in the Notice, the Directors are empowered pursuant to Sections 570 and 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash, pursuant to the authority conferred on them by resolution 11 in the Notice or by way of sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power is:

    (a) limited to the allotment of equity securities up to an aggregate nominal value of £401,850; and

    (b) used only for the purposes of financing (or refinancing, if the power is to be exercised within six months after the date of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the Notice,

    and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by resolution 11 in the Notice save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

14. That the Company is generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of that Act) of ordinary shares in its capital provided that:

    (a) the maximum aggregate number of such shares that may be acquired under this authority is 8,037,011;

    (b) the minimum price (exclusive of expenses) that may be paid for such a share is its nominal value;

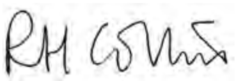
    (c) the maximum price (exclusive of expenses) that may be paid for such a share is the maximum price permitted under the Financial Conduct Authority's Listing Rules or, in the case of a tender offer (as referred to in those Rules), 5% above the average of the middle market quotations for an ordinary share (as derived from the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the date on which the terms of the tender offer are announced;

    (d) this authority shall expire at the close of business on 30 September 2020 or, if earlier, on the conclusion of the Company's next Annual General Meeting; and

    (e) before such expiry, the Company may enter into a contract to purchase shares that would or might require a purchase to be completed after such expiry and the Company may purchase shares pursuant to any such contract as if the authority had not expired.

15. That any general meeting of the Company that is not an Annual General Meeting may be convened by not less than 14 clear days' notice.

By order of the Board



Richard H. Collins
Company Secretary
12 June 2019

Registered in England and Wales company number 3691883

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

Notes

1. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons, in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.
2. The right of a member of the Company to attend and vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by close of business on 19 July 2019 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.
3. A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with Section 323 of the Companies Act 2006. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment.
4. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish. A member can appoint a proxy by:

   - logging on to www.signalshares.com and submitting a proxy appointment online by following the instructions. A member who has not previously done so will first need to register to use this facility (using the Investor Code detailed on the member's share certificate or otherwise available from the Company's registrar, Link Asset Services); or
   - submitting (if the member is a CREST member) a proxy appointment electronically by using the CREST voting service (in accordance with the notes below).

   A member who would prefer a paper proxy form may request one from the Company's registrar by calling the helpline number below. A paper proxy appointment form must be completed in accordance with the instructions that accompany it and must be delivered (together with any power of attorney or other authority under which it is signed, or a copy certified by a notary or in some other way approved by the Board) to Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

   All proxy appointments must be received by no later than 11.00 am on 19 July 2019 to be valid. The Company's registrar, Link Asset Services, can be contacted on its helpline number by calling 0871 664 0391 (calls cost 12p per minute plus the relevant phone company's access charge). The number to call from outside the United Kingdom is +44 871 664 0391 and calls will be charged at the applicable international rate. Phone lines are open 9.00 am–5.30 pm (BST), Monday to Friday excluding public holidays in England and Wales.
5. Any person to whom this Notice is sent who is currently nominated by a member of the Company to enjoy information rights under Section 146 of the Companies Act 2006 (a nominated person) may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
6. Voting on all resolutions will be conducted by way of a poll, rather than a show of hands. This is a more transparent method of voting as members' votes are counted according to the number of ordinary shares held. As soon as practicable following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against, together with the number of votes actively withheld in respect of, each of the resolutions will be announced via a Regulatory Information Service and will also be placed on the Company's website: www.norcros.com.
7. As at 12 June 2019 (being the latest practicable date prior to the printing of the Annual Report and Accounts 2019), (i) the Company's issued share capital consisted of 80,370,115 ordinary shares carrying one vote each and (ii) the total voting rights in the Company were 80,370,115.
8. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with Section 319A of the Companies Act 2006, and subject to some exceptions, the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.norcros.com. A member may not use any electronic address provided by the Company in the Annual Report and Accounts 2019 or in any accompanying document or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

Notice of Annual General Meeting continued

Notes continued

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

10. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in the CREST voting service section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a CREST proxy appointment instruction) must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited (Euroclear) and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Link Asset Services (ID RA10), as the Company's issuer's agent, by 11.00 am on 19 July 2019. After this time, any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) Link Asset Services is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should take into account the provisions of the CREST Manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances, the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid.

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

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

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

Fair processing notice

Norcros will only process your information for the purpose of managing AGM voting and analysis of voting patterns (not how individuals cast their votes). This data will only be retained for 14 months before being deleted. For more information on how we look after your personal data please see our privacy policy at www.norcros.com.

Explanatory notes

The Annual General Meeting of the Company will take place at 11.00 am on 23 July 2019 at The Mere Golf Resort & Spa, Chester Road, Mere, Knutsford, Cheshire WA16 6LJ. The notice convening that meeting, together with the resolutions to be proposed, appears on pages 111 to 114. The Directors recommend all shareholders to vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares (save in respect of those matters in which they are interested), and consider that they are in the best interests of the Company and the shareholders as a whole.

Explanatory notes in relation to the resolutions appear below. For the purposes of these notes, reference to 12 June 2019 in relation to the Company's issued share capital is a reference to the latest practicable date prior to the publication of the Annual Report and Accounts 2019.

Resolution 1

Report and accounts

For each financial year, the Directors are required to present the audited accounts, the auditor's report and the Directors' Report to shareholders at a general meeting. In line with best practice, shareholders are invited to vote on the receipt of the annual report and accounts for the financial year ended 31 March 2019 (the Annual Report and Accounts 2019).

Resolution 2

Approval of the Directors' Remuneration Report

In accordance with the Companies Act 2006, shareholders are invited to approve the Directors' Remuneration Report for the financial year ended 31 March 2019. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

The Directors' Remuneration Report is set out in full on pages 48 to 64 of the Annual Report and Accounts 2019. For the purposes of this resolution, the Directors' Remuneration Report does not include the Directors' Remuneration Policy which is set out on pages 50 to 56.

The Companies Act 2006 requires the Directors' Remuneration Policy to be put to shareholders for approval annually unless the approved policy remains unchanged, in which case it need only be put to shareholders for approval at least every three years. The Company is not proposing any changes to the Directors' Remuneration Policy approved at the Annual General Meeting in 2017.

Resolution 3

Dividend

The payment of the final dividend requires the approval of shareholders in general meeting. If the meeting approves resolution 3, the final dividend of 5.6p per ordinary share will be paid on 2 August 2019 to ordinary shareholders who are on the register of members at the close of business on 21 June 2019.

Resolutions 4 to 8

Election and re-election of Directors

Resolutions 4 to 8 relate to the retirement and election or re-election of the Company's Directors. The Company's Articles of Association require a Director who has been appointed by the Board of Directors to retire at the Annual General Meeting next following his or her appointment. Alison Littley was appointed as a Director with effect from 1 May 2019. Consequently, she will retire from office at the Annual General Meeting and intends to stand for election by the shareholders for the first time.

The Company's Articles of Association also require certain Directors to retire from office at intervals, and that at each Annual General Meeting one third of eligible Directors must retire from office by rotation. Notwithstanding the provisions of the Articles of Association, the Board has determined that each of the remaining Directors shall also retire from office at the 2019 Annual General Meeting in line with best practice recommendations of the UK Corporate Governance Code. Each of the Directors intends to stand for re-election by the shareholders, with the exception of Jo Hallas, who will step down from the Board at the conclusion of the meeting.

The Board confirms that, following formal performance evaluation of all of the Directors (other than Alison Littley), each of the Directors standing for election or re-election continues to be an effective member of the Board, to make a positive contribution and to demonstrate commitment to his or her role. The Board believes that the considerable and wide-ranging experience of the Directors will continue to be invaluable to the Company. Brief biographical details of all of the Directors standing for election or re-election can be found on pages 36 and 37 of the Annual Report and Accounts 2019.

Explanatory notes continued

Resolutions 9 and 10

Re-appointment and remuneration of auditor

The Company is required to appoint an auditor at each general meeting before which accounts are laid, to hold office until the end of the next such meeting. The Audit and Risk Committee has reviewed PricewaterhouseCoopers LLP's performance as auditor of the Company during the year and has recommended to the Board that it be re-appointed. The Audit and Risk Committee has also confirmed to the Board that its recommendation is free from third-party influence and that no restrictive contractual provisions have been imposed on the Company limiting its choice of auditor. PricewaterhouseCoopers LLP has indicated that it is willing to continue as the Company's auditor for another year. Accordingly, the Directors propose the re-appointment of PricewaterhouseCoopers LLP. Resolution 10 follows best practice in giving authority to the Audit and Risk Committee to determine the remuneration of the Company's auditor.

Resolution 11

Authority to allot shares

Most listed companies renew their directors' authority to issue shares at each annual general meeting. Such an authority was granted by the Company's shareholders last year and is due to expire at the conclusion of the 2019 Annual General Meeting. In accordance with best practice, this resolution seeks to renew the Directors' authority to allot shares.

Resolution 11, if passed, will renew the Directors' authority to allot shares in the capital of the Company up to a maximum aggregate nominal value of £5,358,007. This represents approximately two thirds of the Company's issued ordinary share capital as at 12 June 2019 and is within the limits prescribed by The Investment Association. Of this amount, ordinary shares up to an aggregate nominal value of £2,679,003 (which represents approximately one third of the Company's issued ordinary share capital as at 12 June 2019) can only be allotted pursuant to a rights issue.

As at 12 June 2019, the Company did not hold any shares in the Company in treasury. The renewed authority will, if passed, remain in force until the close of business on 30 September 2020 or, if earlier, the conclusion of the Company's next Annual General Meeting.

The Directors have no present intention of exercising this authority. The purpose of giving the Directors this authority is to maintain the Company's flexibility to take advantage of any appropriate opportunities that may arise.

Resolutions 12 and 13

Disapplication of pre-emption rights

The Directors are currently empowered, subject to certain limitations, to issue shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That power will expire at the conclusion of the 2019 Annual General Meeting and, in accordance with best practice, resolutions 12 and 13 (which will be proposed as special resolutions) seek to renew the Directors' power to disapply pre-emption rights as referenced below and in line with the Statement of Principles published by the Pre-Emption Group in March 2015.

Other than in connection with a rights issue or other similar issue, the power contained in resolution 12 will be limited to ordinary shares up to a maximum aggregate nominal value of £401,850. This amount equates to approximately 5% of the issued ordinary share capital of the Company as at 12 June 2019.

In line with the Pre-Emption Group's Statement of Principles, the Directors are also seeking (at resolution 13) a power to issue up to an additional 5% of the Company's issued ordinary share capital for cash without pre-emption rights applying. In accordance with those Principles, the Company will only allot shares up to a maximum aggregate nominal value of £401,850 (representing 5% of the issued ordinary share capital of the Company as at 12 June 2019) on a non-pre-emptive basis under this power where that allotment is in connection with an acquisition or specified capital investment (within the meaning given in the Statement of Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

This renewed authority will, if passed, remain in force until the close of business on 30 September 2020 or, if earlier, the conclusion of the Company's next Annual General Meeting.

In accordance with the Statement of Principles (which is supported by The Investment Association and the Pensions and Lifetime Savings Association), the Board confirms its intention that no more than 7.5% of the Company's issued share capital will be issued for cash on a non-pre-emptive basis during any rolling three-year period, without prior consultation with shareholders. This limit excludes any ordinary shares issued pursuant to a general disapplication of pre-emption rights in connection with an acquisition or specified capital investment.

Resolution 14

Authority to purchase own shares

This resolution, which will be proposed as a special resolution, is to give the Company the flexibility to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to an aggregate maximum of 8,037,011 ordinary shares which represent approximately 10% of the Company's issued ordinary share capital as at 12 June 2019 and sets minimum and maximum prices. The renewed authority will, if passed, remain in force until the close of business on 30 September 2020 or, if earlier, the conclusion of the Company's next Annual General Meeting.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares, but will keep the matter under review, taking into account other investment opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would promote the success of the Company and be in the best interests of its shareholders generally. To the extent that any shares so purchased are held in treasury (see below), earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury.

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

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

As at 12 June 2019, there were options over approximately 3.9 million ordinary shares in the capital of the Company, which represent approximately 4.9% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent approximately 5.4% of the Company's issued ordinary share capital. As at 12 June 2019, the Company did not hold any shares in treasury.

Resolution 15

Notice of general meetings

This special resolution is required to preserve the ability of the Company to convene general meetings (other than Annual General Meetings) on not less than 14 clear days' notice, rather than on not less than the 21 days' notice which would otherwise be required. In order to do so, the Company's shareholders must approve the calling of such meetings on shorter notice. Resolution 15 seeks such approval.

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

The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Produced by
designportfolio

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Pictured

Johnson Tiles: newly launched Multi-Décor wall and floor tiles in black, white and grey to co-ordinate with Prismatics range

Merlyn: Arysto Eight Sliding Door shower enclosure

Vado: Geometric square shower head with Nebula slide rail, accompanied by Notion tablet valve and Instinct Wall Outlet

Adhesives: White grout

Vado: Phase Mono Basin Mixer and Sharma Double Towel Rail

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