norcros

ANNUAL REPORT AND ACCOUNTS 2017

Triton Showers, Amore electric shower in gloss black. A sleek, elegant, ultra-modern and ultra-easy-to-use shower with clever digital touch controls, plus a choice of smart finishes including this stunning gloss black.

Front cover: KOV-100E/CC-C/P, Vado's Kovera tap awarded a prestigious Red Dot and two iF awards – internationally recognised seals of outstanding design quality.

Norcros is focused on showers, taps, bathroom accessories, tiles and adhesives.

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

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

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

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

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

Highlights

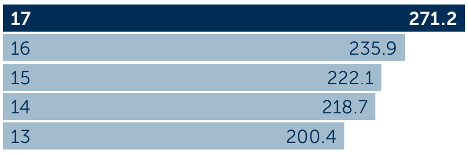
- Eighth consecutive year of growth
- Underlying operating profit up 11.7% at £23.8m (2016: £21.3m)
- Group operating profit was £16.8m (2016: £16.7m)
- Strong cash generation – net debt reduced by £9.3m to £23.2m
- Underlying ROCE at 18.4% (2016: 18.3%) – ahead of strategic target
- Full year dividend increased by 9.1% to 7.2p

Financial highlights

Total revenue (£m)

£271.2m

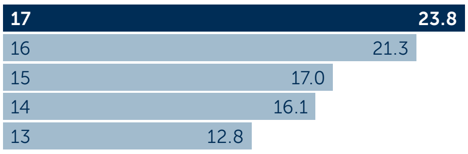
+15.0%



Underlying operating profit (£m)

£23.8m

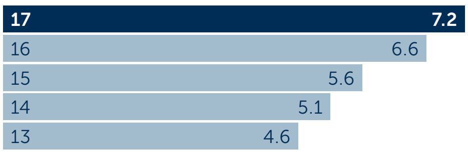
+11.7%



Dividends per share (p)

7.2p

+9.1%



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.

Share of Group revenue
£182.3m
67% share

Underlying operating profit
£17.4m
73% share

TRITON — See you first thing Britain

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

VADO

Manufacturer and distributor of taps, mixer showers, bathroom accessories and valves
Providing a wide range of high end brassware and accessories to retail and trade customers, assembled in the UK using parts sourced from Europe and the Far East

croydex

Market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories
Offering a wide range of accessories and furniture for the bathroom such as toilet seats, wall-mounted cupboards, vanity units, shower rods, rails and curtains to retail and trade customers, sourced from the Far East

abode

A leading niche designer and distributor of high quality kitchen taps, bathroom taps, and kitchen sinks
Designing and supplying high end kitchen taps, sinks and instant hot water taps in both the UK-branded and own-label segments, mainly sourced from Europe

JOHNSON·TILES

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

norcros ADHESIVES

Manufacturer of tile and stone adhesives and ancillary products
Supplying ceramic tile adhesives and self-levelling compounds, as well as backing boards and other requirements, for wet rooms to both retail and trade customers from our state-of-the-art manufacturing facility in Stoke on Trent

Read more about our UK businesses on **page 12**

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.

Share of Group revenue
£88.9m
33% share

Underlying operating profit
£6.4m
27% share

JOHNSON·TILES

A leading manufacturer and distributor of ceramic wall and floor tiles
A well invested plant and technological know-how has positioned JTSA as the number two ceramic tile manufacturer in South Africa

tal

Leading manufacturer of tile adhesives, pourable floor coverings and tiling tools
Offering a range of products and accessories to be a "one-stop shop" for tile fixing solutions

TILEAFRICA

A leading retailer of local and international tiles and associated bathroom and kitchen products
A network of 33 showrooms throughout South Africa and Sub-Saharan Africa selling both own-manufactured tiles and adhesives from its sister companies and sourced products

Read more about our South African businesses on **page 16**

Norcros has recorded its eighth consecutive year of revenue and underlying operating profit growth.

> "The Group has made good progress towards its strategic objectives."

SUMMARY

- Eighth consecutive year of growth
- Underlying operating profit up 11.7% at £23.8m (2016: £21.3m)
- Group operating profit was £16.8m (2016: £16.7m)
- Strong cash generation – net debt reduced by £9.3m to £23.2m
- Underlying ROCE at 18.4% (2016: 18.3%) – ahead of strategic target
- Full year dividend increased by 9.1% to 7.2p

Overview

It gives me great pleasure to announce that Norcros has recorded its eighth consecutive year of revenue and underlying operating profit growth, with the result achieved in the year being marginally ahead of market expectations. The Group has also made good progress towards its strategic objectives and in particular, by achieving underlying ROCE of 18.4% in the year, ahead of target.

Group revenue for the year was £271.2m, 15.0% higher than the prior year on a reported basis, 10.6% higher on a constant currency basis and 4.1% higher on a like for like constant currency basis. Underlying operating profit at £23.8m was 11.7% higher than the prior year, mainly reflecting a further significant improvement in performance in our South African business, and a first-time contribution from Abode which was acquired in March 2016. Underlying diluted earnings per share was consistent with the previous year at 27.8p.

The recent acquisitions of Croydex and Abode have been integrated seamlessly into the Norcros Group and are performing in line with the Board's expectations. I have been encouraged by the quality and enthusiasm of the management teams of those businesses in identifying and pursuing opportunities in collaboration with the Group's existing portfolio, particularly in the areas of new business development, procurement and supply chain.

The Group has again delivered a strong cash performance, with underlying operating cash flow at 99% of underlying EBITDA (2016: 76%). The Group is in a sound financial position with a strong balance sheet and has reduced net debt by £9.3m to £23.2m (2016: £32.5m), representing leverage of 0.8 times underlying EBITDA.

Dividend

The Board is recommending a final dividend for the year of 4.8p (2016: 4.4p) per share. When added to the interim dividend of 2.4p (2016: 2.2p) per share which was paid on 12 January 2017, this will make a total dividend for the year of 7.2p (2016: 6.6p) per share, a 9.1% increase on the previous year.

Pension scheme

The gross deficit relating to our UK defined benefit pension scheme as calculated under IAS 19R has increased from £55.7m at 31 March 2016 to £62.7m at 31 March 2017 principally reflecting a reduction in bond yields. Notwithstanding, this position is a significant improvement on the £97.8m deficit reported at the half year, which had increased primarily because of the abnormally low bond yields following the EU referendum result. Despite the volatility experienced in the bond markets and the subsequent effect on our pension liabilities, which have little impact on scheme cash flows, we remain confident that our pension obligations continue to be appropriately funded and well managed.

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 of this report.

People

Our employees continue to be 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 thank the Group's employees who have helped to deliver revenue and underlying operating profit growth over an extended timeframe and in particular for their contribution over the last twelve months.

Summary

These results demonstrate the Group's resilience in the face of some difficult trading conditions, particularly the revenue growth achieved in the UK in the second half of the year and the continued progress in South Africa. The Group has delivered another strong performance, reflecting the successful acquisition strategy and the sustained focus on driving organic growth through market share gain, investment in new products, operational efficiency programmes and geographic expansion.

The recent acquisition of Abode has been integrated seamlessly into the Group and we are already progressing revenue and procurement synergies with other Group businesses. In view of the success achieved in the current year and the strong momentum and focus on growth, I remain confident that we will continue to make progress towards achieving our medium-term strategic objectives.

Martin Towers.

Martin Towers
Chairman

14 June 2017

CASE STUDY – CROYDEX

Aberfeldy Village Tower Hamlets, Croydex "Hang 'N' Lock" system delivers cost savings with "one-man" installation

THE CHALLENGE

Accessories provide the finishing touches to any bathroom but fitting larger items such as mirrored cabinets has traditionally been a time-consuming "two-man job". When construction and fit-out specialist, Willmott Dixon, needed to install mirrored cabinets in 290 London apartments, it not only required an affordable yet stylish design, but also an easy and efficient fixing system.

THE SOLUTION

The Burwell and Westbourne triple door, tri-view cabinets from Croydex can be fitted by just one person using the patented Hang 'N' Lock system. The fully adjustable bracket enables the level of the cabinet to be changed after fixing holes have been drilled. Simply attach to the wall, adjust with the built-in spirit level and hang the cabinet before locking it securely in place. This eliminates the struggle of trying to mark screw holes with one hand whilst supporting a heavy bathroom item with the other. Both white steel cabinets have mirrored doors, two adjustable shelves and 110 degree sprung hinges to maximise storage space.

THE RESULT

By enabling a single fitter to install each cabinet, significant cost savings in both labour and time have been achieved.

Burwell and Westbourne cabinets have been fitted throughout the Aberfeldy development.

The Group has built on our record of sustained progress over recent years.

> "Group underlying operating profit at £23.8m (2016: £21.3m) was 11.7% higher than the prior year, with Group underlying operating margins broadly consistent with last year at 8.8% (2016: 9.0%)."

Overview

Building on our record of sustained progress over recent years, Group revenue for the year increased by 15.0% to £271.2m (2016: £235.9m) and by 10.6% on a constant currency basis. Group operating profit was £16.8m compared to £16.7m in the prior year.

Our performance in the UK in the second half of the year was in marked contrast to the first half, with like for like revenue (excluding revenues from Abode entirely and Croydex for quarter one) up 8.8% in the second half having been down by 5.0% in the first half against the comparative period. The first six months were extremely challenging, particularly in the retail sector, reflecting the uncertainty surrounding the implications of the EU referendum. I am pleased that our UK businesses recovered well in the second half of the year and were able to capitalise on the more stable trading environment, delivering growth in all of our key segments of retail, trade and export. UK revenue for the year at £182.3m (2016: £163.0m) was 11.8% ahead of the prior year and 2.0% higher on a like for like basis. The like for like increase mainly reflected the success of the recent acquisitions, Vado and Croydex, partly offset by the more challenging trading environment experienced by Triton in the first half of the year. UK underlying operating profit for the year was £0.2m higher than the prior year at £17.4m (2016: £17.2m) with an underlying operating margin of 9.5% (2016: 10.6%). The modest improvement in profitability in the year mainly reflected the first-time contribution from Abode and a full year of trading at Croydex partly offset by lower contributions from Johnson Tiles and Triton, reflecting lower revenues than the previous year.

Our South African business continued the sustained progress of recent years with another year of strong growth. The combination of market share gain and the appreciation of the Rand against Sterling during the year resulted in reported revenue 21.9% ahead of the prior year at £88.9m (2016: £72.9m). On a constant currency basis revenue was 8.3% higher than last year. Underlying operating profit for the year increased by 56% to £6.4m (2016: £4.1m), including a £0.9m benefit from the stronger Rand. This performance reflected the business-wide progress, particularly in operating efficiencies, procurement and supply chain management, with improvements made by all three businesses. The return on sales was 7.2% (2016: 5.6%), a considerable improvement on last year. In Johnson Tiles SA, the launch of new product ranges coupled with further manufacturing efficiencies resulted in an underlying operating profit ahead of last year. In TAL, further sales growth and focus on input costs, plant efficiency and logistics resulted in increased profitability. In Tile Africa, the enhanced store experience and success of the in-stock and on-display programme contributed towards a superior financial performance.

The Group sources a significant element of its components and raw materials from China and Europe. Following the UK's vote to leave the European Union there was a substantial weakening of Sterling against the US Dollar and the Euro. In the year, the Group was largely protected from the impact of this devaluation of Sterling on its cost base through its currency hedging strategy. In addition, during the year, the Group actioned a series of measures to protect the future profitability of the business including a combination of effective purchasing, working with our suppliers, price management and cost reduction programmes and we are confident that these actions will mitigate the currency impact in 2017.

Group underlying operating profit at £23.8m (2016: £21.3m) was 11.7% higher than the prior year, with Group underlying operating margins broadly consistent with last year at 8.8% (2016: 9.0%). Underlying operating cash flow improved considerably to £29.8m (2016: £20.4m) reflecting the improved underlying operating profit and strong working capital management. This resulted in net debt falling by £9.3m to £23.2m (2016: £32.5m), and leverage of 0.8 times underlying EBITDA (2016: 1.2 times). The Group is in a strong financial position with funding through a £100m unsecured debt facility (including a £30m accordion) available until July 2019, leaving the Group well placed to capitalise on opportunities as they arise.

Strategy

In 2013, the Board established three strategic targets: to double Group revenue to £420m by 2018; to maintain revenue derived outside of the UK at approximately 50% of Group revenue; and to sustain a pre-tax return on underlying capital employed of 12% to 15% over the economic cycle. We have again made good progress in the current year against all three objectives.

Group revenue in the year increased by 15.0% to £271.2m. Our progress in relation to achieving the Group revenue target of £420m by 2018 has been held back by the significant depreciation of the Rand/Sterling exchange rate since the objective was established in 2013. In constant currency terms, Group revenue would have been £304.0m. The Board recognises that achieving the target of £420m by 2018 remains challenging and accordingly will reassess this timeline later in the current financial year in light of our progress. We nevertheless remain committed to this revenue target.

On a Sterling reported basis, Group revenue derived outside of the UK was 42.8% (2016: 41.6%). Similarly, our progress in relation to this strategic target of 50% of Group revenue to be derived outside of the UK has also been impacted by the significant depreciation of the Rand/Sterling exchange rate since 2013. In constant currency terms, we are in line with our target at 49% and remain focused on growing our current overseas markets and developing new ones to support this important strategic intent.

As part of its growth strategy the Group has acquired three material and complementary businesses in the last four years. Vado, which was acquired in March 2013, has been an outstanding success with revenue growth of 10.4% per annum and underlying operating profits growing 18.0% per annum since acquisition. Croydex, acquired in June 2015, has also delivered strong like for like revenue and underlying profit growth since its acquisition. Abode, which has only been part of the Group for twelve months, has grown revenue by 5.0% and recorded profits in line with our expectations and, like Croydex and Vado, has been seamlessly integrated into the Group.

Along with our existing business portfolio all the recently acquired businesses have strongly contributed towards the Group achieving an underlying return on capital employed of 18.4% (2016: 18.3%), which is ahead of our strategic target.

Our track record in acquiring quality businesses in our targeted sectors and geographies, and our skill in seamlessly integrating them into the Group and further developing them, together with our growing pipeline of opportunities gives me confidence that we will continue to successfully execute our acquisition growth strategy. I am also encouraged by the growing number of synergies and organic growth opportunities being progressed throughout the expanded Group.

Summary and outlook

The Group has continued to make good progress towards its strategic targets during the year. Whilst the UK market remains uncertain as the ramifications resulting from the UK's vote to leave the EU begin to unfold, I am confident that our UK business is more resilient and better placed to capture further growth opportunities as they arise. Our South African business has continued to deliver sustainable growth, and, notwithstanding the recent political unrest, the medium-term outlook in South Africa remains positive, providing opportunities for the Group to continue to grow its market share. With our leading market positions, portfolio of strong brands, continued new product investment, strong financial position and self-help initiatives focused on market share gain and operational improvement, the Board remains confident that the Group should continue to make further progress for the year ending 31 March 2018.

Nick Kelsall
Group Chief Executive

14 June 2017

CASE STUDY – ABODE

Berkeley Homes: Vista, Chelsea Bridge

THE CHALLENGE

The challenge from Berkeley Homes to Leicht Kitchens was to supply a high quality, WRAS (Water Regulations Advisory Scheme) approved, kitchen tap. The brief was for a "designer model" of a square, cubic design to complement the on-trend, modern handle-less kitchen units being installed into this luxurious, top end development.

THE SOLUTION

The tap offered was the Abode New Media tap, available in four up-to-date colour finishes. This creatively designed model has the modern cubic design lines asked for, featuring a large square base, a rotating planate spout with integrated aerator and easy to use minimalist handle, which stands proud either on the sink or on the worktop, when installed. The tap finishes available were Chrome, Brushed Nickel, Granite Black and Gloss White. The specification was to co-ordinate with other appliances being fitted within the very modern kitchens. As a result, Abode's AT1180 in the Chrome finish was chosen.

THE RESULT

Leicht Kitchens took delivery of 140 New Media taps.

Since gaining this contract, Abode has quoted the same tap plus a selection of other products from the Abode portfolio to additional regions of Berkeley Homes (Eastern Counties and South East London). Additionally, the two major kitchen suppliers to these two regions have quoted Abode products (taps and sinks) for all their London contract business, establishing Abode within this important and growing sector.

Consistent standards. Considerable resources.

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

MAXIMISING SHAREHOLDER VALUE THROUGH CONTINUOUS INVESTMENT

WE SERVE CONSUMERS, ARCHITECTS, DESIGNERS, DEVELOPERS, RETAILERS AND WHOLESALERS ACROSS THE GLOBE

Wide product range

We offer a "one-stop shop" of showering, bathroom and kitchen taps, sinks, bathroom accessories, tiles and fixing solutions

Strong brands

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

Trusted quality

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

Outstanding service

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

Shale Travertine Grey from Johnson Tiles

A focused growth strategy and strong 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 the more developed markets. We will continue to drive faster revenue growth in our existing export markets and develop new emerging export opportunities.

Acquisitions will be targeted at complementary market and industry segments exhibiting attractive returns on capital which are likely to be bathroom and kitchen products with exposure to commercial and specification segments. The acquisitions of Croydex in June 2015 and Abode in March 2016 represent the most recent examples of the execution of our strategy.

Our strategy

1 **Pursue a faster and focused growth strategy to scale up the size of the Group 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 £420m by 2018

Maintain approximately 50% of Group revenue derived outside the UK

Achieve a sustainable underlying return on capital employed of 12–15%

Strategic report

To the members of Norcros plc

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

The report outlines the developments and performance of the Group during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the 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 strategy and objectives, along with the business model.

Approval
The Group Strategic Report on pages 8 to 29 of Norcros plc was approved by the Board and signed on its behalf by:

Nick Kelsall
Group Chief Executive

14 June 2017

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

Total revenue (£m)

£271.2m
+15.0%

17	271.2
16	235.9
15	222.1
14	218.7
13	200.4

(FY13 constant currency basis: £304.0m*)

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

Performance
Total revenue for the year increased by £35.3m (15.0%), 10.6% on a constant currency basis, and 4.1% on a constant currency like for like basis. UK revenues increased by 11.8% and by 2.0% on a like for like basis. South African revenues rose by 21.9% on a reported basis and by 8.3% on a constant currency basis.

* When the strategic target to grow Group revenue to £420m by 2018 was first established in the year ended 31 March 2013, the Rand/Sterling average exchange rate was 13.37, compared to the average Rand/Sterling exchange rate for the year ended 31 March 2017 of 18.31. In order to demonstrate the underlying constant currency revenue growth over that period, Group revenue for the year ended 31 March 2017 has been recalculated as if the exchange rate had remained constant, and on that basis would have been £32.8m higher at £304.0m.

Group revenue outside the UK (%)

42.8%
+1.2%

17	42.8
16	41.6
15	44.6
14	44.9
13	45.3

(FY13 constant currency basis: 49.0%*)

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 increased in the year to 42.8%, with the translation impact of the stronger South African Rand offsetting the additional revenues from the predominantly UK-focused acquired Croydex and Abode businesses.

* When the strategic target to maintain approximately 50% of Group revenue derived outside of the UK was first established in the year ended 31 March 2013, the Rand/Sterling average exchange rate was 13.37, compared to the average Rand/Sterling exchange rate for the year ended 31 March 2017 of 18.31. In order to demonstrate the underlying progress over that period, the share of Group revenue derived outside of the UK for the year ended 31 March 2017 has been recalculated as if the exchange rate had remained constant, and on that basis would have been 49.0%.

Underlying operating profit (£m)

£23.8m
+11.7%

17	23.8
16	21.3
15	17.0
14	16.1
13	12.8

(FY13 constant currency basis: £26.7m*)

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 £2.5m (+11.7%) principally reflecting the continued improvement in the Group's South African operating segment.

* In the year ended 31 March 2013, the Rand/Sterling average exchange rate was 13.37, compared to the average Rand/Sterling exchange rate for the year ended 31 March 2017 of 18.31. In order to demonstrate the underlying progress in profitability in constant currency terms over that period, Group underlying operating profit for the year ended 31 March 2017 has been recalculated as if the exchange rate had remained constant, and on that basis would have been £2.9m higher at £26.7m.

Underlying return on capital employed (%)

18.4%
+0.1%

17	18.4
16	18.3
15	16.3
14	15.0
13	12.6

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

Performance
Underlying ROCE increased by ten basis points in the year to 18.4% as the Group continued to make good progress.

Dividends per share (p)

7.2p
+9.1%

17	7.2
16	6.6
15	5.6
14	5.1
13	4.6

Definition
The total of the interim dividend and the proposed final dividend for the financial year. Prior year figures have 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 dividends per share increased 9.1% to 7.2p per share from 6.6p per share.

Underlying operating cash flow (£m)

£29.8m
+46.1%

17	29.8
16	20.4
15	22.9
14	20.3
13	10.8

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

Performance
Underlying operating cash generation increased to £29.8m, an increase of £9.4m over the prior year, reflecting increased profitability and strong management of working capital.

Norcros has continued to make sustained progress during the year.

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

	2017 £m	2016 £m
Revenue	271.2	235.9
Operating profit	16.8	16.7
IAS 19R administrative expenses	2.0	1.7
Acquisition related costs	2.7	5.2
Exceptional operating items	2.3	(2.3)
Underlying operating profit	23.8	21.3

	2017 £m	2016 £m
Revenue – UK	182.3	163.0
Revenue – South Africa	88.9	72.9
Revenue – Group	271.2	235.9
Underlying operating profit – UK	17.4	17.2
Underlying operating profit – South Africa	6.4	4.1
Underlying operating profit – Group	23.8	21.3
Underlying operating profit margin – UK	9.5%	10.6%
Underlying operating profit margin – South Africa	7.2%	5.6%
Underlying operating profit margin – Group	8.8%	9.0%

	2017 £m	2016 £m
Underlying operating profit	23.8	21.3
Depreciation	6.4	5.5
Underlying EBITDA	30.2	26.8
Net working capital movement	(1.8)	(7.7)
Share-based payments	1.4	1.2
Other non-cash items	–	0.1
Underlying operating cash flow	29.8	20.4

Revenue growth in all key sectors.

After an extremely challenging first half of the year, where UK like for like revenues were 5.0% below the prior year, the business has recovered strongly with like for like revenue in the second half 8.8% above the comparative period.

HIGHLIGHTS 2017

Share of Group revenue

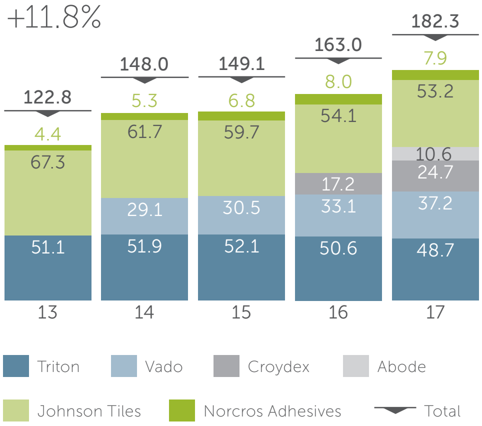
£182.3m

67% share

UK revenue (£m)

£182.3m

+11.8%



In the UK, revenue increased in the year by 11.8% to £182.3m (2016: £163.0m). This includes a full year contribution of £10.6m from our newly acquired Abode business, and an additional three months of contribution from Croydex (acquired June 2015). On a like for like basis (excluding revenues from Abode entirely and Croydex for quarter one), total revenue was 2.0% higher than the prior year, with growth in all key sectors. After an extremely challenging first half of the year, where UK like for like revenues were 5.0% below the prior year, the business has recovered strongly with like for like revenue in the second half 8.8% above the comparative period.

Underlying operating profit grew by £0.2m to £17.4m (2016: £17.2m) with an operating margin of 9.5% (2016: 10.6%). This mainly reflected a full year performance from our newly acquired Abode business, and an additional three months profit from Croydex partly offset by lower contributions from Triton and Johnson Tiles.

Triton

Revenue at Triton, our market leading UK domestic shower business, was 3.8% lower at £48.7m (2016: £50.6m). Pleasingly, revenue in the second half of the year was 5.7% higher than the previous year following the significant destocking by a number of our major customers in the first half of the year.

UK revenue was 6.1% lower than the prior year overall, with the retail sector broadly flat, offset by a 9.5% reduction in revenue from the trade sector, principally reflecting the impact of the first half customer destocking. There has been investment in new product ranges, aimed at both the

Vado's Kovera demonstrates that award winning design demands outstanding form and function. KOV-1098-C/P – given the iF Award 2016 for Product Design. KOV-100E/SB-C/P – given the Red Dot Award 2015.

Above: KOV-100E/SB-C/P.

Left: KOV-1095-C/P.

professional installer and trade contract sectors, which have recently been launched including new mixer showers and the Thermostatic Electric T80Z and T80 Pro-Fit showers. These two premium products join the Triton T80Z Fast Fit, which remains Britain's leading trade electric shower, reaffirming Triton's status and market leading position. Against the backdrop of a challenging DIY sector, Triton once again grew its overall share of the branded UK retail shower market in both the electric and mixer shower segments.

Export revenue, which represents approximately 17% of overall revenue, was 9.0% higher compared to the prior year. The primary export market is the Republic of Ireland and the success in this country was principally driven by the launch of the T90SR, the world's first truly silent pumped electric shower. Growth in new overseas markets such as South America also continued, principally reflecting the launch of the new low pressure electric shower which was specifically developed for this market.

Triton again delivered strong underlying operating profits and good cash conversion, although lower than the prior year principally reflecting the reduction in revenue in the first half.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded revenue of £37.2m for the period (2016: £33.1m), 12.4% higher than the prior year. The sustained growth in the UK continued, benefiting from the investments made in recent years, and the slow start to the year in export markets was reversed in the second half of the year as the benefits of our change in distribution arrangements in the Middle East took effect.

UK revenue was 17.5% higher than the prior year with continued growth in both the trade and retail segments. UK trade sector revenue grew by an impressive 28.0% against the prior year, which followed 18.5% growth on the prior year, as Vado gained further share in the specification segment. In the previous year Vado won new business with Miller Homes, Stewart Milne and CALA Homes, amongst others, and these relationships have driven increased demand in the current year as Vado products have been specified for additional new home developments.

UK retail revenue was 8.2% ahead of last year as Vado continued to gain market share in the independent retail sector. The business has continued to invest in additional sales resource and marketing programmes to support and drive further progress in this important market segment. Furthermore, the business has continued to make strong progress with independent trade buying groups and, as a mark of this success, in November 2016, Vado was awarded Supplier of the Year to the NBG Group for the second consecutive year.

Export revenue was 1.0% higher than last year with revenue in the second half of the year 22.2% higher than the same period last year reflecting stabilisation following the change in distribution arrangements in our important Middle East market and our establishment of a stocking hub in Dubai to increase service levels and support growth in the region. In addition, the business continues to support Vado revenue growth in South Africa through the Group's Tile Africa retail operations.

New product development remains key for the business and three major new ranges, including the award winning Kovera range, will be launched in early 2017, with a strong pipeline of new product programmes in place for the future. Operationally, further expansion of our warehousing capacity will be available in the second quarter of the current financial year to support the growth in revenue and to maintain Vado's leading customer service offer.

Notwithstanding the continued investment in the business to support future growth, underlying operating profit was ahead of last year.

Croydex

Croydex, our market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories, recorded revenue of £24.7m for the period (2016: £17.2m for nine months of Norcros ownership, £22.3m on a full year pro-forma basis), 10.8% higher than the prior year on a pro-forma basis.

Full year UK revenue was 8.5% higher than last year, with retail sector revenue 14.0% ahead and trade sector revenue 1.1% higher. Export revenue, which accounts for approximately 7% of revenue, increased by 64% in the year, mainly from continued penetration into our existing markets of Germany and the USA. Growing our export business is a key focus and it is pleasing to report that there has been an encouraging take-up following the launch of a range of Croydex products into South Africa through the Group's Tile Africa retail network.

Croydex continued

Growth in the UK has been achieved through continued product innovation and an increased emphasis on improving the service proposition for our customers. Unique IP protected innovations such as Flexi-Fix and StickNLock have led to the introduction of new product category programmes with certain customers, and many Croydex products are also being rolled out over a wider store footprint. Customers are also able to make their supply chains more efficient and reduce distribution costs by benefiting from our improved order fulfilment capabilities, with the option of delivery to distribution centres, stores or individual consumers. This is particularly important in the retail sector in support of the strong growth in online business.

Underlying operating profit performance was ahead of last year, with strong cash conversion.

Abode

Abode, our leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks, recorded revenue of £10.6m for the twelve months since acquisition on 31 March 2016, in line with the Board's expectations. Compared to the previous twelve months prior to Norcros ownership, Abode grew revenue by 5.0%.

Central to the growth in revenue has been new product introductions, such as the Pronteau hot water tap, and account wins, principally Bathstore and Homebase. Revenues of Abode-branded products continue to represent an increasing proportion of total revenues as recognition of the brand and the strength of its franchise increases. Operationally, the business has expanded its sales force and sourced additional warehousing to support future growth.

Consistent with our other recent acquisitions it is pleasing to report that Abode has been integrated seamlessly into the Group. The performance of Abode since acquisition has been highly encouraging, with the business generating an underlying profit and cash performance in line with the Board's expectations. Abode is also progressing the potential synergies available to it through working with other Group businesses with new business and alternative sourcing opportunities being the initial areas of focus.

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 1.7% lower at £53.2m (2016: £54.1m). Sales in the first half of the year were 9.0% lower than the comparative period, but encouragingly the performance in the second half was much stronger with revenue 6.1% higher than the prior period.

UK revenue was 1.3% lower overall, which was mainly driven by subdued demand in the DIY sector resulting in revenue being 3.8% below prior year. After a challenging first six months, the second half of the year demonstrated considerable improvement.

UK trade sector revenue was 1.3% higher than the prior year. Johnson Tiles continued to make gains in the house developer sector with Barratt David Wilson, Persimmon, Redrow and an increasing number of smaller regional builders, although the social housing refurbishment market remained weak, because of continued tight funding control. The business has remained active in the commercial specification market supplying contracts as varied as the IBIS Manchester, the Darwin Shopping Centre in Shrewsbury, Anytime Fitness Health Clubs and the Silverstone Innovation Centre.

Export revenue was 4.8% lower than the prior year, with good project-led growth in the Middle East offset by our conscious decision to exit some lower margin business in Australia. During the year Johnson Tiles also agreed with Leroy Merlin to launch the innovative new tile fixing product Cristalgrip into its French stores. This product has been developed by Johnson Tiles over a number of years and has garnered an extremely positive reception. Although it is too early to estimate the quantum of the revenues that this product might generate we are confident of its ultimate commercial acceptance. We are planning to launch the product in the UK later this year.

CASE STUDY – JOHNSON TILES

Brics and Savoy provide style and sophistication to The Alverton Hotel, Truro

THE CHALLENGE

When it came to adding a touch of luxury to The Courtyard ensuites at The Alverton Hotel, Truro, interior designer, Matt Hulme of Dynargh Design required tiles that would combine elegance with contemporary, cutting-edge style.

THE SOLUTION

Using Johnson Tiles' Brics range in Docklands Grey for the floor, and its Savoy range in Caraway for the walls, alongside high end accessories and wood panelling in a muted palette, the ensuites promote individuality and seamless style that transitions through from bedroom to bathroom for an unparalleled guest experience.

THE RESULT

The resulting space is both contemporary and stylish – creating the perfect environment for guests to relax and unwind.

Operationally, the business continued to perform efficiently, though the reduction in revenue resulted in underlying operating profit being lower than the prior year. Consequently, and as previously announced, the Group commenced a restructuring of the business in March 2017. The re-organisation will increase manufacturing flexibility, improve operating performance, better align capacity with demand, reduce inventory and will entail the loss of around 90 jobs. This has resulted in a charge of £2.3m which has been treated as an exceptional operating item, with the subsequent cash outflow occurring in the first half of the year to 31 March 2018. It is expected that the restructuring will pay back in cash terms within twelve months.

Norcros Adhesives
Revenue at Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, was marginally lower at £7.9m (2016: £8.0m).

Domestic revenue was 7.6% below last year, reflecting reduced activity levels in the market following the EU referendum, with softness in both trade and retail. This was offset by significant growth in export revenue as the local sales operation, established in Dubai in the previous year, began to gain momentum, with an encouraging pipeline of projects in place for the coming year.

More recently the business has secured significant contract wins to supply Wickes and the NMBS buying group, and has grown its relationship with Travis Perkins such that several new products will be rolled out across its extensive branch network. To meet this growth in volume we have started to expand the production facility in the UK which will be completed in the first half of the next financial year.

Our product development work has focused on developing a moisture suppressant, "Pro DPM", which can be used to control the rate of moisture released from a surface to enable the fast track installation of floor coverings and a new range of tile backer boards, "Pro Ply", that are magnesium oxide based and will complement our existing Pro Board range of cementitious boards. The Pro DPM will be a component part of Pro Gypbase, a product to be launched in the first quarter of the next financial year, which will meet a clear need in the market for a fast-track method to allow tiling onto gypsum-based screeds within seven days.

Underlying operating profit performance was marginally below last year reflecting the lower revenue and the continued investment in developing our new product programmes and increasing sales presence.

Photography by Anthony Greenwood.

Another year of strong constant currency growth.

Business-wide progress has led to a considerable increase in the return on sales to 7.2% (2016: 5.6%).

HIGHLIGHTS 2017

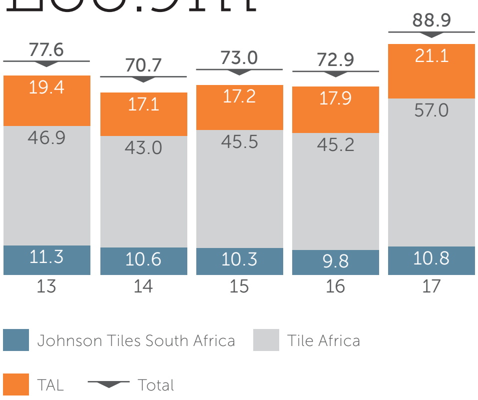
Share of Group revenue

£88.9m

33% share

South Africa revenue (£m)

£88.9m



Our South African business continued the sustained progress of recent years with another year of strong constant currency growth with revenue 8.3% higher than last year. The Rand appreciated against Sterling during the year with the average exchange rate 10.7% stronger at ZAR 18.31 (2016: ZAR 20.50), resulting in full year reported revenue 21.9% ahead of prior year at £88.9m (2016: £72.9m).

Underlying operating profit for the year improved by 56% to £6.4m (2016: £4.1m) including a £0.9m benefit from the stronger Rand. This reflected the business-wide progress, particularly in supply chain management, with improvements made by all three businesses. The return on sales was 7.2% (2016: 5.6%), a considerable increase on last year.

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business in South Africa, continues to operate at maximum manufacturing capacity. As a consequence of the growth in demand from Tile Africa, supply to the independent market was constrained with external revenues of £10.8m, 1.8% lower than last year on a constant currency basis. On a reported basis revenue was 10.2% ahead of the £9.8m achieved in the prior year.

The launch of new manufactured and factored ranges, such as the Johnson White Collection, together with sales of higher value large format tiles and coupled with further operational plant improvements resulted in an underlying operating profit ahead of last year, with excellent cash conversion.

> Underlying operating profit for the year improved by 56% to £6.4m (2016: £4.1m) including a £0.9m benefit from the stronger Rand."

It is pleasing to report that the plant was awarded the ISO 14001 environmental management certification during the period. Additionally, capacity expansion options for the short and medium term are well developed with the business currently engaged in a number of projects to gradually increase our existing plant capacity over the next two years.

TAL

TAL, our market leading adhesives business in South Africa, delivered strong growth with constant currency independent sector revenue increasing 4.5% compared to prior year or 17.9% on a reported Sterling basis to £21.1m (2016: £17.9m). This reflected further growth in exports to Sub-Saharan Africa with export revenue outside of South Africa now accounting for 17.3% of independent sector revenue.

During the year there has been continued focus on input costs, plant efficiency and logistics which in addition to the revenue growth resulted in further underlying operating profit growth. The business also maintained its record of strong cash conversion.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, delivered its third successive year of double digit constant currency growth with revenue 12.0% higher on a constant currency basis, being 26.1% higher on a Sterling reported basis, at £57.0m (2016: £45.2m).

The ongoing focus on delivering improvements in our supply chain and store experience continues to benefit our performance and has been particularly apparent in the success of our in-stock and on-display programme. The Customer Experience (CX) format stores, both new and upgraded, are performing ahead of expectations. We now have seven CX stores and we continue to improve our retail proposition as our retail portfolio is upgraded, including all stores receiving updated tap displays. Growth is being delivered at improved margins as Tile Africa increasingly makes use of our international group supply chain infrastructure to source exclusive product ranges at lower costs. The launch of the Croydex product range earlier this year has exceeded our revenue projections and, along with a new Tap range from Vado, further progress is expected in the new year.

The business now has 31 owned stores and two franchise stores. A new store was successfully opened in Southgate in May 2017 and there are plans to upgrade three further stores to the CX format in the coming year.

Underlying operating profit for the year was ahead of last year with strong cash conversion in the business.

As part of the Tile Academy Course, students were able to practise their skills by tiling three children's crèches in local disadvantaged areas. Norcros SA donated the materials and covered all the costs.

Norcros SA has a dedicated programme of investment in people. It looks to uplift both our own employees and the wider communities that we operate in. The programme internally includes extensive and wide-ranging training and to date 429 Norcros SA employees, nearly half of the total workforce, has been coached or trained on various courses at every level of the Company. This training starts with basic adult numeracy and literacy programmes and goes right through to university degrees.

Net debt reduced by £9.3m in the year to £23.2m, representing 0.8 times underlying EBITDA.

SUMMARY

- Group revenue increased by 15.0% to £271.2m (2016: £235.9m)
- Group underlying operating profit of £23.8m was 11.7% ahead of prior year
- Group operating profit was £16.8m (2016: £16.7m)
- Group underlying profit before tax of £22.9m was 12.3% ahead of the prior year
- Group profit before tax was £11.5m (2016: £15.4m)
- Underlying operating cash flow was 99% of underlying EBITDA (2016: 76%)
- Group underlying return on capital employed was 18.4% (2016: 18.3%)
- Net debt at £23.2m represents 0.8 times underlying EBITDA

Revenue
Group revenue at £271.2m (2016: £235.9m) increased by 15.0% on a reported basis, 10.6% on a constant currency basis, and 4.1% on a constant currency like for like basis (excluding revenues from Abode entirely and Croydex for quarter one).

Underlying operating profit
Underlying operating profit increased by 11.7% to £23.8m (2016: £21.3m). Our UK businesses delivered underlying operating profit of £17.4m (2016: £17.2m), and our South African businesses generated an underlying operating profit of £6.4m (2016: £4.1m). On a constant currency basis the improvement in underlying operating profit in the South African businesses was £1.4m. Group underlying operating profit margin was 8.8% (2016: 9.0%).

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. During the year a restructuring of the Group's UK pension scheme's administrative functions took place with a view to streamlining activities and reducing ongoing costs. This resulted in a number of termination costs being incurred and meant that costs of £2.0m (2016: £1.7m) were higher than the prior year.

Financial overview

Continuing operations	2017 £m	2016 £m
Revenue	271.2	235.9
Underlying operating profit	23.8	21.3
IAS 19R administrative costs	(2.0)	(1.7)
Acquisition related costs	(2.7)	(5.2)
Exceptional operating items	(2.3)	2.3
Operating profit	16.8	16.7
Net finance costs	(5.3)	(1.3)
Profit before taxation	11.5	15.4
Taxation	(3.0)	(2.4)
Profit for the year	8.5	13.0

Acquisition related costs

A cost of £2.7m (2016: £5.2m) has been recognised in the year and is analysed as follows:

	2017 £m	2016 £m
Deferred remuneration	0.4	2.5
Intangible asset amortisation	1.2	0.9
Staff costs and advisory fees	1.1	1.8
	2.7	5.2

In accordance with IFRS 3R, a proportion of deferred consideration payable to the former shareholders of recently acquired businesses is required to be treated as remuneration and, accordingly, is expensed to the Income Statement as incurred. Included in the amount for the year to 31 March 2016 is the final charge for deferred remuneration in connection with the Vado acquisition. Non-cash amortisation charges in respect of intangible assets increased by £0.3m following the acquisition of Croydex in June 2015 and Abode in March 2016. Staff costs and advisory fees reduced by £0.7m in the year, which is mainly because no acquisitions were completed in the year compared to two in the previous year (Croydex and Abode).

Exceptional operating items

A net exceptional operating charge of £2.3m (2016: £2.3m credit) was recorded as analysed in the table below. These are items of expense or income which arose from transactions which occurred outside of the Group's normal operations.

	2017 £m	2016 £m
Restructuring costs	2.3	—
Legal claim	—	(1.9)
Pension scheme settlement gain	—	(0.4)
	2.3	(2.3)

In order to improve operating performance and better align capacity with demand, the Group commenced a restructuring of its UK tiles business in March 2017. The re-organisation will increase manufacturing flexibility, reduce inventory and involve the loss of around 90 jobs and has resulted in a charge of £2.3m. The subsequent cash outflow will occur in the first half of the year to 31 March 2018. It is expected that the restructuring will pay back in cash terms within twelve months.

In 2016, a legal claim relating to the land at the Highgate site in Tunstall, UK, was settled. Under the terms of the settlement with Wm Morrison Supermarkets plc, the Group received a payment of £2.0m and costs in connection with the claim of £0.1m were incurred. In 2015, the Group undertook a number of liability management exercises in connection with its principal UK defined benefit pension scheme. Whilst most of the net benefit was recognised in 2015, a further £0.4m benefit arose in 2016.

Operating profit for the year was £16.8m (2016: £16.7m).

Net finance costs

Net finance costs for the year of £5.3m (2016: £1.3m) increased mainly due to the £3.4m non-cash change relating to the movement in the fair value of foreign exchange contracts. Bank interest payable of £0.9m (2016: £0.9m) was consistent with the previous year.

In addition, the Group has recognised a £2.0m interest cost in respect of the pension scheme liability (2016: £1.4m) which increased by £0.6m principally reflecting the increase in the opening pension deficit.

Profit before tax

Underlying profit before tax was £22.9m (2016: £20.4m), reflecting the increased underlying operating profit of £2.5m noted above. Underlying profit before tax is reconciled as shown below:

	2017 £m	2016 £m
Profit before taxation from continuing operations	**11.5**	15.4
Adjusted for:		
– IAS 19R administrative expenses	**2.0**	1.7
– acquisition related costs	**2.7**	5.2
– exceptional operating items	**2.3**	(2.3)
– amortisation of costs of raising finance	**0.2**	0.2
– net movement on fair value of derivative financial instruments	**2.2**	(1.2)
– IAS 19R finance cost	**2.0**	1.4
Underlying profit before taxation	**22.9**	20.4

The Group reported profit before tax of £11.5m (2016: £15.4m).

Balance Sheet

The Group's Balance Sheet is summarised below. The comparative Balance Sheet has been restated to reflect measurement period adjustments in respect of the acquisition of Abode, though this had no impact on overall net assets. Further details are provided in note 28 to the financial statements.

	2017 £m	2016 £m
Property, plant and equipment	**43.0**	38.2
Goodwill and intangible assets	**44.8**	45.2
Deferred tax	**11.0**	10.0
Net current assets excluding cash and borrowings	**53.0**	48.7
Pension scheme liability	**(62.7)**	(55.7)
Other non-current assets and liabilities	**(9.3)**	(6.3)
Cash and borrowings	**(23.2)**	(32.5)
Net assets	**56.6**	47.6

Property, plant and equipment increased by £4.8m overall, and included additions of £7.9m (2016: £6.2m) but there were no acquisitions in the year (2016: £2.0m). The depreciation charge was £6.4m (2016: £5.5m) and exchange differences were £3.3m (2016: £2.0m). The disposals in the year had no impact on net book value (2016: £0.1m).

The deferred tax asset increased by £1.0m to £11.0m (2016: £10.0m). This was mainly due to the fact that the balance attributable to the pension scheme liability rose by £0.7m due to the increase in the size of the underlying deficit.

Taxation

The tax charge for the year of £3.0m (2016: £2.4m) represents an effective tax rate for the year of 26.1% (2016: 15.5%).

In the previous year a further restructuring of the financing of our South African operations crystallised the remaining foreign exchange losses on historic intra-Group loans which gave rise to a tax benefit in the UK which had not previously been recognised as a deferred tax asset. The effect of this was to reduce the tax charge in the year by £1.4m. Adjusting for this, the tax rate would have been 24.7% in 2016. The effective rate in the current year of 26.1% was higher than the adjusted comparative rate of 24.7% mainly because a higher proportion of the Group's taxable profits were generated in South Africa where the rate of tax is higher than the UK.

The standard rates of corporation tax in the UK and South Africa, were 20% and 28% respectively, unchanged from 2016.

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 4.8p (2016: 4.4p) per share, which, if approved, together with the interim dividend of 2.4p (2016: 2.2p), makes a total dividend of 7.2p (2016: 6.6p) in respect of the year ended 31 March 2017.

This final dividend, if approved at the Annual General Meeting, will be payable on 3 August 2017 to shareholders on the register on 23 June 2017. The shares will be quoted ex-dividend on 22 June 2017.

Pension schemes

The gross defined benefit pension scheme valuation on the UK scheme showed a deficit of £62.7m compared to a deficit of £55.7m last year. Whilst the value of scheme assets rose by £38.5m in the year on the back of improving equity markets, the value of the liabilities increased by £45.5m, which was mainly due to a lower discount rate of 2.60% (2016: 3.55%).

The plan undertook a number of liability management exercises during 2015 which resulted in a number of benefits being settled and some changes to pension increases in payment. A number of further settlements took place as a result of that exercise in the previous year reducing the net deficit by £0.4m, which was reflected in the Consolidated Income Statement as an exceptional operating item.

The most recent triennial actuarial valuation for the Group's UK defined benefit pension scheme was completed in March 2015 and showed a deficit of £73.5m (2012: £61.9m) representing an 84% funding level (2012: 85%). The increased deficit was driven predominantly by historically low gilt yields. A revised deficit recovery plan was agreed with the Scheme Trustee, with a cash contribution of £2.5m per annum starting in April 2016, and increasing with CPI, replacing the previous agreement to pay £2.1m plus CPI per annum. This will be payable over the next ten years and thereby provides a greater degree of certainty around future deficit recovery contributions.

In line with the above agreement the Group made deficit recovery contributions of £2.5m (2016: £2.1m) into its UK defined benefit pension scheme during the year.

The Group's contributions to its defined contribution pension schemes were £3.1m (2016: £2.7m).

CASE STUDY – JOHNSON TILES

Prismatics and Refine help Harry Ramsden's seaside-inspired interiors

THE CHALLENGE

Harry Ramsden's, Blackpool, has long been an institution of the Lancashire seaside town – located on its busiest seafront thoroughfare. Naturally, when it came to updating its interiors, heritage and brand retention were at the forefront of design and build specialist, CDS Wilman's brief.

THE SOLUTION

Serving up products from Johnson Tiles' iconic Prismatics range, in Shark, Lagoon and Victorian Blue Gloss, laid in a herringbone pattern, alongside Refine in Pewter Grip – for style and safety – the design-led collections proved the perfect catch. Paired with fun interior elements, such as wooden benches and beach hut-style striped tables, the restaurant delivers authentic nautical chic.

THE RESULT

Combining practicality with style, the Prismatics and Refine ranges enhanced the interior scheme to fully complete the fun, family-friendly environment.

Cash flow and net debt

Net debt reduced by £9.3m in the year to £23.2m (2016: £32.5m). A summary of the movement in net debt is shown below.

Underlying operating cash flow was £9.4m higher than in the prior year at £29.8m (2016: £20.4m), which was mainly due to an increase in underlying operating profit of £2.5m and a £5.9m lower outflow from working capital. The Group's working capital outflow was £1.8m (2016: £7.7m), with the movement in the previous year reflecting investment in inventory to support growth in Vado, Croydex and South Africa. This represents cash conversion in the year of 98.7% of underlying EBITDA (2016: 76.1%).

Net cash generated from operating activities was £7.0m higher than the previous year at £25.5m, largely due to the £9.4m improvement in underlying operating cash flows offset by a £2.0m increase in outflows from exceptional items and acquisition related costs. This was mainly because the previous year included a £1.9m inflow from the resolution of the legal dispute with Wm Morrison Supermarkets plc.

	2017 £m	2016 £m
Underlying operating cash flow	29.8	20.4
Cash flows from exceptional items and acquisition related costs	(1.8)	0.2
Pension fund deficit recovery contributions	(2.5)	(2.1)
Cash flow generated from operations	25.5	18.5
Net interest paid	(0.9)	(0.9)
Taxation	(1.9)	(1.0)
Net cash generated from operating activities	22.7	16.6
Capital expenditure	(8.0)	(6.6)
Acquisitions	(2.7)	(23.6)
Dividends	(4.2)	(3.6)
Issue of share capital	—	0.1
Other items	1.5	(1.2)
Movement in net debt	9.3	(18.3)
Opening net debt	(32.5)	(14.2)
Closing net debt	(23.2)	(32.5)

Outflows relating to acquisitions include the final deferred consideration payment of £2.5m to the former shareholders of Vado and £0.2m paid in respect of the acquisition of Abode. In the previous year, the total of £23.6m comprised outflows of £19.3m and £3.1m in respect of the acquisitions of Croydex and Abode respectively, together with £1.2m paid to the former shareholders of Vado under the earn-out arrangement.

Capital expenditure at £8.0m (2016: £6.6m) included the new store at Southgate and other store upgrades, mainly at Randburg and Springfield together with plant improvements at TAL and Johnson Tiles South Africa. In the UK, major items of investment included the installation of new ink jet printing capability together with machinery to produce the new Cristalgrip product at Johnson Tiles and continued investment in tooling for new products at Vado and Triton.

Bank funding

In July 2014 the Group agreed an unsecured £70m revolving credit facility plus a £30m accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The banking facility matures in July 2019.

Foreign currency translation

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

The movement in average exchange rates compared to 2016 had the effect of increasing 2016 reported Group revenue and Group underlying operating profit by £9.2m and £0.9m respectively.

Alternative performance measures

The Group employs a number of alternative performance measures to assess the performance of its operations. These should not be viewed as a replacement of, or superior to, those defined by Generally Accepted Accounting Principles (GAAP). Definitions of alternative performance measures and, where relevant, reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures are provided in note 8 to the financial statements.

Key performance indicators

Management uses a full suite of measures to manage and monitor the performance of its individual businesses. The Board considers that its key performance indicators are the most relevant measures in terms of monitoring its progress towards creating shareholder value. The relevant statistics for 2017 and 2016 are shown opposite.

Shaun Smith

Shaun Smith
Group Finance Director

14 June 2017

	Average rate vs £	
	2017	2016
South African Rand	18.31	20.50
Euro	1.19	1.36
US Dollar	1.31	1.51

	Closing rate vs £	
	2017	2016
South African Rand	16.77	21.04
Euro	1.17	1.25
US Dollar	1.25	1.42

	2017	2016	Change %
Revenue (£m)	271.2	235.9	+15.0%
Underlying operating profit (£m)	23.8	21.3	+11.7%
Underlying profit before tax (£m)	22.9	20.4	+12.3%
Underlying diluted earnings per share (pence)	27.8	27.8	—
Underlying return on capital employed (%)	18.4	18.3	+0.5%
Underlying operating cash flow (£m)	29.8	20.4	+46.1%
Net debt (£m)	(23.2)	(32.5)	-28.6%

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

Identification and management of risks

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance. The Group has procedures in place to identify and monitor risks at the appropriate level and ensure that suitable mitigating actions are developed and put in place where possible.

During the year the Board led a ground-up evaluation of the risks facing each individual business and the Group as a whole. This took the form of each business carrying out a detailed risk assessment, categorising the risks in terms of their likelihood of occurrence and potential impact. Each business risk assessment was reviewed and challenged by Executive Management, following which a Group-wide risk assessment was prepared and reviewed by the Board. Going forward the divisional risk assessments will be reviewed periodically throughout the year and a formal annual review will be undertaken at Board level.

Principal risks

The Directors confirm they have undertaken a robust assessment of the principal risks and uncertainties facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table opposite sets out the principal risks and uncertainties facing the Group at the date of this Annual Report and how they are being managed or mitigated. The principal risks do not comprise all the risks that the Group may face and they are not listed in any order of priority.

Viability statement

In accordance with provision C.2.2 of the 2014 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 2020. 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 Report section on pages 8 to 29 sets out the key details of the Group's financial performance, capital management, business environment and outlook. The principal risks and uncertainties set out on pages 25 to 27 detail the principal risks the Group is exposed to, including foreign exchange, interest rate, credit and liquidity risk, together with the Group's actions to mitigate its exposures to these risks.

The strategic plan is built up by individual business, 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 is then subject to scenario testing and sensitivity analysis which involves flexing a number of the underlying main assumptions, both individually and in conjunction, together with mitigating actions that the Directors would consider undertaking. The Board then focused on an extreme but plausible scenario, similar to that encountered by the Group following the global financial crisis of 2008/9, and considered the impact on its financial performance after taking mitigating actions.

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 their assessment.

Johnson Tiles, new Eminence range in flower design.

Risk and description	Potential effects	Mitigating actions	Change
Loss of key customers Whilst the Group has a diverse range of customers there are nevertheless certain key customers who account for high levels of revenue.	Many of the contractual arrangements with customers are short term in nature (as is common in our markets) and there exists some risk that the current performance of a business may not be maintained if such contracts were not renewed or extended, or were maintained at lower volumes due to a decline in economic activity.	The importance of relationships with key customers is recognised and managed by senior personnel within the Group who have direct and regular access to their counterparts at the highest levels of management. Rebate schemes and incentive programmes help maintain these key relationships in a competitive market situation. The Group stresses key selling points such as continuity of supply, financial strength of the Group and 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.	No change
Competition The Group operates within a highly competitive environment in all its markets.	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.	To help identify such risks, the competitive environment, the specific marketplace and the actions of particular competitors are discussed at both Group and operating divisional Board meetings. In addition, each market is carefully monitored to identify any significant shift in policy by any competitor, any change in the routes to market, or any indication of new competitors and/or new product technology entering the market.	No change
Reliance on production facilities The Group has a number of manufacturing facilities for the manufacture of tiles and adhesives.	If any of these facilities (including technology used to operate them) were to fail, the effect on the Group could be significant.	The Group has a well-established ongoing preventative maintenance programme as well as a comprehensive "annual shutdown" programme throughout its manufacturing operations. Furthermore, the Group has developed an experienced globally co-ordinated product sourcing function which could mitigate the risk of failure. Finished inventory holdings across the operations act as a limited buffer in the event of operational failure. Disaster recovery plans are in place and a business interruption insurance policy is maintained to mitigate losses caused by a serious insurable event affecting manufacturing capability.	No change
Loss of key supplier, 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.	A 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. 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.	The Group manages the risk in its supply chain through long-term relationships with key suppliers, audits of key suppliers and 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. For example, in order to mitigate the risk of electricity outages in South Africa, the Group recently invested in a standby diesel generator at its main Olifantsfontein plant which is capable of running critical parts of the plant.	No change
Staff retention and recruitment The Group employs around 2,000 people worldwide.	The Group's ability to grow and increase its market share depends significantly on its continuing ability to recruit and retain highly skilled employees in each area of its activities. Future growth plans may be restricted or delayed by difficulties experienced in recruiting and retaining appropriate staff.	Group policy is to remunerate its personnel in line with market rates and practice. In addition to competitive salaries there are annual bonus schemes, share options and other benefits offered. Executives and key management are incentivised via an Approved Performance Share Plan (APSP) which was approved at the 2011 AGM. A grant of options under the APSP has taken place annually since 2011. The Group is able to offer employees appropriate training and opportunities for advancement and has a demonstrable track record of internal promotion.	No change

Risk and description	Potential effects	Mitigating actions	Change
Interest rate risk The Group pays interest and other facility fees based on local base rates and LIBOR rates.	A significant increase in interest rates would affect the Group's profitability and cash flow.	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.	No change
Performance against banking covenants The Group is subject to key banking covenants including interest cover and debt cover.	Failure to meet these covenants could result in the Group being in default of its banking facilities.	Performance against banking covenants is regularly and closely monitored and is a key element of the forecasting and budgeting process.	No change
Acquisition risk Part of the Group's strategy is to grow through selective acquisitions.	Performance of acquired businesses may not reach expectations impacting Group profitability and cash flows.	The Group 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 acquisition so that newly acquired businesses are integrated efficiently and swiftly after acquisition. The acquisitions of Vado, Croydex and most recently Abode provide demonstrable evidence of the Group's ability to integrate new businesses.	No change
Market conditions 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. The uncertainty caused by the UK's vote to leave the European Union and the resultant depreciation of Sterling has led to increased inflationary pressures. In South Africa, the country's government debt has recently been lowered to non-investment grade status by certain credit rating agencies.	If market conditions unexpectedly deteriorated, demand for our products would reduce, impacting profitability and cash generation.	There are a number of factors that would limit the impact on the Group of a deterioration in market conditions such as the geographic 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 that 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 controls on working capital and capital expenditure, and having disciplined planning, budgeting and forecasting processes. In previous cyclical downturns, management has proved effective in 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.	Increased

Risk and description	Potential effects	Mitigating actions	Change
Foreign currency exchange risk 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 Europe and the Far East which are denominated in foreign currencies (primarily the US Dollar and the Euro). Such currencies have strengthened relative to Sterling over the past year following the UK's vote to leave the European Union.	Should Sterling or the South African Rand weaken against the major currencies this could result in an increase in future input costs.	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.	Increased
Pension scheme management The Group has a defined benefit pension scheme with 7,600 members and liabilities of £467m and assets of £404m. Corporate bond and gilt yields are at historically low levels. Triennial valuations are undertaken every three years after which recovery plans are agreed between the scheme Trustee and the Company. The next valuation is due in March 2018.	The Group's financial results show an aggregate deficit in this scheme, as at 31 March 2017, of £62.7m (2016: £55.7m) assessed in accordance with IAS 19 (revised). There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations.	The scheme was closed to new members and future accrual with effect from 1 April 2013 and replaced by an auto-enrolment compliant defined contribution scheme. Risks from rising costs of providing a final salary pension scheme have therefore been materially reduced. Executive Management regularly monitors the funding position of the scheme and is represented on both the Trustee's board and its investment sub-committee to monitor and assess investment performance and other risks to the Group. The Group considers each valuation (annual IAS 19R valuation and each triennial valuation) and reassesses its position with regard to its pension commitments in conjunction with external actuarial advice. The triennial valuation and recovery plan for March 2015 was agreed with the Scheme Trustee and provides certainty over deficit contributions for the next year.	Increased
Reliance on information technology The Group relies heavily on IT systems to carry on its business. The increased prevalence and sophistication of cyber-crime incidents has increased the threat to all businesses and organisations across the globe.	A major failure of systems or a cyber attack could result in a temporary inability to conduct operations or a loss of commercial or customer data. Such an incident may impact sales and profits and result in reputational damage to the Group.	The Group uses modern systems and ensures that they are adequately maintained and upgraded to mitigate the risk of failure. The latest network and security protocols are deployed, which are regularly updated, to protect against cyber attack or breaches of security. The Group provides regular updates to employees to raise awareness of the risk of cyber-attack. It has also undertaken a review during the year to improve IT controls and is appointing a new Head of Internal Audit to continue to help drive further improvements in this critical area.	New in year
Uncertainty surrounding Brexit Negotiations have recently begun to agree the terms of the UK's exit from the European Union. There is 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.	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.	The Group regularly monitors the markets and economic indicators in which it trades and is experienced in implementing appropriate mitigating actions. The Group has strong relationships with technical specialists and regularly liaises with them to ensure that the Group is well placed to react to legislative or other changes which occur as a result of Brexit.	New in year

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.

Employees
The importance of good relations with all employees is well recognised and accepted throughout the Group. 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 their approach to employee engagement to the needs of their particular business.

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.

For example, over the course of the last financial year, Triton has continued to invest in apprenticeship programmes offering positions for school leavers within its busy administration and technical departments. A number of spaces are available annually to young people who want to learn on the job and are keen to join one of the region's largest employers. In the year, Triton employed five apprentices and there are now around 16 full-time staff members who have joined the business in this way. Each has become an expert in their field and an asset to the Company, due to the high level of support provided.

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 23.8% of employees are female.

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.

Human rights
The Directors do not consider human rights to be a material risk for the Group, principally due to the existing regulatory frameworks in place in the UK and South Africa, being the primary geographical locations in which we operate. In South Africa, the business is cognisant of its responsibilities under the Broad-Based Black Economic Empowerment legislation.

The Group has its Modern Slavery Act statement, and a policy in support of this, but does not at the present time have general policies which specifically address human rights. Our corporate values focus on respect, integrity and fairness, and we welcome the debate on the role of business in promoting human rights.

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.

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 60. We are pleased to report that there has been a reduction in overall emissions compared to last year, notwithstanding the overall growth in the activities of the Group. Relative to revenue, emissions have fallen

Top left: Student tour at Triton's manufacturing facility.
Centre: Triton's HR team giving interview/CV advice.
Bottom right: Student, Ben Jeynes, awarded 12 month placement.

by 14.6% 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.

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. Specific anti-bribery and corruption training has continued to be given to all senior management in the year under review.

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.

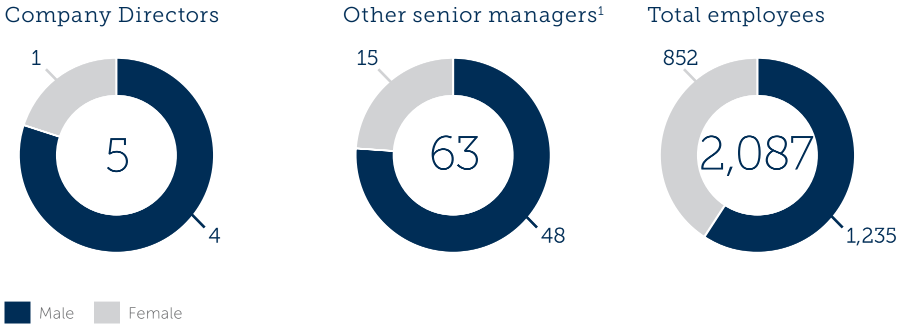
In order to ensure an open culture of legal and ethical compliance, all of the businesses in the Group have in place "whistleblowing" procedures, so that any concerns can be raised. During the year the Audit Committee has reviewed these arrangements and is satisfied that all staff of the Group may, in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

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.

Two specific examples of our commitment to the society in which we operate are given in the case study for Norcros South Africa on page 17, and at Triton where their close relationship with not-for-profit organisation, Dare2Dream (D2D), has resulted in the appointment of a new trainee. Since its formation in July 2014, D2D has grown rapidly and continued to evolve thanks to ongoing sponsorship from Triton. The core aim for every joint project is to raise aspirations and broaden the horizons of young adults in Warwickshire and the West Midlands. A recent D2D initiative, Aspire2Achieve, was facilitated by Triton to assist 16–18 year olds to secure further education or apprenticeship opportunities. The collaboration included a tour of Triton's headquarters, providing first-hand experience of a professional environment, plus advice on CV writing and job interview techniques. Alongside well-established links with D2D, Triton is a firm supporter of other charities in the Nuneaton area too. Wider activities have included a three-year partnership with Warwickshire Young Carers' Project, which assists those who play a key role in their home by looking after a parent or sibling with a disability, illness or mental health problem.

GENDER OF DIRECTORS AND EMPLOYEES



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

A strong leadership team committed to driving growth.



Martin Towers	Nick Kelsall	Shaun Smith
Chairman	Group Chief Executive	Group Finance Director

Committee membership

Martin Towers	Nick Kelsall	Shaun Smith
A **N** R		

Date of appointment

Martin Towers	Nick Kelsall	Shaun Smith
Joined the Board in July 2011 and was appointed Chairman 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.

Length of tenure

Martin Towers	Nick Kelsall	Shaun Smith
Six years	Six years	One year

Skills and experience

Martin Towers: Joined the Board in July 2011 and was appointed Chairman in November 2012. He is also the non-executive chairman of Tyman plc, and the senior independent director of RPC Group plc. He was formerly chief executive officer of Spice plc and prior to that group finance director of Kelda Group plc, Spring Ram Corporation plc and McCarthy and Stone plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Nick Kelsall: 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 Smith: Shaun has most recently held the position of 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 is also a non-executive director of Air Partner plc.

A Audit Committee | N Nominations Committee | R Remuneration Committee | ■ Chairman of Committee

David McKeith
Non-executive Director

A N R

Appointed to the Board in July 2013

Four years

David is Senior Independent Director and Chairman of the Audit Committee. David was a senior partner of the Manchester and Liverpool offices of PricewaterhouseCoopers LLP and served on its UK supervisory board. David 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

Five years

Jo also serves as Chairman of the Remuneration Committee. She is a business group director for Spectris plc with responsibility for the in-line instrumentation and industrial controls segments. Prior to that Jo was general manager of the Invensys Residential Controls business and she has held a number of senior management positions with Bosch and Procter & Gamble both in the UK and overseas. Jo is a Chartered Engineer.

Richard Collins
Company Secretary

Richard joined the Company in June 2013 as Company Secretary and Group Counsel.

Four years

He qualified as a solicitor in 1988 and was previously company secretary and director of risk and compliance at Vertex Financial Services. Prior to that, Richard was company secretary and head of legal with Tribal Group plc, Blick plc and Aggregate Industries plc.

RE-ELECTION OF ALL DIRECTORS

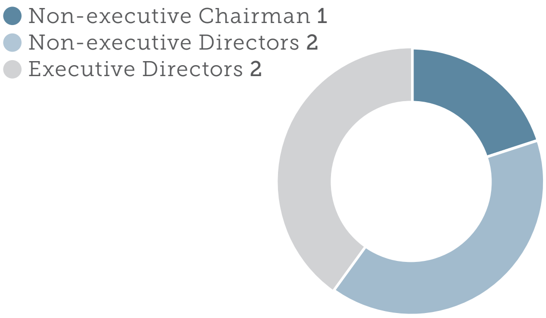
It is proposed that each Director will seek re-election at the 2017 AGM. The Board is satisfied that the Directors, individually and collectively, contain the balance of technical expertise, skills and experience to manage the Company's affairs and to further the Group's strategic objectives. In particular, each Director has experience of growing an international business, organically, as well as by acquisition.

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 and it is satisfactory.

Breakdown of Executive and Non-executive Directors



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 issued in September 2014 (the Code) in all respects. The following sections of this statement describe the Board's approach to corporate governance and how the principles of the Code are applied. These sections refer to the year ended 31 March 2017, unless otherwise stated.

Board balance and independence

The Board currently comprises a Non-executive Chairman, two Non-executive Directors and two Executive Directors, who are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this report and their biographical details are given on pages 30 and 31. During the year under review there was a brief period of overlap between the outgoing and incoming Group Finance Directors, to ensure a smooth handover of responsibilities. Accordingly, for a period of six weeks there were three Executive Directors holding office.

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

David McKeith is the Senior Independent Non-executive Director. He is available to shareholders if they have 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.

GOVERNANCE STRUCTURE

THE BOARD

Martin Towers (C)

Audit Committee	Remuneration Committee	Nominations Committee
David McKeith (C)	Jo Hallas (C)	Martin Towers (C)
Martin Towers	Martin Towers	David McKeith
Jo Hallas	David McKeith	Jo Hallas

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 Audit Committee, Nominations 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 Audit Committee is on page 36, the report of the Nominations Committee is on page 41 and the report of the Remuneration Committee is on page 42.

The Board will also appoint committees to approve specific processes as deemed necessary.

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

Directors' roles

The Executive Directors work solely for the Group. However, in appropriate circumstances, Executive Directors will be 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. This non-executive role provides useful experience and does not adversely impact his duties to the Company.

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. Biographical details of all of the Directors are set out on pages 30 and 31, where there is also a statement on the Directors' suitability for re-election.

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 61.

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 Committee 3 meetings	Remuneration Committee 6 meetings	Nominations Committee 2 meetings
Martin Towers, Chairman	8/8	3/3	6/6	2/2
Jo Hallas	8/8	3/3	6/6	2/2
David McKeith	8/8	3/3	6/6	2/2
Nick Kelsall	8/8	–	–	–
Shaun Smith	8/8	–	–	–
Martin Payne	1/1[1]	–	–	–

1. Martin Payne attended the one Board meeting which took place prior to his leaving office on 12 May 2016.

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 have 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.

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

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

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

- the date of the meeting;
- the text of the resolution;
- the number of votes validly cast;

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

The Chairman seeks to arrange for the Chairmen of the Audit, Remuneration and Nominations Committees (or 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 61 and the auditor's report on page 62. The Directors ensure the independence of the auditor by requesting annual confirmation of independence which includes the disclosure of all non-audit fees.

Risk management and internal control

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

The Board has 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 24 to 27.

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 24.

Operational structure, review and compliance

In addition to the Group Finance Director, the Group has Senior Financial Managers at its Head Office. The Board has considered whether the Company should have an internal audit department, having regard to the Group's risk management and internal control programme noted previously, together with the size and complexity of the Group. In the year under review the Board's view was that it was not necessary to employ such a department. However, the Board has continued to keep this matter under review and near the conclusion of the 2017 financial year the Board has decided to seek the creation of a Head of Internal Audit role and the employment of the appropriate resource.

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

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

The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

Takeover directive

Share capital structures are included in the Directors' Report on page 59.

Approved by the Board of Directors on 14 June 2017 and signed on its behalf by:

Martin Towers
Chairman

14 June 2017

ROLE OF THE AUDIT COMMITTEE

The main responsibilities of the Audit Committee are:

- reviewing the Company's financial reporting;
- monitoring the Company's risk management and internal control procedures;
- overseeing the appointment and work of the external auditor;
- reviewing the Company's Annual and Interim Reports and other regulatory announcements, including considering and challenging significant financial reporting issues and judgments;
- advising the Board on whether it considers that the Annual Report and Accounts presents 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 audit programme and reviewing the outputs; and
- overseeing the appointment and work of the external auditor.

Members

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

The Chairman of the Audit Committee, David McKeith, is considered to have recent and relevant financial experience as he is a fellow of the Institute of Chartered Accountants in England and Wales and a former senior partner of PricewaterhouseCoopers LLP. He also 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 2017 which concluded that the Committee is operating effectively.

> The Committee concluded that the 31 March 2017 Annual Report and Accounts is fair, balanced and understandable."

The Committee's Terms of Reference, which are in compliance with the UK Corporate Governance Code, were reviewed during the year and, subject to minor amendment, deemed fit for purpose. A copy can be obtained from the Company's website, www.norcros.com.

Significant financial reporting matters in the 2017 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 judgment as agreement periods typically run for a number of months or years, and may involve assumptions around volumes of product purchased or sold into the future.

The Committee considered the approach taken by management and the detailed testing undertaken by the external auditor and concluded that the commercial substance of the arrangements was appropriately reflected in the financial statements 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, particularly given that the net deficit has increased from £55.7m in 2016 to £62.7m in 2017. The valuation of the present value of scheme liabilities involves significant judgment and expertise particularly in respect of the assumptions used.

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

Valuation of acquired Abode intangible assets

As part of their consideration of how the Group has accounted for the acquisition of Abode, the Committee reviewed management's assessment of Abode's intangible assets. The Committee has recent experience of reviewing intangible assets following the acquisitions of Vado in 2013 and Croydex in 2015. The Committee reviewed management's paper and challenged the assumptions used, the nature of the assets identified and the proposed useful lives of each asset, and agreed to recognise intangible assets in respect of Abode's customer relationships, brand and patents valued at £7.9m.

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

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 judgments made, including those summarised above.

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

The Committee concluded that these disclosures, and the processes and controls underlying their production, meet the latest legal and regulatory requirements for a listed company and that the 31 March 2017 Annual Report and Accounts is fair, balanced and understandable.

Meetings of the Committee

The Committee met formally three times during the year ended 31 March 2017. By invitation, the Group Chief Executive, Group Finance Director, Company Secretary and Group Financial Controller also attended each of these meetings together with the engagement partner and other members of the audit team from the external auditor.

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

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

The Committee reviews any financial communications issued to the market at each meeting.

Principal activities of the Audit 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 Company's interim results for the six months ended 30 September 2016
	Review of the proposed acquisition accounting in respect of Abode, including an assessment of the intangible assets acquired
	Review of the Company's Annual Report and Accounts for the year ended 31 March 2017, including consideration of:
	– significant financial reporting matters;
	– whether the Annual Report and Accounts is 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 2017, 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 2017
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
	Consideration of whether an internal audit function is required and oversight of the process to recruit a Head of Internal Audit to lead the function
Risk management	Review of the Group's principal risks and uncertainties including risk identification, management and monitoring procedures
	Evaluation of the Company's compliance, whistleblowing and fraud prevention procedures
Governance	Conduct of an appraisal of the performance of the Committee and a review of the Terms of Reference
	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
	Review of the process to appoint a new tax adviser to the Group

Internal control and risk management
The Board has overall responsibility for the Group's system of internal control 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 strategy for reviewing internal controls is discussed with the external auditor and agreed with the Committee. Findings from the internal audit reviews together with any recommendations from the external auditor are considered by the Committee with improvements and weaknesses highlighted being followed up as appropriate. The status of internal audit recommendations is also reviewed at each divisional board meeting to ensure that they are implemented on a timely basis.

The Committee undertakes a review, at least annually, of the effectiveness of the Company's system of internal controls and the Board will take into account the Committee's report, conclusions and recommendations in this regard. The 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 2016 to the date of approval of these Annual Report and Accounts for the year ended 31 March 2017.

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

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

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

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

During the year, the Committee considered, as it does at least annually, whether there was a need to have a dedicated Group-wide internal audit function. It was concluded that given the increase in the size and complexity of the Group, coupled with the Group's publicised strategy of seeking further acquisitions, it was now appropriate to create such a function. As a result of this decision, a suitable candidate to lead the function has been identified and is expected to commence employment with the Group in the new financial year.

Internal audit activities during the year
During the course of the year seven internal audit reviews took place at four operating units in the UK and three in South Africa. Each review comprised an assessment of balance sheet reconciliations together with an evaluation of certain specific areas of focus. Following the identification of accounting for customer rebates as a significant audit risk for the Group, this was one of the areas selected for specific evaluation, and included an assessment of how such rebates were being accounted for to ensure that the assumptions used were reasonable. Additionally, each review also included consideration of employee incentive arrangements.

The findings from each review were presented to the Committee, with an update regarding the status of the recommendations given once follow-up visits had taken place.

In addition to the above, there was a focus during the year on IT security, and a specialist in this area was seconded to the internal audit function from one of the Group's operating units in order to provide the appropriate level of resource. At the Committee's request, the specialist attended one of the Committee meetings and gave a presentation on the proposed approach to the assignment. Subsequent updates on progress were provided to the Committee together with the status of the recommendations made.

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.

During the year, a suspected financial malpractice was identified by management at one of the Group's operating units. The expected financial impact of this is not material and has been provided for in the result for the year. The Committee was provided with regular updates outside of the formal meetings and was consequently able to contribute on a real-time basis into the process of investigating the incident. At the conclusion of the internal investigation, the Committee reviewed management's plan to address the risk of recurrence and the recommendations identified as part of the review. The Committee will continue to monitor the situation as the plan is implemented during the year.

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

The external auditor, PricewaterhouseCoopers LLP, was re-appointed in November 2011 following a competitive tender process. The 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. In accordance with Auditing Practices Board requirements, external auditor independence is maintained by the rotation of the engagement partner every five years. In line with this requirement, Martin Heath, who had been in place as engagement partner, stepped down at the end of the 2016 audit. PricewaterhouseCoopers LLP duly appointed Hazel Macnamara as his successor and in order to ensure a smooth transition she attended the presentation given by PricewaterhouseCoopers LLP at the conclusion of the 2016 audit.

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. During the year, the Company updated its policy on the award of non-audit work to the external auditor in response to the Ethical Standards for Auditors published by the Financial Reporting Council. Under this policy, the external auditor is precluded from engaging in non-audit services that are prohibited by the Ethical Standards for Auditors, or that would compromise its independence or violate any laws or regulations affecting its appointment as external auditor. As a result of the policy being updated, PricewaterhouseCoopers LLP has ceased to provide tax advice and tax compliance services to the Group. Additionally, the approval of the Chairman 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 2017 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 Chairman of the Committee also has regular discussions with the external audit partner outside the formal Committee process.

For the year ended 31 March 2017, 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 2017 Annual General Meeting.

Audit Committee priorities for the coming year
For the coming financial year, as part of its ongoing responsibilities, the Committee's main areas of focus are as follows:

- keep under review the Company's risk management and internal control procedures;
- continue to monitor the internal audit programme of work and ensure the new Head of Internal Audit is integrated effectively; and
- consider extending the scope of the Committee's activities to fully encompass risk assessment and management.

On behalf of the Audit Committee

David McKeith
Chairman of the Audit Committee

14 June 2017

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 Committee has conducted a thorough review of our succession planning process for Board members and senior management across the Group."

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

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

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.

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, conducted a thorough review of our succession planning process, and made appropriate plans for succession planning for Board members and senior management across the Group.

Martin Towers

Martin Towers
Chairman of the Nominations Committee

14 June 2017

"The Committee is focused on ensuring the Group's remuneration policy is closely aligned with shareholders' interests."

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; and
- ensure alignment of the remuneration structure for senior executives to the Executive Director remuneration policy, including approval of changes to packages.

The Remuneration Committee will also prepare an Annual Remuneration Report to be approved by the members of the Company at the Annual General Meeting. The Remuneration Committee meets not less than twice a year. The Remuneration Committee is chaired by Jo Hallas, and its other members are Martin Towers and David McKeith.

Dear shareholders,

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2017.

The Committee continues to place the interests of shareholders at the forefront of its decision-making when implementing the remuneration policy approved by shareholders. The Group's remuneration policy was first presented to the AGM in 2014 and was approved with 99.9% of votes cast in support of the policy. Our remuneration policy has remained unchanged in 2015/16 and 2016/17 and, in accordance with the relevant regulations, is required to be submitted to a new binding shareholder vote at the 2017 AGM.

During the year under review, we reviewed our remuneration policy, taking into account an assessment of its effectiveness to date at Norcros, the wider market context and developments in best practice remuneration governance. The Committee concluded from its review that the current Policy remains appropriate, and is therefore proposing only minor changes to the Policy for the next three-year period, as described below. As required by the regulations, the policy is included in full on pages 44 to 50 with the minor changes highlighted on page 44.

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 for this purpose. We do this with a simple remuneration structure comprising base salary and benefits, an annual bonus and a single performance-based long-term incentive. Targets for the annual bonus and long-term incentive are set at levels that are stretching and provide a clear link between pay and the achievement of our strategic objectives.

Our policy delivers an on-target reward mix for the Group Chief Executive and Group Finance Director comprising 61% fixed pay (51% base salary, 8% pension and 2% benefits), 26% annual bonus and 13% long-term incentive. Under a scenario where all performance conditions are met in full, the Executive Directors' package consists of 38% fixed pay, 31% annual bonus and 31% long-term incentive.

Remuneration strategy continued

To further ensure remuneration is aligned with shareholder interests, half of any bonus paid is deferred for three years, shares vesting from APSP awards made in 2015 onwards need to be held for a further two years (i.e. until the fifth anniversary of grant), and the Executive Directors are additionally required to build and maintain a shareholding of at least 100% of salary. Finally, in the event of material 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, enabling the workforce to participate in growth opportunities for the business. This statutory scheme has now time-expired and therefore a resolution will be proposed at the 2017 AGM for the approval of a successor SAYE scheme.

Year in review

As highlighted in the Chairman's Statement and the Group Chief Executive's Statement on pages 4 and 6 respectively, Norcros continues to perform strongly with an eighth consecutive year of growth in both revenue and underlying operating profit. Highlights for the year ended 31 March 2017 include:

- revenue growth of 15.0% (10.6% on a constant currency basis) to £271.2m;
- underlying operating profit up 11.7% to £23.8m;
- underlying diluted earnings per share consistent with the previous year at 27.8p; and
- underlying ROCE at 18.4%, which is ahead of the Group strategic target of 12–15%.

This strong performance delivered underlying profit above the target set by the Committee for the year, resulting in bonus outcomes of 68.42% of the maximum opportunity for the year ended 31 March 2017. The Group has also exceeded its targets for aggregate underlying earnings per share (EPS) over the three-year period from 1 April 2014 to 31 March 2017. As a result, 100% of the APSP awards granted in 2014 will vest on 27 July 2017. The Committee considers this outcome to appropriately reflect the Group's very strong performance over the period.

2018 remuneration

In accordance with our remuneration policy, the Executive Director base salaries were increased by 2.0%, which is 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 2018.

The Committee believes that our remuneration strategy and its implementation remain appropriate. I hope you will feel able to support the binding vote on our remuneration policy and its implementation as described in the Annual Report on Remuneration at the 2017 AGM.

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

J.C.Hallas

Jo Hallas
Chairman of the Remuneration Committee

14 June 2017

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

This section of the report sets out the remuneration policy for Executive Directors and Non-executive Directors, which will be put to a binding shareholder vote at the 2017 AGM. If this resolution is carried, the Policy will come into effect on that date and will remain effective for up to a three-year period ending on the date of the 2020 AGM. The Policy set out in this report is unchanged from that approved by shareholders in 2014, other than the following minor updates:

- in calculating the personal holding of shares of an Executive Director for the purposes of the Policy, nil-cost options granted under the Deferred Bonus Plan on or after 27 July 2017 can be taken into account; and
- for the avoidance of doubt, the Policy makes clear that, in calculating such holdings, shares held beneficially by an Executive Director's spouse or partner can be taken into account.

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 53 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.

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 (or the date, if later, at which the policy is approved). Details of these awards are, and will be, disclosed in the Annual Report on Remuneration.

Performance measure selection and approach to target setting

The use of Group underlying operating profit in the annual bonus directly reinforces our medium-term growth-oriented strategy (see page 9 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.

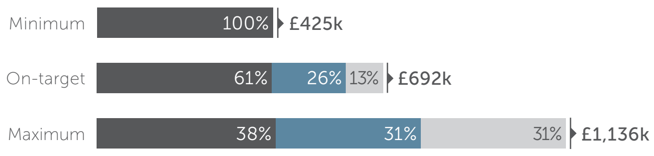
Targets applying to the bonus and APSP are reviewed annually, based on a number of internal and external reference points. Bonus targets are aligned with the annual budget agreed by the Board. Annual bonus targets are considered to be commercially sensitive but will be disclosed retrospectively in next year's Annual Report on Remuneration (see page 53 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 54 of the Annual Report on Remuneration).

Differences from remuneration policy for other employees

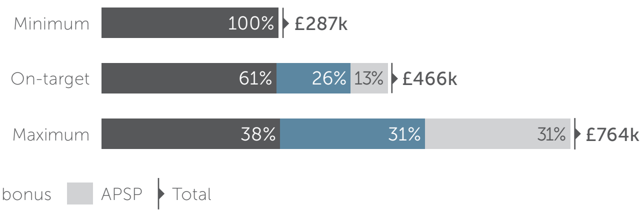
The remuneration policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies.

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 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 2017. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 March 2018. 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 his losses and to disclose any third-party income he has received or is due to receive. The Company reserves the right to reduce the amount of the instalments by the amount of such income. The Committee would expect to include similar pay in lieu of notice provisions in any future Executive Director's service contract. 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, he agrees that he is not entitled to any damages or compensation to recompense him for the loss or diminution in value of any actual or prospective rights, benefits or expectations under or in relation to the APSP, 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.

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

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

Consideration of shareholder views
The Committee considers shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping remuneration policy. The vast majority of shareholders continue to express support 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

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 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 or Remuneration Committees.

The following section provides details of how our policy was implemented during the year ended 31 March 2017, and will be implemented in the year ending 31 March 2018.

Remuneration Committee membership in the year ended 31 March 2017

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 2017. 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 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 six times during the year. Attendance by individual members at meetings is detailed on page 34.

Main activities of the Committee during the year ended 31 March 2017

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 2016;
- setting operating profit targets for the annual bonus for the year ended 31 March 2017;
- approving the APSP outcome for the 2013 APSP awards (which vested in 2016);
- calibrating EPS targets for, and granting of, 2016 APSP awards;
- 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 Kepler, now a brand of Mercer, as the independent remuneration advisers to the Remuneration Committee. 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 2017, Kepler provided the following services:

	Services provided	Fees (excl. VAT) £
Kepler	Benchmarking remuneration, guidance on setting incentive targets, Remuneration Report drafting support and general support to the Remuneration Committee throughout the year	£11,770

Kepler provides no other services to the Company or its Directors (nor does Kepler's parent company, Mercer) and the Committee is satisfied that the advice it receives continues to be independent.

Summary of shareholder voting at the AGM

The following table shows the results of the most recent binding vote on the remuneration policy (at the 2014 AGM) and advisory vote on the 2016 Annual Report on Remuneration (at the 2016 AGM):

	At the 2014 AGM		At the 2016 AGM	
	Policy (binding)	Policy (binding)	Advisory	Advisory
	Total number of votes	% of votes cast	Total number of votes[1]	% of votes cast
For (including discretionary)	424,480,213	99.89%	38,527,056	99.89%
Against	483,296	0.11%	42,507	0.11%
Total votes cast (excluding withheld votes)	424,963,509	100.00%	38,569,563	100.00%
Votes withheld	137,035		257,481	
Total votes (including withheld votes)	425,100,544		38,827,044	

1. Reflects the ten-for-one share consolidation completed on 29 September 2015.

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 2017, together with comparative figures for the year to 31 March 2016. 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		Martin Payne	
	2017 £	2016 £	2017[1] £	2016 £	2017[1] £	2016 £
Base salary	**348,534**	341,700	**232,590**	—	**27,611**	229,500
Taxable benefits[2]	**16,616**	16,754	**13,355**	—	**1,415**	13,754
Annual bonus[3]	**238,466**	277,632	**159,138**	—	**—**	93,234
Long-term incentives[4]	**341,402**	208,948	**—**	—	**—**	—
Pension benefit[5]	**80,140**	83,730	**34,888**	—	**4,142**	35,056
SAYE[6]	**—**	—	**2,013**	—	**—**	—
Total	**1,025,158**	928,764	**441,984**	—	**33,168**	371,544

1. Shaun Smith was appointed Group Finance Director on 4 April 2016. The column for Shaun Smith shows remuneration received for the period 4 April 2016 to 31 March 2017. Martin Payne stood down from that role at that date, but continued in employment as a Director during the handover period ending 12 May 2016, when his employment ceased. The column for Martin Payne shows remuneration received for the period 1 April 2016 to 12 May 2016.
2. Taxable benefits consist of car allowance (Nick Kelsall – 2017: £15,000, 2016: £15,000; Shaun Smith – 2017: £11,923, 2016: n/a; and Martin Payne – 2017: £1,415, 2016: £12,000) and private medical insurance. For 2017, Shaun Smith's taxable benefits also include the cost of hotel accommodation of £1,432 in connection with his relocation on joining Norcros. This cost is part of the relocation allowance (capped at £100k gross of tax) agreed in connection with his appointment and disclosed in last year's report. Further costs relating to Shaun Smith's relocation are expected to be reimbursed (up to the disclosed maximum) in the first half of the year ending 31 March 2018, and will be disclosed in next year's Annual Report on Remuneration.
3. Annual bonus comprises both the cash annual bonus for performance during the year and, where applicable, the face value of the deferred bonus element on the date of deferral. Any deferred share element is deferred for three years. See "Annual bonus in respect of performance in the year ended 31 March 2017" below for further details. Martin Payne received no annual bonus in respect of his period of employment in 2017.
4. For 2017, the APSP value reflects the estimated value of APSP awards granted in July 2014, of which 100% will vest to Nick Kelsall on 23 July 2017, and includes the value of dividends accrued on these awards over the vesting period (£33,500). The value of awards is estimated using the three-month average share price to 31 March 2017 of 165.44p, and will be trued up to reflect the vest-date value of awards in next year's Annual Report on Remuneration. For 2016, the APSP value has been trued up from that disclosed in last year's Remuneration Report to reflect the Group's share price of 157.0p on the date of vesting (28 September 2016) of awards granted in September 2013. All of Martin Payne's outstanding APSP awards lapsed on cessation of employment.
5. The pension benefit provided to Nick Kelsall and Shaun Smith in 2017 comprises cash in lieu (Nick Kelsall – £52,280; Shaun Smith – £34,888; and Martin Payne – £4,142 for the period of his employment in that year) and amounts related to the defined benefit scheme (Nick Kelsall – £27,860; and Shaun Smith – n/a). In 2016, pension benefits comprised cash in lieu (Nick Kelsall – £51,255; and Martin Payne – £34,425) and amounts related to the defined benefit scheme (Nick Kelsall – £32,475; Martin Payne – £631). See "Total pension entitlements" on page 55 for further details.
6. Embedded gain on grant of Save As You Earn scheme grants made. See "2016 SAYE" on page 54 for further details.

Incentive outcomes for the year ended 31 March 2017 (audited information)

Annual bonus in respect of performance in the year ended 31 March 2017

The 2017 Annual Bonus Plan was based 100% on Group underlying operating profit performance for the year to 31 March 2017. 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 2017, against targets set at the start of the year, the Committee decided to award an annual bonus of 68.42% 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.)	2017 outturn £m	Bonus (% of max.)
Maximum	25.0	100%		
Target	23.1	50%	23.8	68.42%
Threshold	21.4	25%		

50% of each Executive Director's annual bonus award of 68.42% of base salary, i.e. 34.21% 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 2017:

	Annual cash bonus		Deferred share bonus	
	% of salary	£	Value of deferred shares	Total
N Kelsall	34.21%	£119,233	£119,233	£238,466
S Smith	34.21%	£79,569	£79,569	£159,138

Deferred Bonus Plan (DBP)

The grant of options under the DBP in respect of the year to 31 March 2017 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 2017 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 £119,233 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 £79,569 by the share price at the date of grant.

2014 APSP awards vesting

Effective July 2014, an APSP award of 186,111 shares was granted to Nick Kelsall. Vesting of this award was based on Norcros' aggregate diluted underlying EPS over the three financial years to 31 March 2017. Based on performance over this period, the Committee determined that 100% of this award will vest on 23 July 2017, 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:

Performance level	Aggregate underlying EPS	% vesting	Norcros' performance	Award vesting (% of APSP award)
Threshold	59.4p	25%		
Maximum	68.1p	100%	74.9p	100%

Martin Payne's 2014 APSP award lapsed on cessation of employment.

Scheme interests awarded in 2017 (audited information)

2016 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 2016):

	Nick Kelsall
Basis of award	50% of earned bonus
Grant date	27 July 2016
Number of nil-cost options granted	92,544
Grant-date share price (p)	150.0
Grant-date face value (£)	138,816
Normal vesting date	27 July 2019
Performance conditions	None

Shaun Smith was not eligible for a bonus in respect of the year ended 31 March 2016 (having joined Norcros on 4 April 2016). Martin Payne's entitlement to a deferred element of his 2016 annual bonus lapsed on cessation of employment.

2016 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	27 July 2016	27 July 2016
Number of nil-cost options granted	232,356	156,060
Grant-date share price (p)	150.0	150.0
Grant-date face value (£)	348,534	234,090
Normal vesting date	27 July 2019	27 July 2019
Performance period	1 April 2016–31 March 2019	1 April 2016–31 March 2019
Performance conditions	Three-year aggregate underlying EPS	
	Threshold: 84.3p (25% of element vesting)	
	Maximum: 96.5p (100% of element vesting)	
	Straight-line vesting between these points	
Holding period	27 July 2019–27 July 2021	27 July 2019–27 July 2021

2016 SAYE

Nick Kelsall did not enter into a savings contract under the SAYE in the year ended 31 March 2017. In the year ended 31 March 2017, Shaun Smith entered into a savings contract under the SAYE and was granted 11,900 options under a SAYE savings contract which had an embedded value at the date of grant of £2,013.

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 £52,280 (2016: £51,255) with no amounts paid directly into a pension scheme (2016: £nil). Shaun Smith elected to take a taxable pension allowance of £34,888 (2016: n/a) with no amount paid into a personal pension plan (2016: n/a). 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	22,137	1,393	30,585	—	27,860	52,280	80,140
Shaun Smith	—	—	—	—	—	34,888	34,888
Martin Payne	—	—	—	—	—	4,142	4,142

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 2017 and the prior year:

	Total fee	
	2017 £	2016 £
Martin Towers	**99,000**	97,000
Jo Hallas	**41,825**	41,000
David McKeith	**41,825**	41,000

Payments to past Directors (audited information)

During the year under review, no payments were made to past Directors. Martin Payne ceased to be a Director on 12 May 2016. His remuneration up to that date is shown in the "Single figure for total remuneration for Executive Directors" shown on page 52. In accordance with the arrangements relating to his ceasing to be a Director Martin Payne was in the year under review entitled to exercise 21,206 nil-cost DBP option shares, which he did on 28 September 2016. He is also entitled to exercise a total of 64,730 nil-cost DBP option shares in the future, and if he exercises those options he is entitled to receive the dividends accrued on them since the date of grant. No other payments have been or will be made to Martin Payne.

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

On 1 May 2016 Shaun Smith was appointed as a non-executive director of Air Partner plc. In respect of this role Shaun Smith received from Air Partner plc fees of £31,250, 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 2016 and 2017 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 2016–2017	Average of other employees % change 2016–2017
Salary	2.0%	2.0%
Benefits	(0.8)%	10.8%
Bonus	(14.1)%	(16.7)%

Relative importance of spend on pay

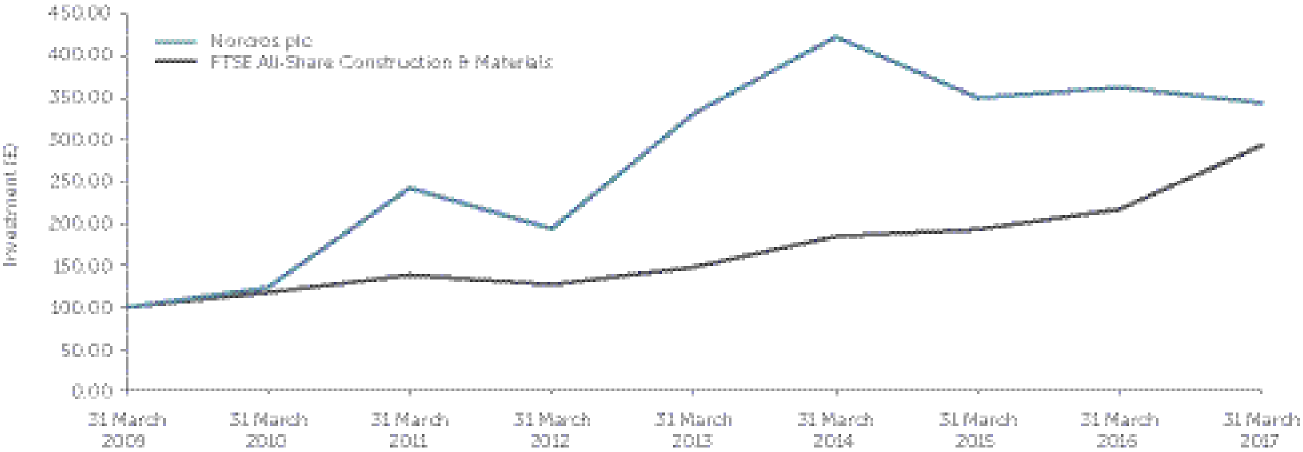
The table below shows shareholder distributions (i.e. dividends – there were no share buybacks in either year) and Norcros' expenditure on total employee pay for the year under review and the prior year, and the percentage change year on year.

	2017 £000	2016 £000	% change
Dividends	**4,151**	3,577	16.0%
Total staff costs	**59,555**	48,406	23.0%

Performance graph and table

The following graph shows the eight-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
CEO single figure of remuneration (£000)								
Incumbent	Joe Matthews	Joe Matthews	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**
Annual bonus (as a % of max. opportunity)	38%	81%	0%	50%	54%	69%	81%	**68%**
APSP vesting (as a % of max. opportunity)	n/a	0%	n/a	n/a	100%	99%	100%	**100%**

Implementation of Executive Director remuneration policy for the year to 31 March 2018

The Remuneration Committee conducted its normal review of Executive Directors' remuneration, effective 1 April 2017. 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 2%. For the year ending 31 March 2018, base salaries will be £355,505 for Nick Kelsall and £238,772 for Shaun Smith.

Pension

There is no change in the contribution percentage for Executive Directors for the year ending 31 March 2018, which remains at 15% of salary.

Benefits

There is no change in the car allowance for Executive Directors for the year ending 31 March 2018, 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 2018 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 2018 financial year will be unchanged from 2017. 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 2018

The Committee has reviewed the Board Chairman's fee and concluded that an increase of 2.0% (to £100,980 p.a.) was appropriate. The Board Chairman and the Executive Directors reviewed Non-executive Director fees at the same time and concluded that a similar percentage increase would be appropriate. Accordingly, for the 2018 financial year, Non-executive Director fees will be as follows:

Executive Director	Fee at 1 April 2017	Fee from 1 April 2016	Percentage increase
Board Chairman	£100,980	£99,000	2.0%
Non-executive Director	£37,332	£36,600	2.0%
Additional fee for chairing Audit or Remuneration Committees	£5,330	£5,225	2.0%

Executive Director shareholdings (audited information)

The table below shows the shareholding of each Executive Director and their respective shareholding requirement as at 31 March 2017:

		Options held					
	Shares owned outright	Vested but not exercised	Unvested and subject to performance	Unvested but not subject to performance	Shareholding guideline % of salary	Current holding	Requirement met?
N Kelsall	795,424	–	391,286	385,155	100%	795,424	Yes
S Smith	20,000	–	156,060	11,900	100%	20,000	No

Value of current shareholding based on average share price over three months ended 31 March 2017 of 165.44p.

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

Directors' share scheme interests (audited information)

Share options

	Scheme	Date of grant	Vested date	Expiration date	Exercise price	Shares under option 1 April 2016	Granted in 2017	Vested in 2017	Exercised in 2017	Lapsed in 2016	Shares under option 31 March 2017
N Kelsall	DBP	26.09.13	26.09.16	26.09.23	—	30,632	—	30,632	30,632	—	—
		23.07.14	23.07.17	23.07.24	—	41,174	—	—	—	—	41,174
		22.07.15	22.07.18	22.07.25	—	53,934	—	—	—	—	53,934
		05.08.16	05.08.19	05.08.26	—	—	92,544	—	—	—	92,544
					Total	**125,740**	**92,544**	**30,632**	**30,632**	**—**	**187,652**
	APSP	27.09.13	27.09.16	27.09.23	—	133,088	—	133,088	133,088	—	—
		23.07.14	23.07.17	23.07.24	—	186,111	—	—	—	—	186,111
		22.07.15	22.07.18	22.07.25	—	158,930	—	—	—	—	158,930
		27.07.16	27.07.19	27.07.26	—	—	232,356	—	—	—	232,356
					Total	**478,129**	**232,356**	**133,088**	**133,088**	**—**	**577,397**
	SAYE	19.12.14	01.03.18	31.08.18	158p	11,392	—	—	—	—	11,392
					Total	**11,392**	**—**	**—**	**—**	**—**	**11,392**
S Smith	APSP	27.07.16	27.07.19	27.07.26	—	—	156,060	—	—	—	156,060
	SAYE	16.12.16	01.03.20	01.03.20	151p	—	11,900	—	—	—	11,900
					Total	**—**	**167,960**	**—**	**—**	**—**	**167,960**

Performance	% vesting	Three-year aggregate EPS targets		
		23.07.14 award	22.07.15 award	27.07.16 award
Threshold	25%	59.4p	64.1p	84.3p
Maximum	100%	68.1p	72.9p	96.5p

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 2017 was 6.4% for the all-share schemes limit and 3.9% for executive schemes.

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

Director	31 March 2017 Ordinary shares	31 March 2016 Ordinary shares
Nick Kelsall	**795,424**	795,424
Shaun Smith	**20,000**	—
Martin Towers	**134,454**	134,454
Jo Hallas	**20,000**	20,000
David McKeith	**15,000**	15,000

This report was approved by the Board of Directors on 14 June 2017 and signed on its behalf by:

J.C.Hallas

Jo Hallas
Chairman of the Remuneration Committee

14 June 2017

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2017.

Principal activities

The Company acts as a holding company for the Norcros Group. The Company's registered number is 3691883 and the Company is registered and domiciled in England.

The Group's principal activities are the development, manufacture and marketing of home consumer products in the UK and South Africa.

Results and dividends

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects, is included in the Chairman's Statement, the Group Chief Executive's Statement and the Strategic Report on pages 4 to 29. Key performance indicators are shown on page 23.

The Directors recommend a final dividend for the year ended 31 March 2017 of 4.8p (2016: 4.4p). This follows the decision to pay an interim dividend earlier in the year of 2.4p (2016: 2.2p).

Directors' and officers' liability insurance and indemnities

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

Purchase of own shares

In 2007 the Company formed the Norcros Employee Benefit Trust (the Trust). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust purchased no ordinary shares during the year (2016: nil). At the Company's 2016 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 6,099,593 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 114 to 118.

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.

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

Directors

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

Director	Role
Martin Towers	Chairman
Jo Hallas	Non-executive Director
David McKeith	Non-executive Director
Nick Kelsall	Group Chief Executive
Shaun Smith	Group Finance Director (appointed 4 April 2016)

Martin Payne, the previous Group Finance Director, stood down as a Director on 12 May 2016.

The interests of the Directors in the shares of the Company at 31 March 2017 and 31 March 2016 are shown on page 58.

Substantial shareholding

As at 13 June 2017 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
Hargreave Hale	13.90%
Miton Group	12.25%
FIL Ltd	10.08%
Artemis Fund Managers	9.78%
SVM Asset Management	3.81%
Standard Life Investments	3.03%

Greenhouse gas emissions

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

Global GHG emissions data Year ended 31 March	Tonnes of CO_2e 2017	Tonnes of CO_2e 2016
Emissions from:		
Combustion of fuel and operation of facilities (Scope 1)	64,229	64,354
Electricity, heat, steam and cooling purchased for own use (Scope 2)	30,517	32,120
Total	94,746	96,474
Company's chosen intensity measurement[1]	349.4	409.0

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 (2016: £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 32 to 35. 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 24 to 27 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 58.

There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company, except for the banking facilities dated 21 July 2014 in respect of the £70.0m unsecured revolving credit facility and the £30.0m accordion facility which contain mandatory prepayment provisions on a change of control.

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

Statement of disclosure of information to auditor

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

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

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

Independent auditor

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

Annual General Meeting

The Annual General Meeting of the Company will take place at 11.00 am on 27 July 2017 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 114 to 118 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.

RH Collins

Richard Collins
Company Secretary

14 June 2017

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 judgments 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.

N Kelsall

Nick Kelsall
Group Chief Executive

Shaun Smith

Shaun Smith
Group Finance Director

14 June 2017

Report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the group's affairs as at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

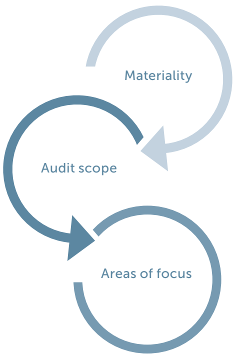
The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated balance sheet as at 31 March 2017;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

Our audit approach

Overview



- Overall group materiality: £1,140,000 which represents 5% of underlying profit before tax.

- The Group consists of nine 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 93% of Group revenue and 94% of Group underlying profit before tax.

- Accounting for customer rebates and other trade promotional spend.
- Defined benefit pension plan liabilities.
- Valuation of acquired intangibles.

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus

Accounting for customer rebates and other trade promotional spend

Refer to note 1 (Accounting policies) and page 75 (Critical accounting estimates and judgments).

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 judgment 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 judgment 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, judgment 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 judgment 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.

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 2017 calendar year agreements had not yet been agreed, we critically assessed the judgments 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' judgments.

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.

Our audit approach continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Defined benefit pension plan liabilities Refer to note 1 (Accounting policies), page 75 (Critical accounting estimates and judgments) and note 22. The Group has a defined benefit pension plan net liability of £62.7m (2016: £55.7m), which is significant in the context of both the overall balance sheet and the results of the Group, particularly given the significant movement in the valuation of the net liability in the current year. A major constituent of this net liability is the value attributed to the gross liabilities of the pension scheme. The valuation of these gross liabilities requires significant judgment 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.	We obtained the external actuary's report used in valuing the scheme's liabilities and determined, using our experience of the valuation of similar schemes, and our 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 salaries increase and mortality to national and industry averages. The assumptions used within the valuation of the scheme's liabilities were in line with our benchmarks and the external data. *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.
Valuation of acquired intangibles Refer to note 1 Accounting policies, page 75 (Critical accounting estimates and judgments and notes 11, 12 and 28). During the year, a fair value assessment was carried out over the Group acquired Abode Home Products Limited ('Abode') based in the UK. The accounting for the business combination resulted in the recognition of £0.8m of goodwill and £2.6m of intangibles assets relating to customer contracts and tradenames, which are separable from goodwill. In addition to this, a £0.5m deferred tax liability has been recognised in relation to the intangible assets. The identification of intangible assets that meet the criteria for recognition and presentation in the financial statements requires significant judgment. Management's valuation method for those intangibles identified is subject to a number of key judgments surrounding cash flow forecasts, discount rates and attrition rates. We have therefore focused our work in this area.	We obtained management's valuation model and assessed the appropriateness of the methodology and assumptions adopted in determining the valuation to be assigned to each of the intangibles identified. In doing so, we evaluated the appropriateness of the cash flow assumptions with reference to the current performance of the business and compared key assumptions, including attrition rates and growth rates, with current and historic trends and data. We also used our valuation specialists to consider the appropriateness of the discount rate applied. Based on our work performed, we consider the assumptions and methodology adopted to be reasonable. *Disclosures* We read the disclosures within the financial statements in respect of the acquired intangibles and found them to be appropriately made in line with the requirements of International Financial Reporting Standards.

How we tailored the audit scope

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

The Group consists of 14 statutory entities (excluding dormant entities) and a number of divisions. These are predominately based within the UK and South Africa, which also form the reporting segments of Norcros plc. In the UK Norcros operate under six brands, each a separate division of Norcros Group Holdings Limited. These are Vado, Johnsons Tiles, Norcros Adhesives, Triton, Croydex and Abode. South Africa is similarly made up of three entities, Johnsons 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 was performed by a PwC team based in South Africa. The UK team instructed the South African team to perform a full scope audit of the South African operations, and to focus their work on customer rebates/other trade promotional spend in South Africa.

Our audit approach continued

How we tailored the audit scope continued

The UK team had regular communication with the team in South Africa throughout the audit process. A senior member of the UK team visited South Africa to discuss the results of the work with the local team and to attend meetings with local management at which the financial results and audit matters were discussed. Furthermore, the UK engagement team performed procedures over the Group's consolidation of these divisions and significant consolidation entries.

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 on the financial statements as a whole.

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

Overall group materiality	£1,140,000 (2016: £945,000).
How we determined it	5% of underlying profit before tax.
Rationale for benchmark applied	We believe that profit before tax, adjusted for those items set out in note 8 to the Group financial statements ("underlying profit before tax") provides us with a consistent year on year basis for determining materiality based on the underlying trading performance of the Group. Further to this it is the key benchmark used by key stakeholders, including management, in assessing the underlying performance of the group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £55,000 (2016: £50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 60, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
– information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
– the statement given by the directors on page 61, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.	We have no exceptions to report.
– the section of the Annual Report on page 36, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
– the directors' confirmation on page 24 of the Annual Report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
– the directors' explanation on page 24 of the Annual Report, in accordance with provision C.2.2 of the Code, 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 material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' 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 Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Other required reporting continued

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the 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.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the parent company financial statements of Norcros plc for the year ended 31 March 2017 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

14 June 2017

Consolidated income statement

Year ended 31 March 2017

	Notes	2017 £m	2016 £m
Continuing operations			
Revenue	2	271.2	235.9
Underlying operating profit		23.8	21.3
IAS 19R administrative expenses	22	(2.0)	(1.7)
Acquisition related costs	5	(2.7)	(5.2)
Exceptional operating items	5	(2.3)	2.3
Operating profit		16.8	16.7
Finance costs	6	(3.3)	(1.1)
Finance income	6	—	1.2
IAS 19R finance cost	22	(2.0)	(1.4)
Profit before taxation		11.5	15.4
Taxation	7	(3.0)	(2.4)
Profit for the year from continuing operations		8.5	13.0
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From profit for the year	9	13.9p	21.4p
Diluted earnings per share:			
From profit for the year	9	13.4p	20.8p
Weighted average number of shares for basic earnings per share (millions)	9	61.1	60.6
Alternative performance measures			
Underlying profit before taxation (£m)	8	22.9	20.4
Underlying earnings (£m)	8	17.6	17.3
Basic underlying earnings per share	9	28.8p	28.5p
Diluted underlying earnings per share	9	27.8p	27.8p

Consolidated statement of comprehensive income
Year ended 31 March 2017

	Notes	2017 £m	2016 £m
Profit for the year		8.5	13.0
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the Income Statement			
Actuarial losses on retirement benefit obligations	22	(5.2)	(9.7)
Items that may be subsequently reclassified to the Income Statement			
Foreign currency translation adjustments		8.5	(6.1)
Other comprehensive income/(expense) for the year		3.3	(15.8)
Total comprehensive income/(expense) for the year		11.8	(2.8)

Items in the statement are disclosed net of tax.

Consolidated balance sheet
At 31 March 2017

	Notes	2017 £m	(Restated)[1] 2016 £m
Non-current assets			
Goodwill	11	**31.1**	30.4
Intangible assets	12	**13.7**	14.8
Property, plant and equipment	13	**43.0**	38.2
Deferred tax assets	20	**11.0**	10.0
		98.8	93.4
Current assets			
Inventories	14	**70.3**	60.1
Trade and other receivables	15	**56.8**	50.9
Derivative financial instruments	19	**0.7**	2.5
Cash and cash equivalents	16	**37.5**	25.5
		165.3	139.0
Current liabilities			
Trade and other payables	17	**(72.0)**	(64.7)
Derivative financial instruments	19	**(0.8)**	(0.1)
Current tax liabilities		**(2.0)**	–
Financial liabilities – borrowings	18	**(30.9)**	(22.4)
		(105.7)	(87.2)
Net current assets		**59.6**	51.8
Total assets less current liabilities		**158.4**	145.2
Non-current liabilities			
Financial liabilities – borrowings	18	**(29.8)**	(35.6)
Pension scheme liability	22	**(62.7)**	(55.7)
Other non-current liabilities	24	**(3.6)**	(3.0)
Provisions	21	**(5.7)**	(3.3)
		(101.8)	(97.6)
Net assets		**56.6**	47.6
Financed by:			
Share capital	23	**6.1**	6.1
Share premium		**1.1**	1.1
Retained earnings and other reserves		**49.4**	40.4
Total equity		**56.6**	47.6

The financial statements of Norcros plc, registered number 3691883, on pages 68 to 104, were authorised for issue on 14 June 2017 and signed on behalf of the Board by:

N Kelsall. Shaun Smith

Nick Kelsall
Group Chief Executive

Shaun Smith
Group Finance Director

1. The Balance Sheet at 31 March 2016 has been restated to reflect the recent guidance regarding the presentation of cash and overdraft balances and measurement period adjustments in respect of business combinations. Further details are provided in Notes 1 and 28 to the financial statements.

Consolidated cash flow statement

Year ended 31 March 2017

	Notes	2017 £m	2016 £m
Cash generated from operations	25	**25.5**	18.5
Income taxes paid		**(1.9)**	(1.0)
Interest paid		**(0.9)**	(0.9)
Net cash generated from operating activities		**22.7**	16.6
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(8.0)**	(6.6)
Acquisition of subsidiary undertakings (including payment of deferred consideration) net of cash acquired		**(2.7)**	(23.6)
Net cash used in investing activities		**(10.7)**	(30.2)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**—**	0.1
(Repayment)/drawdown of borrowings		**(6.0)**	17.0
Dividends paid to the Company's shareholders	26	**(4.2)**	(3.6)
Net cash (used in)/generated from financing activities		**(10.2)**	13.5
Net increase/(decrease) in cash at bank and in hand and bank overdrafts		**1.8**	(0.1)
Cash at bank and in hand and bank overdrafts at the beginning of the year		**3.1**	4.2
Exchange movements on cash and bank overdrafts		**1.7**	(1.0)
Cash at bank and in hand and bank overdrafts at the end of the year		**6.6**	3.1

Consolidated statement of changes in equity

Year ended 31 March 2017

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2015	6.0	1.0	(0.1)	(9.1)	54.9	52.7
Comprehensive income:						
Profit for the year	—	—	—	—	13.0	13.0
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	—	—	—	—	(9.7)	(9.7)
Foreign currency translation adjustments	—	—	—	(6.1)	—	(6.1)
Total other comprehensive expense	—	—	—	(6.1)	(9.7)	(15.8)
Transactions with owners:						
Shares issued	0.1	0.1	(0.1)	—	—	0.1
Dividends paid	—	—	—	—	(3.6)	(3.6)
Share option schemes and warrants	—	—	0.2	—	1.0	1.2
At 31 March 2016	6.1	1.1	—	(15.2)	55.6	47.6
Comprehensive income:						
Profit for the year	—	—	—	—	8.5	8.5
Other comprehensive income/(expense):						
Actuarial loss on retirement benefit obligations	—	—	—	—	(5.2)	(5.2)
Foreign currency translation adjustments	—	—	—	8.5	—	8.5
Total other comprehensive income/(expense)	—	—	—	8.5	(5.2)	3.3
Transactions with owners:						
Shares issued	—	—	—	—	—	—
Dividends paid	—	—	—	—	(4.2)	(4.2)
Share option schemes and warrants	—	—	—	—	1.4	1.4
At 31 March 2017	**6.1**	**1.1**	**—**	**(6.7)**	**56.1**	**56.6**

1. Group accounting policies

General information

Norcros plc (the Company), and its subsidiaries (together the Group) designs, manufactures and distributes a range of home consumer products in the UK, South Africa and other overseas markets.

The Company is incorporated in England as a public company limited by shares. The shares of the Company are listed on the London Stock Exchange market of listed securities. The address of its registered office is Ladyfield House, Station Road, Wilmslow, SK9 1BU, 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 International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are effective as of the Balance Sheet date and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are detailed in the section on critical estimates on page 75. 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 2 April 2017 although the Company's accounting reference date is 31 March 2017. All references to the financial year therefore relate to the 52 weeks commencing on 4 April 2016. In the previous year the accounting period was 53 weeks long, beginning on 30 March 2015 and ending on 3 April 2016.

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.

Restatement

The Group operates two cash-pooling arrangements in respect of its operations based in the UK and South Africa in order to maximise the efficiency of its treasury function. Under each facility, the Group and its bankers have a legal right to offset certain balances, which from time to time may be in an overdraft or positive funds position. In view of this, the Group previously offset the balances in an overdraft and positive funds position in determining the presentation of cash and borrowings in the Group Balance Sheet.

In March 2016, the IFRS Interpretations Committee (IFRIC) issued an agenda decision regarding the treatment of offsetting and cash-pooling arrangements in accordance with IAS 32: 'Financial instruments: Presentation'. This provided additional guidance on when bank overdrafts in cash-pooling arrangements would meet the requirements for offsetting in accordance with IAS 32. Following this additional guidance, the Group has reviewed its cash-pooling arrangements and has revised its presentation of bank overdrafts resulting in £30.9m of bank overdrafts being reported in borrowings, with a corresponding increase in cash. The comparative figures at 31 March 2016 have also been restated with an additional £19.6m of bank overdrafts being reported in borrowings. Consequently, borrowings within current liabilities have increased by this amount to £22.4m, with a corresponding increase in cash from £5.9m, as previously reported, to £25.5m.

The Group has considered the requirements of IAS 8 in respect of changes in accounting policies and the requirement to present a Balance Sheet as at the start date of the comparative period. As the change in accounting policy has no impact on the Group's reported profit, or the net assets of the Group, the Group does not consider the adjustment to be material to require the presentation of an additional Balance Sheet. The impact on the opening comparative period, being as at 1 April 2015, would have been to increase both cash and borrowings by £17.5m.

1. Group accounting policies continued

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 2016.

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 except for the IFRIC agenda decision on cash-pooling arrangements as described above.

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IFRS 10	Consolidated financial statements	1 April 2016
Amendment to IFRS 11	Joint arrangements	1 April 2016
Amendment to IFRS 12	Disclosure of interests in other entities	1 April 2016
IFRS 14	Regulatory deferral accounts	1 April 2016
Amendment to IAS 1	Presentation of financial statements	1 April 2016
Amendment to IAS 16	Property, plant and equipment	1 April 2016
Amendment to IAS 27	Separate financial statements	1 April 2016
Amendment to IAS 28	Investments in associates and joint ventures	1 April 2016
Amendment to IAS 38	Intangible assets	1 April 2016
Amendment to IAS 41	Agriculture	1 April 2016
Annual improvements to IFRSs 2014	Various	1 April 2016
IFRIC agenda decision March 2016	Cash-pooling arrangements	1 April 2016

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
Amendment to IAS 7	Statement of cash flows	1 April 2017
Amendment to IAS 12	Income taxes	1 April 2017
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
IFRS 16	Leases	1 April 2019

Other than for IFRS 16, none of these standards or interpretations are expected to have a material impact on the Group. Under IFRS 16 the present distinction between operating and finance leases will be removed, resulting in all leases being recognised on the Balance Sheet except for those with a very low value. At inception, a right-of-use asset will be recognised together with an equivalent liability reflecting the discounted lease payments over the estimated term of the lease. Whilst the overall cost of using the asset over the lease term should be the same, it is likely that the weighting of the charge between periods may differ due to the requirement to distinguish between the lease and non-lease elements of the agreement. Adoption of this standard is likely to result in an increase in gross assets and gross liabilities, and the Group will make an assessment of the full impact in due course.

1. Group accounting policies continued

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.

Critical estimates

The Group's accounting policies have been set by management and approved by the Audit Committee. The application of these accounting policies to specific scenarios requires estimates and assumptions to be made concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Under IFRS, estimates or judgments are considered critical where they involve a significant risk or cause a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgment involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

Critical estimates have been made in the following areas:

- 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. Judgment 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. Judgment 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 – the present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions principally include the discount rate and rate of inflation. Any changes in these assumptions can impact the carrying amount of retirement benefit obligations (see Note 22);
- deferred tax – deferred tax assets are recognised on losses and capital allowances carried forward only to the extent that it is probable they will be available for use against future profits and that there will be sufficient future taxable profit available against which the temporary difference can be utilised. In arriving at a judgment in relation to the recognition of deferred tax assets, management considers the regulations applicable to taxation and whether there are likely to be sufficient future taxable profits. Future taxable profits may be higher or lower than estimates made when determining whether it is appropriate to record a tax asset and the amount to be recorded. Furthermore changes to the legislative framework or application of tax law may result in a management reassessment of the level of recognition of deferred tax assets; and
- customer rebate, incentive and promotional support accruals – a number of the Group's customers are offered rebates, incentives and promotional support in order to encourage trade and cement strong relationships. Accounting for such arrangements involves judgment as agreement periods typically run for a number of months or years, and may involve assumptions around volumes of product purchased or sold into the future. However, where applicable, accrual calculations are underpinned by signed contracts and there has historically been a strong correlation between the amounts accrued in respect of a particular period and the amounts subsequently paid.

1. Group accounting policies continued

Revenue recognition

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

Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, which is usually on 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.

Customer rebates, incentives, discounts and promotional support

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

Segmental reporting

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

Goodwill

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

Intangible assets

Acquired intangible 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, investment properties and other non-current assets are reviewed on an annual basis to determine whether events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated as either the higher of the asset's net selling price or value in use; the resultant impairment (the amount by which the carrying amount of the asset exceeds its recoverable amount) is recognised as a charge in the Income Statement.

The value in use is calculated as the present value of the estimated future cash flows expected to result from the use of assets and their eventual disposal proceeds. In order to calculate the present value of estimated future cash flows the Group uses an appropriate discount rate adjusted for any associated risk. Estimated future cash flows used in the impairment calculation represent management's best view of likely future market conditions and current decisions on the use of each asset or asset group.

Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost comprises the purchase price (after deducting trade discounts and rebates) and any directly attributable costs. Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment in value. Impairment charges are recognised in the Income Statement when the carrying amount of an asset is greater than the estimated recoverable amount, calculated with reference to future discounted cash flows that the assets are expected to generate when considered as part of an income-generating unit. Land is not depreciated. Depreciation on other assets is provided on a straight-line basis to write down assets to their residual value evenly over the estimated useful lives of the assets from the date of acquisition by the Group.

1. Group accounting policies continued

Property, plant and equipment continued

The estimated useful lives of Group assets are as follows:

Buildings	25–50 years
Plant and equipment	3–15 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each Balance Sheet date.

Investment property

Investment property comprises mainly land and relates to property which is either sub-let to a third party or is not being utilised in the Group's core operations. Investment property is held at cost less depreciation on buildings (land is not depreciated). Investment property is depreciated over 50 years.

Assets held-for-sale

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

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

Inventories

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

Taxation

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

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

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

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

Operating leases

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

Provisions

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

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

Property provisions – where the Group has vacated a property but is committed to a leasing arrangement, an onerous lease provision is recorded. This is calculated as the cost that management expects to incur over the period of the lease, which is net of any expected future sub-lease income.

Provisions are measured at the best estimate of the amount to be spent and discounted where material.

1. Group accounting policies continued

Employee benefits

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

(a) Pension obligations

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

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

The liability recognised in the Consolidated Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated 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 judgment need to be disclosed to enable the user to obtain a proper understanding of the Group's financial performance.

IAS 19R administrative expenses

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

1. Group accounting policies continued

Acquisition related costs

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

Financial assets and liabilities

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

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

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.

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 recognised initially at fair value and subsequently reviewed for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence including significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial re-organisation and default or delinquency in payment are considered indicators that the trade receivables are impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognised in the Income Statement within administration costs. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administration costs in the Income Statement.

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

Fair value estimation

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

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

Research and development

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

1. Group accounting policies continued

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.

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 2017

	UK £m	South Africa £m	Group £m
Revenue	182.3	88.9	271.2
Underlying operating profit	17.4	6.4	23.8
IAS 19R administrative expenses	(2.0)	—	(2.0)
Acquisition related costs	(2.7)	—	(2.7)
Exceptional operating items	(2.3)	—	(2.3)
Operating profit	10.4	6.4	16.8
Finance costs (net)			(5.3)
Profit before taxation			11.5
Taxation			(3.0)
Profit for the year from continuing operations			8.5
Net debt			(23.2)
Segmental assets	197.2	66.9	264.1
Segmental liabilities	(188.2)	(19.3)	(207.5)
Additions to property, plant and equipment	4.6	3.3	7.9
Depreciation	4.3	2.1	6.4

Revenues of £31.9m (2016: £31.4m) are derived from a single customer. These revenues are attributable to the UK segment.

2. Segmental reporting continued

Continuing operations — year ended 31 March 2016

	UK £m	South Africa £m	Group £m
Revenue	163.0	72.9	235.9
Underlying operating profit	17.2	4.1	21.3
IAS 19R administrative expenses	(1.7)	—	(1.7)
Acquisition related costs	(5.2)	—	(5.2)
Exceptional operating items	2.3	—	2.3
Operating profit	12.6	4.1	16.7
Finance costs (net)			(1.3)
Profit before taxation			15.4
Taxation			(2.4)
Profit for the year from continuing operations			13.0
Net debt			(32.5)
Segmental assets	182.7	49.7	232.4
Segmental liabilities	(168.9)	(15.9)	(184.8)
Additions to property, plant and equipment	3.8	2.4	6.2
Loss on disposal of property, plant and equipment	(0.1)	—	(0.1)
Depreciation	3.8	1.7	5.5

3. Operating profit

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

	2017 £m	2016 £m
Staff costs (see Note 4)	59.6	48.4
Depreciation of property, plant and equipment (all owned assets)	6.4	5.5
Amortisation of intangible assets	1.2	0.9
Other operating lease rentals payable – continuing operations:		
– plant and machinery	2.2	2.0
– other	3.4	2.6
Research and development expenditure	4.1	3.5
Loss on disposal of property, plant and equipment	—	0.1

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:

	2017 £m	2016 £m
Audit of the Parent Company and consolidated financial statements	0.1	0.1
Audit of the Company's subsidiaries	0.2	0.2
Tax advice	0.1	—
Other services – due diligence services	0.1	0.2
	0.5	0.5

4. Employees

	2017 £m	2016 £m
Staff costs from continuing operations:		
– wages and salaries	51.8	41.9
– social security costs	3.3	3.0
– share-based payments	1.4	1.2
Pension costs/(credits):		
– defined benefit	—	(0.4)
– defined contribution	3.1	2.7
Total staff costs	59.6	48.4

Included in wages and salaries was £2.3m (2016: £nil) of redundancy costs which were classified as exceptional items in the Income Statement. Additionally, the defined benefit pension credit of £0.4m in the previous year was also recognised as an exceptional item. Further details are provided in Note 5.

	2017 Number	2016 Number
Average monthly numbers employed in continuing operations:		
– UK	1,056	1,036
– overseas	1,031	955
	2,087	1,991

Directors' emoluments

	2017 £m	2016 £m
Salaries and short-term employee benefits	1.0	1.0
Share-based payments	0.5	0.4
Post-employment benefits	0.1	0.1
	1.6	1.5

Further information about the Directors' remuneration may be found in the Annual Report on Remuneration on pages 51 to 58.

Highest paid Director

	2017 £m	2016 £m
Salary and short-term employee benefits	0.5	0.5
Share-based payments	0.4	0.3
Post-employment benefits	0.1	0.1
	1.0	0.9

Key management compensation

	2017 £m	2016 £m
Salaries and short-term employee benefits	2.5	2.2
Share-based payments	0.9	0.8
Post-employment benefits	0.2	0.2
	3.6	3.2

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

5. Acquisition related costs and exceptional operating items

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

Acquisition related costs	2017 £m	2016 £m
Deferred remuneration[1]	0.4	2.5
Intangible asset amortisation[2]	1.2	0.9
Staff costs and advisory fees[3]	1.1	1.8
	2.7	5.2

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 intangible assets recognised following certain recent acquisitions (see Note 12).
3. Costs of maintaining an in-house acquisitions department and professional advisory fees incurred in connection with the Group's business combination activities.

Exceptional operating items	2017 £m	2016 £m
Restructuring costs[1]	2.3	—
Legal claim[2]	—	(1.9)
Pension scheme settlement gain[3]	—	(0.4)
	2.3	(2.3)

1. As recently announced, the Group commenced a restructuring of its UK tiles business in March 2017 at a cost of £2.3m in order to increase manufacturing flexibility and reduce inventory.
2. A legal claim relating to the land at the Highgate site in Tunstall, UK, was settled in the previous year. Under the terms of the settlement with Wm Morrison Supermarkets plc, the Group received a payment of £2.0m. Costs in connection with the claim were £0.1m.
3. In 2015 the Group undertook a number of liability management exercises in connection with its principal UK defined benefit pension scheme. Whilst the main reduction in the net deficit of £1.7m arose in 2015, a further £0.4m reduction arose in 2016 (see Note 22).

6. Finance income and costs

	2017 £m	2016 £m
Finance costs		
Interest payable on bank borrowings	0.9	0.9
Amortisation of costs of raising debt finance	0.2	0.2
Movement on fair value of derivative financial instruments	2.2	—
Finance costs	3.3	1.1
Finance income		
Movement on fair value of derivative financial instruments	—	(1.2)
Net finance costs/(income)	3.3	(0.1)

7. Taxation

Taxation comprises:

	2017 £m	2016 £m
Current		
UK taxation	2.0	(0.8)
Overseas taxation	1.6	—
Total current taxation	3.6	(0.8)
Deferred		
Origination and reversal of temporary differences	(0.6)	3.2
Total tax charge	3.0	2.4

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:

	2017 £m	2016 £m
Profit before tax	11.5	15.4
Tax calculated at domestic tax rates applicable to profits in the respective countries	2.9	3.5
Tax effects of:		
– overprovision in prior years	(0.1)	(0.4)
– expenses not deductible for tax purposes	0.4	0.8
– effect of different tax rates and change in rate of deferred tax	(0.3)	(0.3)
– origination and reversal of timing differences	0.1	0.2
– previously unrecognised deferred tax assets	—	(1.4)
Total tax charge	3.0	2.4

The weighted average applicable tax rate was 25% (2016: 23%). The increase is mainly due to the Group's South African businesses contributing a higher proportion of overall Group profitability compared to the previous year. The standard rate for corporation tax in South Africa is 28% (2016: 28%), compared to 20% (2016: 20%) in the UK.

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 before tax associated with those items listed as being excluded from underlying profit before taxation
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
EBITDA	EBITDA is a measure commonly used by investors and financiers to assess business performance and is derived from operating profit before depreciation and amortisation
Underlying EBITDA	Underlying EBITDA reflects EBITDA as adjusted for IAS 19R administrative expenses, acquisition related costs and exceptional operating items
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 EBITDA	An annualised EBITDA figure used for the purpose of calculating banking covenant ratios
Pro-forma leverage	Net debt expressed as a ratio of pro-forma EBITDA

8. Alternative performance measures continued

Underlying profit and 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.

Reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures

Consolidated Income Statement

(a) Underlying profit before taxation and underlying earnings

	2017 £m	2016 £m
Profit before taxation from continuing operations	11.5	15.4
Adjusted for:		
– IAS 19R administrative expenses	2.0	1.7
– acquisition related costs (see Note 5)	2.7	5.2
– exceptional operating items (see Note 5)	2.3	(2.3)
– amortisation of costs of raising finance	0.2	0.2
– net movement on fair value of derivative financial instruments	2.2	(1.2)
– IAS 19R finance cost	2.0	1.4
Underlying profit before taxation	22.9	20.4
Taxation attributable to underlying profit before taxation	(5.3)	(3.1)
Underlying earnings	17.6	17.3

(b) Underlying EBITDA

	2017 £m	2016 £m
Operating profit from continuing operations	16.8	16.7
Adjusted for:		
– depreciation	6.4	5.5
– IAS 19R administrative expenses	2.0	1.7
– acquisition related costs (see Note 5)	2.7	5.2
– exceptional operating items (see Note 5)	2.3	(2.3)
Underlying EBITDA	30.2	26.8

Consolidated Cash Flow Statement

(a) Underlying operating cash flow

	2017 £m	2016 £m
Cash generated from continuing operations (see Note 25)	25.5	18.5
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see Note 25)	1.8	(0.2)
– pension fund deficit recovery contributions (see Note 25)	2.5	2.1
Underlying operating cash flow	29.8	20.4

8. Alternative performance measures continued

Reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures continued

Consolidated Balance Sheet

(a) Underlying capital employed

	2017 £m	2016 £m
Net assets	56.6	47.6
Adjusted for:		
– pension scheme liability (net of associated tax)	52.0	45.7
– cash and cash equivalents	(37.5)	(25.5)
– financial liabilities – borrowings	60.7	58.0
Capital employed	131.8	125.8
Foreign exchange adjustment	(3.5)	4.0
Underlying capital employed	128.3	129.8

9. Earnings per share

Basic and diluted earnings per share

Basic EPS is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the Norcros Employee Benefit Trust.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. At 31 March 2017 the potential dilutive ordinary shares amounted to 2,042,900 (2016: 1,639,137) as calculated in accordance with IAS 33.

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

	2017 £m	2016 £m
Profit for the year	8.5	13.0

	2017 Number	2016 Number
Weighted average number of shares for basic earnings per share	61,098,476	60,590,559
Share options and warrants	2,042,900	1,639,137
Weighted average number of shares for diluted earnings per share	63,141,376	62,229,696

	2017	2016
Basic earnings per share:		
From profit for the year	13.9p	21.4p
Diluted earnings per share:		
From profit for the year	13.4p	20.8p

9. Earnings per share continued

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.

	2017 £m	2016 £m
Underlying earnings (see Note 8)	17.6	17.3

	2017	2016
Basic underlying earnings per share	28.8p	28.5p
Diluted underlying earnings per share	27.8p	27.8p

10. Share-based payments

	Exercise price per share	Weighted average share price at date of exercise	1 April 2016	Granted	Exercised	Lapsed	31 March 2017	Date from which exercisable	Expiry date
Approved Performance Share Plan 2011 (APSP)	Nil	—	11,131	—	—	—	11,131	01.09.14	01.09.21
Approved Performance Share Plan 2012 (APSP)	Nil	—	13,487	—	—	—	13,487	28.07.15	28.07.22
Approved Performance Share Plan 2013 (APSP)	Nil	155p	211,898	—	(208,989)	—	2,909	27.09.16	27.09.23
Approved Performance Share Plan 2014 (APSP)	Nil	—	728,191	—	—	(20,987)	707,204	23.07.17	23.07.24
Approved Performance Share Plan 2015 (APSP)	Nil	—	663,408	—	—	(17,449)	645,959	22.07.18	22.07.25
Approved Performance Share Plan 2016 (APSP)	Nil	—	—	1,193,500	—	—	1,193,500	27.07.19	27.07.26
Deferred Share Bonus Plan 2013 (DBP)	Nil	155p	51,838	—	(51,838)	—	—	26.09.16	26.09.26
Deferred Share Bonus Plan 2014 (DBP)	Nil	—	69,679	—	—	—	69,679	23.07.17	23.07.27
Deferred Share Bonus Plan 2015 (DBP)	Nil	—	90,159	—	—	—	90,159	22.07.18	22.07.28
Deferred Share Bonus Plan 2016 (DBP)	Nil	—	—	92,544	—	—	92,544	27.07.19	27.07.29
Save As You Earn Scheme (5) (SAYE)	118p	165p	3,050	—	(3,050)	—	—	01.03.16	31.08.16
Save As You Earn Scheme (6) (SAYE)	191p	—	98,165	—	—	(21,010)	77,155	01.03.17	31.08.17
Save As You Earn Scheme (7) (SAYE)	158p	175p	291,041	—	(436)	(12,320)	278,285	01.03.18	31.08.18
Save As You Earn Scheme (8) (SAYE)	180p	—	154,800	—	—	(51,200)	103,600	01.03.19	31.08.19
Save As You Earn Scheme (9) (SAYE)	151p	—	—	297,238	—	—	297,238	01.03.20	31.08.20

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

10. Share-based payments continued

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 £1.4m was recognised in respect of share options in the year (2016: £1.3m). 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 (5)	SAYE (6)	SAYE (7)	SAYE (8)	SAYE (9)
Date of grant	20.12.12	20.12.13	19.12.14	15.12.15	19.12.16
Initial exercise price	118p	191p	158p	180p	151p
Number of shares granted initially	122,946	153,704	315,269	154,800	297,238
Expected volatility	44.2%	42.7%	42.8%	36.2%	36.1%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	2.1%	1.5%	2.4%	1.7%	0.3%
Expected dividend yield	3.0%	2.3%	2.6%	2.6%	4.0%

	APSP 2011	APSP 2012	APSP 2013	APSP 2014	APSP 2015
Date of grant	01.09.11	28.07.12	27.09.13	23.07.14	22.07.15
Initial exercise price	Nil	Nil	Nil	Nil	Nil
Number of shares granted initially	704,503	1,252,056	304,040	864,301	770,152
Expected volatility	65.7%	44.2%	42.7%	42.8%	36.2%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	2.0%	2.1%	1.5%	2.4%	1.9%
Expected dividend yield	3.0%	3.0%	2.3%	2.6%	2.6%

	APSP 2016	DBP 2013	DBP 2014	DBP 2015	DBP 2016
Date of grant	27.07.16	26.09.13	23.07.14	22.07.15	27.07.16
Initial exercise price	Nil	Nil	Nil	Nil	Nil
Number of shares granted initially	1,193,500	51,838	69,679	90,159	92,544
Expected volatility	36.1%	56.1%	45.6%	43.3%	38.0%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.3%	2.0%	1.7%	3.2%	1.8%
Expected dividend yield	4.0%	3.0%	3.0%	2.3%	3.2%

The share price at 31 March 2017 was 152p. The average price during the year was 166p. Expected volatility is based on historical volatility over the last three years' data of the Company.

11. Goodwill

	2017 £m	2016 £m
At the beginning of the year	**30.4**	22.2
Additions	**—**	8.6
Exchange differences	**0.7**	(0.4)
	31.1	30.4

The additions in the previous year relate to the acquisitions of Croydex (£7.8m) and Abode (£0.8m). Goodwill of £2.9m relating to Abode had previously been recognised on a provisional basis, but this has been revised to £0.8m following the completion of the fair value exercise during the year, and the comparatives restated accordingly. Further details are provided in Note 28.

11. Goodwill continued

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

	2017 £m	2016 £m
Croydex	7.8	7.8
Abode (see Note 28)	0.8	0.8
Triton Showers	19.1	19.1
Tile Africa	3.4	2.7
	31.1	30.4

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 2.1% (2016: 2.0%) for Croydex, Abode and Triton Showers and 7.6% (2016: 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% (2016: 9.0%) in the UK and 16.6% (2016: 17.8%) in South Africa based upon the risk free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities and investing in the Group's specific sectors and regions.

Management has applied sensitivities to the key assumptions 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 2015	—	5.4	—	—	5.4
Additions	—	—	0.5	—	0.5
Acquisitions	8.2	2.3	—	—	10.5
At 31 March 2016	8.2	7.7	0.5	—	16.4
Additions	—	—	—	0.1	0.1
At 31 March 2017	**8.2**	**7.7**	**0.5**	**0.1**	**16.5**
Accumulated amortisation					
At 1 April 2015	—	0.7	—	—	0.7
Charge for the year	0.5	0.4	—	—	0.9
At 31 March 2016	0.5	1.1	—	—	1.6
Charge for the year	0.7	0.5	—	—	1.2
At 31 March 2017	**1.2**	**1.6**	**—**	**—**	**2.8**
Net book amount at 31 March 2016	7.7	6.6	0.5	—	14.8
Net book amount at 31 March 2017	**7.0**	**6.1**	**0.5**	**0.1**	**13.7**

The acquisitions in the previous year relate to Croydex (£7.9m) and Abode (£2.6m). This has been restated following the completion of the fair value exercise in relation to the acquisition of Abode during the year.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2015	30.3	80.7	111.0
Exchange differences	(1.1)	(3.5)	(4.6)
Additions	1.1	5.1	6.2
Acquisitions	1.7	0.3	2.0
Reclassification	0.1	(0.1)	—
Disposals	—	(3.1)	(3.1)
At 31 March 2016	32.1	79.4	111.5
Exchange differences	1.9	5.5	7.4
Additions	0.9	7.0	7.9
Disposals	—	(3.9)	(3.9)
At 31 March 2017	**34.9**	**88.0**	**122.9**
Accumulated depreciation			
At 1 April 2015	12.6	60.8	73.4
Exchange differences	(0.2)	(2.4)	(2.6)
Charge for the year	1.1	4.4	5.5
Disposals	—	(3.0)	(3.0)
At 31 March 2016	13.5	59.8	73.3
Exchange differences	0.4	3.7	4.1
Charge for the year	1.2	5.2	6.4
Disposals	—	(3.9)	(3.9)
At 31 March 2017	**15.1**	**64.8**	**79.9**
Net book amount at 31 March 2016	18.6	19.6	38.2
Net book amount at 31 March 2017	**19.8**	**23.2**	**43.0**

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

14. Inventories

	2017 £m	2016 £m
Raw materials and consumables	**11.3**	10.3
Work in progress	**0.9**	0.8
Finished goods	**58.1**	49.0
	70.3	60.1

Provisions held against inventories totalled £4.5m (2016: £4.0m).

The cost of inventories recognised as an expense within cost of sales in the Income Statement amounted to £150.6m (2016: £124.8m).

During the year the Group charged £1.4m (2016: £1.3m) of inventory write-downs to the Income Statement within cost of sales.

15. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	54.1	47.7
Less: provision for impairment of trade receivables	(0.6)	(0.4)
Trade receivables – net	53.5	47.3
Other receivables	0.7	0.9
Prepayments and accrued income	2.6	2.7
	56.8	50.9

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

Taking into account the Group's credit insurance, management believes that no further material provision is required for impairment of receivables. Trade receivable credit exposure is controlled by credit limits that are set and reviewed by operational management on a regular basis.

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

	2017 £m	2016 £m
Sterling	45.8	41.1
South African Rand	11.0	9.8
	56.8	50.9

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

	2017 £m	2016 £m
At the beginning of the year	0.4	0.3
Provision for receivables impairment	0.6	0.1
Receivables written off during the year as uncollectable	(0.5)	(0.1)
Exchange differences	0.1	—
Acquisitions	—	0.1
At the end of the year	0.6	0.4

As at 31 March 2017, trade receivables of £46.5m (2016: £40.6m) were fully performing.

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

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

As of 31 March 2017, trade receivables of £0.6m (2016: £0.4m) were impaired and provided for. The individually impaired receivables were impaired at 100% of their gross value (2016: 100%). The ageing of these receivables is as follows:

	2017 £m	2016 £m
Less than three months	0.1	0.1
Greater than three months	0.5	0.3
	0.6	0.4

15. Trade and other receivables continued

At 31 March 2017 trade receivables of £7.0m (2016: £6.7m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2017 £m	2016 £m
Up to one month	5.6	4.7
One to two months	0.3	0.7
Two to three months	—	0.3
Greater than three months	1.1	1.0
	7.0	6.7

As noted above, the Group maintains a credit insurance policy which significantly limits its exposure to credit risk. The Group does not hold any collateral as security.

The other categories within trade and other receivables do not contain impaired assets.

16. Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	37.5	25.5

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

	2017 £m	2016 £m
Cash at bank and in hand	37.5	25.5
Less: bank overdrafts (see Note 18)	(30.9)	(22.4)
	6.6	3.1

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

	2017 £m	2016 £m
Trade payables	42.6	38.9
Other tax and social security payables	3.4	3.3
Other payables	0.5	2.9
Accruals and deferred income	25.5	19.6
	72.0	64.7

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

18. Financial liabilities – borrowings

	2017 £m	2016 £m
Non-current		
Bank borrowings (unsecured):		
– bank loans	30.0	36.0
– less: costs of raising finance	(0.2)	(0.4)
Total non-current	29.8	35.6
Current		
Bank borrowings (unsecured):		
– bank overdrafts	30.9	22.4
Total borrowings	60.7	58.0

The fair value of bank loans equals their carrying amount, as they bear interest at floating rates.

18. Financial liabilities – borrowings continued

The repayment terms of borrowings are as follows:

	2017 £m	2016 £m
Not later than one year	30.9	22.4
After more than one year:		
– between one and two years	—	—
– between two and five years	30.0	36.0
– costs of raising finance	(0.2)	(0.4)
	29.8	35.6
Total borrowings	60.7	58.0

Capital risk management

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

The facility provides the Group with a sound financial structure for the medium term with £33.0m of headroom being available at 31 March 2017 (2016: £28.8m), after taking into account net debt and ancillary facilities in use of £3.3m (2016: £2.4m). The Group has been in compliance with all banking covenants during the year.

Interest rate profile

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

	2017 %	2016 %
Bank loans	1.5	1.9
Overdraft	1.5	1.9

At 31 March 2017 the bank loans carried interest based on LIBOR plus a margin of 1.2% (2016: 1.4%). Overdrafts carry interest at base rate plus a margin of 1.2% (2016: 1.4%).

Net debt

The Group's net debt is calculated as follows:

	2017 £m	2016 £m
Cash and cash equivalents	(37.5)	(25.5)
Total borrowings	60.7	58.0
	23.2	32.5

Currency profile of net debt

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

	2017 £m	2016 £m
Sterling	37.9	37.0
Euro	(0.3)	(0.3)
US Dollar	(4.7)	0.3
South African Rand	(9.7)	(4.5)
	23.2	32.5

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 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 March 2018 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 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.

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.

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).

19. Financial instruments continued

Derivative financial instruments carried at fair value through profit and loss

	2017 Assets £m	2017 Liabilities £m	2016 Assets £m	2016 Liabilities £m
Forward foreign exchange contracts:				
– current	0.7	(0.8)	2.5	(0.1)

Forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 31 March 2017 were €22.9m and US$48.0m (2016: €10.7m, US$39.1m and CNY¥1.2m).

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 £23.4m (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 £0.2m per annum.

(B) 5% strengthening or weakening in major currencies

A number of the Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening of Sterling across all currencies would lead to a £2.3m devaluation in net assets. Likewise a 5% weakening in Sterling would lead to a £2.5m increase in net assets.

The Group's profits and losses are exposed to both translational and transactional risk of fluctuations in foreign currency risk. The Group seeks to mitigate the majority of its transactional risk using forward foreign exchange contracts. Taking into account both the translational impact and the level of forward exchange contracts in place relative to forecast foreign currency requirements, either a 5% strengthening or a 5% weakening in both Sterling and South African Rand against all other currencies would have an impact on reported profits of less than £0.1m.

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.

As previously announced, the main rate of UK corporation tax will reduce to 19% from 1 April 2017 and to 17% from 1 April 2020, with the latter amendment being substantively enacted on 6 September 2016. Consequently, the deferred tax asset at 31 March 2017 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:

	2017 £m	2016 £m
Deferred tax asset at the beginning of the year	10.0	13.8
Credited/(charged) to the Consolidated Income Statement	0.6	(3.2)
Credited to the Consolidated Statement of Comprehensive Income	0.3	1.1
Exchange differences	0.1	(0.4)
Acquisitions	—	(1.3)
Deferred tax asset at the end of the year	11.0	10.0

20. Deferred tax continued

The analysis of deferred tax assets and liabilities is as follows:

	2017 £m	2016 £m
Accelerated capital allowances	1.2	0.9
Tax losses	—	1.1
Other timing differences	(0.9)	(2.0)
Deferred tax asset relating to pension deficit	10.7	10.0
Deferred tax assets (net)	**11.0**	10.0

	2017 £m	2016 £m
Deferred tax assets:		
To be recovered after more than twelve months	11.5	10.5
To be recovered within twelve months	0.4	1.5
	11.9	12.0
Deferred tax liabilities:		
To be recovered after more than twelve months	(0.9)	(1.8)
To be recovered within twelve months	—	(0.2)
	(0.9)	(2.0)
Deferred tax assets (net)	**11.0**	10.0

The full potential asset for deferred tax is as follows:

	2017 £m	2016 £m
Accelerated capital allowances	1.2	0.9
Tax losses	6.7	8.6
Other timing differences	(0.9)	(2.0)
Deferred tax asset relating to pension deficit	10.7	10.0
	17.7	17.5

No deferred tax asset has been recognised in respect of £6.7m (2016: £7.5m) 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 2015	1.4	—	1.9	3.3
Charged to the Income Statement	1.1	—	—	1.1
Utilisation	(1.1)	—	—	(1.1)
At 31 March 2016	1.4	—	1.9	3.3
Charged to the Income Statement	1.6	2.3	—	3.9
Utilisation	(1.1)	(0.2)	(0.2)	(1.5)
At 31 March 2017	**1.9**	**2.1**	**1.7**	**5.7**

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

The restructuring provision was recognised during the year in connection with the restructuring of the Group's UK tiles business. Further details are provided in Note 5. It is expected that this expenditure will be incurred within one year of the Balance Sheet date.

The UK property provision relates to the expected liability arising from lease shortfall on the remaining surplus Group property. It is anticipated that the cash outflows will be incurred within six years of the Balance Sheet date.

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. 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 (2016: 16 years) and can be attributed to the scheme members as follows:

	2017	2016
Employee members	8%	8%
Deferred members	31%	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 opposite. 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 most recent triennial actuarial valuation for the Group's UK defined benefit pension was in March 2015 and showed a deficit of £73.5m (2012: £61.9m) representing an 84% funding level (2012: 85%). The increased deficit is driven predominantly by historically low gilt yields. Following the completion of the March 2015 triennial actuarial valuation a revised deficit recovery plan covering the subsequent ten years was agreed with the Scheme Trustee, with a cash contribution of £2.5m per annum starting in April 2016, and increasing with CPI. The balance of the deficit is expected to be met by asset outperformance as set out in the Plan's Statement of Funding Principles. As a result of this agreement employer deficit recovery contributions in the year to 31 March 2018 are expected to be £2.5m.

In the year ended 31 March 2015 the Plan undertook a number of liability management exercises which resulted in a number of benefits being settled and some changes to pension increases in payment. The net impact of these exercises in 2015 was to reduce the net deficit by £1.7m with a further £0.4m reduction arising in 2016, which has been reflected in the Consolidated Income Statement as an exceptional operating item as follows:

	2017 £m	2016 £m
Liabilities extinguished on settlements	—	2.0
Assets distributed on settlements	—	(1.6)
Total	—	0.4

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 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.

22. Retirement benefit obligations continued

(a) Pension costs continued

Risks continued

- Investment risk and currency risk – a reduction in the value of investments caused by fluctuating exchange rates and a variety of other market factors would result in a lower valuation of scheme assets. The scheme invests in a diversified range of asset classes to mitigate the risk of falls in any one area of the investments and implements partial currency hedging on the overseas assets to mitigate currency risk.

Defined contribution pension schemes

Contributions made to these schemes amounted to £3.1m (2016: £2.7m), which includes £0.3m (2016: £0.4m) 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 2015 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 2017. Scheme assets are stated at their market value at 31 March 2017.

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

	2017 Projected unit	2016 Projected unit
Discount rate	2.60%	3.55%
Inflation rate (RPI)	3.15%	2.90%
Inflation rate (CPI)	2.15%	1.90%
Increase to deferred benefits during deferment (non-GMP liabilities)	3.01%	2.83%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	3.01%	2.83%
Salary increases	2.40%	2.15%

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

	2017	2016
Life expectancy at age 65:		
Current pensioners – males	21.1	21.4
Current pensioners – females	23.3	23.7
Future pensioners – males (currently aged 40)	22.5	23.2
Future pensioners – females (currently aged 40)	24.8	25.7

Members are assumed to take a 25% (2016: 25%) cash commutation sum on retirement.

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

	2017 £m	2016 £m
Included in operating profit:		
IAS 19R pension administration expenses	2.0	1.7
Included in exceptional operating items:		
Settlement gain	–	(0.4)
IAS 19R finance cost	2.0	1.4
Total amounts recognised in the Income Statement	4.0	2.7

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:

	Value at 31 March 2017 £m	Value at 31 March 2016 £m
Equities	89.1	91.4
Absolute return funds	109.6	84.1
Bonds	157.3	147.8
Property	19.6	19.9
Liability-driven investments	25.3	19.8
Cash and gilts	3.5	2.9
Total fair value of scheme assets	404.4	365.9
Present value of scheme liabilities	(467.1)	(421.6)
Pension deficit	(62.7)	(55.7)

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 2017			Value at 31 March 2016		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equities	—	89.1	89.1	—	91.4	91.4
Absolute return funds	39.8	69.8	109.6	33.7	50.4	84.1
Bonds	—	157.3	157.3	—	147.8	147.8
Property	—	19.6	19.6	—	19.9	19.9
Liability-driven investments	—	25.3	25.3	—	19.8	19.8
Cash and gilts	3.5	—	3.5	2.9	—	2.9
Total fair value of scheme assets	43.3	361.1	404.4	36.6	329.3	365.9

The majority of the Plan's assets are invested in pooled investment vehicles, where the fair value has been determined by the individual fund managers by applying fair value principles to the underlying investments.

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

	2017 £m	2016 £m
Deficit at the beginning of the year	(55.7)	(44.3)
Employer contributions – deficit recovery	2.5	2.1
Settlement gain	—	0.4
IAS 19R pension administration expenses	(2.0)	(1.7)
IAS 19R finance cost	(2.0)	(1.4)
Actuarial losses	(5.5)	(10.8)
Deficit at the end of the year	(62.7)	(55.7)

22. Retirement benefit obligations continued
(b) IAS 19R, 'Employee benefits' continued
Norcros Security Plan continued
(v) The reconciliation of scheme assets is as follows:

	2017 £m	2016 £m
Opening fair value of scheme assets	365.9	397.0
Employer contributions – deficit recovery	2.5	2.1
Interest income	12.6	12.7
Benefits paid	(24.2)	(24.1)
Actuarial gains/(losses) on scheme assets	49.6	(18.5)
Assets distributed on settlements	—	(1.6)
IAS 19R pension administration expenses	(2.0)	(1.7)
Closing fair value of scheme assets	404.4	365.9

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

	2017 £m	2016 £m
Opening scheme liabilities	(421.6)	(441.3)
Interest cost	(14.6)	(14.1)
Actuarial (losses)/gains arising from changes in financial assumptions	(74.6)	14.6
Actuarial gains arising from changes in demographic assumptions	9.5	—
Experience gains/(losses) on liabilities	10.0	(6.9)
Liabilities extinguished on settlements	—	2.0
Benefits paid	24.2	24.1
Closing fair value of scheme liabilities	(467.1)	(421.6)

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

	2017 £m	2016 £m
Actuarial losses	(5.5)	(10.8)
Deferred tax	0.3	1.1
	(5.2)	(9.7)

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

	Impact on scheme deficit	
Assumption	2017 £m	2016 £m
Discount rate – 0.1% decrease	6.7	5.9
Inflation – 0.1% increase	4.3	5.5
Increase in life expectancy by one year	15.8	12.8

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

	2017 £m	2016 £m
Issued and fully paid		
61,259,666 (2016: 60,995,930) ordinary shares of 10p each	6.1	6.1

During the year, the Company issued 263,736 10p ordinary shares to the Norcros Employee Benefit Trust in order to satisfy vestings of options under the Company's Approved Performance Share Plan and SAYE schemes.

Warrant instruments
In 2009 the Company executed a warrant instrument in favour of its principal banks of the day over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising.

Taking into account the capital raising in 2009 the remaining warrants now represent 372,167 10p ordinary shares (0.6% of the issued ordinary share capital) at 31 March 2017. The warrants are exercisable at 89.7p per share at any time up to July 2017.

24. Other non-current liabilities

	2017 £m	2016 £m
Deferred consideration	2.6	2.2
Other non-current liabilities	1.0	0.8
	3.6	3.0

Deferred consideration reflects the current best estimate of amounts payable to the former shareholders of Croydex and Abode. Other non-current liabilities principally includes 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

	2017 £m	2016 £m
Profit before taxation	11.5	15.4
Adjustments for:		
– IAS 19R administrative expenses included in the Income Statement	2.0	1.7
– acquisition related costs included in the Income Statement	2.7	5.2
– exceptional items included in the Income Statement	2.3	(2.3)
– finance costs included in the Income Statement	3.3	1.1
– finance income included in the Income Statement	—	(1.2)
– IAS 19R finance cost included in the Income Statement	2.0	1.4
– cash flows from exceptional items and acquisition related costs	(1.8)	0.2
– depreciation	6.4	5.5
– pension fund deficit recovery contributions	(2.5)	(2.1)
– loss on disposal of property, plant and equipment	—	0.1
– share-based payments	1.4	1.2
Operating cash flows before movement in working capital	27.3	26.2
Changes in working capital:		
– increase in inventories	(5.1)	(7.2)
– increase in trade and other receivables	(3.7)	(4.9)
– increase in trade and other payables	7.0	4.4
Cash generated from operations	25.5	18.5

(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.

25. Consolidated Cash Flow Statement continued
(c) Analysis of net debt

	Net cash and current borrowings £m	Non-current borrowings £m	Net debt £m
At 1 April 2015	4.2	(18.4)	(14.2)
Cash flow	(0.1)	(17.0)	(17.1)
Other non-cash movements	–	(0.2)	(0.2)
Exchange movement	(1.0)	–	(1.0)
At 31 March 2016	3.1	(35.6)	(32.5)
Cash flow	1.8	6.0	7.8
Other non-cash movements	–	(0.2)	(0.2)
Exchange movement	1.7	–	1.7
At 31 March 2017	**6.6**	**(29.8)**	**(23.2)**

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

26. Dividends
A final dividend in respect of the year ended 31 March 2016 of £2.7m (4.4p per 10p ordinary share) was paid on 28 July 2016 and an interim dividend of £1.5m (2.4p per 10p ordinary share) was paid on 12 January 2017. A final dividend in respect of the year ended 31 March 2017 of £2.9m (4.8p per 10p ordinary share) is to be proposed at the Annual General Meeting on 27 July 2017. These financial statements do not reflect this final dividend.

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

	2017 £m	2016 £m
Contracts placed for future capital expenditure not provided in the financial statements	1.5	1.4

(b) Operating lease commitments

	2017 £m	2016 £m
Total commitments under operating leases:		
– not later than one year	5.3	4.8
– later than one year and not later than five years	13.6	11.4
– later than five years	8.2	3.9
	27.1	20.1

Total future sub-lease payments receivable relating to the above operating leases amounted to £1.0m (2016: £1.6m).

The above operating lease commitments are analysed as:

	2017 £m	2016 £m
Equipment:		
– not later than one year	1.7	1.6
– later than one year and not later than five years	2.8	2.9
Land and buildings:		
– not later than one year	3.6	3.2
– later than one year and not later than five years	10.8	8.5
– later than five years	8.2	3.9
	27.1	20.1

28. Business combinations

Acquisition of Abode Home Products Limited

On 31 March 2016, the Group acquired 100% of the ordinary share capital of Abode Home Products Limited (Abode), a leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks. Full details of the acquisition are provided on the Group's website (www.norcros.com) and on page 104 of the Group's 2016 Annual Report.

The consideration payable in respect of the acquisition was as follows:

	£m
Consideration	
Cash	3.7
Deferred consideration	1.1
	4.8

In accordance with the sale and purchase agreement, an exercise to review the completion balance sheet at the date of acquisition was undertaken and following this a payment of £0.2m was made in line with the Group's expectations. This payment has been disclosed in the Consolidated Statement of Cash Flows within investing activities. There have been no changes to the estimate of the remaining deferred consideration payable during the year.

Due to the fact that the acquisition took place on the last day of the previous accounting year it was not possible for the Group to finalise the fair values of Abode's assets and liabilities. Accordingly, the amounts stated in the 2016 Annual Report were provisional and principally reflected the reported balances of Abode, as adjusted where possible to comply with the accounting policies of the Group.

The Group has now reviewed the identifiable net assets of Abode and has identified the following measurement period adjustments:

	Provisional amounts recognised £m	Measurement period adjustments £m	Revised amounts recognised £m
Intangible assets	—	2.6	2.6
Property, plant and equipment	0.4	—	0.4
Inventories	1.1	—	1.1
Trade and other receivables	2.5	—	2.5
Cash	0.6	—	0.6
Trade and other payables	(2.5)	—	(2.5)
Current tax liabilities	(0.2)	—	(0.2)
Deferred tax liability	—	(0.5)	(0.5)
Total identifiable net assets	1.9	2.1	4.0
Goodwill	2.9	(2.1)	0.8
Total	4.8	—	4.8

The principal adjustment that has been made in the measurement period is to recognise intangible assets of £2.6m. Deferred tax at the prevailing rate of 20% as of the date of acquisition has been applied where appropriate resulting in the recognition of a deferred tax liability of £0.5m. Due to the complex nature of these assets, it was not possible to reliably measure their value in the time available before publishing the 2016 Annual Report, and for this reason they have been recognised subsequent to the period of acquisition.

28. Business combinations continued

Acquisition of Abode Home Products Limited continued

The impact of the measurement period adjustments in respect of prior periods is as follows:

	At 31 March 2016 as reported	At 31 March 2016 as restated
Goodwill	32.5	30.4
Intangible assets	12.2	14.8
Deferred tax assets	10.5	10.0
Total non-current assets	93.4	93.4
Total assets less current liabilities	145.2	145.2

There was no impact on the Consolidated Statement of Comprehensive Income.

29. Related party transactions

Within the definition of IAS 24, 'Related party disclosures', key management and Directors are classed as related parties. Details of the remuneration provided to key management and Directors are disclosed in Note 4 and the Annual Report on Remuneration on pages 51 to 58.

To the members of Norcros plc

Report on the parent company financial statements

Our opinion

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

– give a true and fair view of the state of the parent company's affairs as at 31 March 2017;

– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

– have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

– the Parent Company balance sheet as at 31 March 2017;

– the Parent Company statement of changes in equity for the year then ended; and

– the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

– the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

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

– materially inconsistent with the information in the audited financial statements; or

– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or

– otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

– we have not received all the information and explanations we require for our audit; or

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

– the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other required reporting continued

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the group financial statements of Norcros plc for the year ended 31 March 2017.

H Macnamara

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

14 June 2017

Parent Company balance sheet

At 31 March 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Investments	3	177.3	177.3
Deferred tax assets	4	0.5	0.3
		177.8	177.6
Current liabilities			
Trade and other payables	5	(18.9)	(7.5)
Net current liabilities		(18.9)	(7.5)
Total assets less current liabilities		158.9	170.1
Non-current liabilities			
Financial liabilities – borrowings	6	(29.8)	(35.6)
Net assets		129.1	134.5
Financed by:			
Share capital	7	6.1	6.1
Share premium account		1.1	1.1
Retained earnings before loss for the financial year		124.5	130.0
Loss for the financial year		(2.6)	(2.7)
Total shareholders' funds		129.1	134.5

The financial statements of Norcros plc, registered number 3691883, on pages 107 to 113, were authorised for issue on 14 June 2017 and signed on behalf of the Board by:

Nick Kelsall
Group Chief Executive

Shaun Smith
Group Finance Director

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Parent Company statement of changes in equity
Year ended 31 March 2017

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Retained earnings £m	Total equity £m
At 1 April 2015	6.0	1.0	(0.1)	132.6	139.5
Comprehensive expense:					
Loss for the year	—	—	—	(2.7)	(2.7)
Transactions with owners:					
Shares issued	0.1	0.1	(0.1)	—	0.1
Dividends paid	—	—	—	(3.6)	(3.6)
Share option schemes and warrants	—	—	0.2	1.0	1.2
At 31 March 2016	6.1	1.1	—	127.3	134.5
Comprehensive expense:					
Loss for the year	—	—	—	(2.6)	(2.6)
Transactions with owners:					
Dividends paid	—	—	—	(4.2)	(4.2)
Share option schemes and warrants	—	—	—	1.4	1.4
At 31 March 2017	**6.1**	**1.1**	**—**	**121.9**	**129.1**

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 home consumer products in the UK, South Africa and other overseas markets.

The Company is incorporated in England as a public company limited by shares. The shares of the Company are listed on the London Stock Exchange market of listed securities. The 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 2 April 2017 although the Company's accounting reference date is 31 March 2017. All references to the financial year therefore relate to the 52 weeks commencing on 4 April 2016. In the previous year the accounting period was 53 weeks long, beginning on 30 March 2015 and ending on 3 April 2016.

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 2016 are set out in the Group financial statements on page 74. 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 74. None of these standards or interpretations is expected to have a material impact on the Company.

Basis of preparation

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced disclosure framework' (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. Effective 1 April 2016 the Company transitioned from previously applicable UK Generally Accepted Accounting Principles to FRS 101.

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 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'.

1. Statement of accounting policies continued

Critical estimates and judgments

The Directors believe that there is one critical accounting estimate as set out below:

- deferred tax – deferred tax assets are recognised on certain timing differences only to the extent that it is probable they will be available for use against future profits and that there will be sufficient future taxable profit available against which the temporary difference can be utilised. In arriving at a judgment in relation to the recognition of deferred tax assets, management considers the regulations applicable to taxation and whether there are likely to be sufficient future taxable profits. Future taxable profits may be higher or lower than estimates made when determining whether it is appropriate to record a tax asset and the amount to be recorded. Furthermore changes to the legislative framework or application of tax law may result in a management reassessment of the level of recognition of deferred tax assets.

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.

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 (2016: £3,000) and staff costs are borne by the Company's subsidiary, without recharge.

The Company has two employees (2016: two). Staff costs were as follows:

	2017 £m	2016 £m
Wages and salaries	0.8	0.8
Social security costs	0.1	0.1
Share-based payments	0.5	0.4
Post-employment benefits	0.1	0.1
Total staff costs	1.5	1.4

Further information about the Directors' remuneration may be found in the Annual Report on Remuneration on pages 51 to 58.

3. Investments

	Shares in subsidiaries £m
At 1 April 2016 and 31 March 2017	177.3

Details of the subsidiaries owned by the Company, held both directly and indirectly, are shown in Note 10.

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:

	2017 £m	2016 £m
Deferred tax asset at the beginning of the year	0.3	0.5
Credited/(charged) to the Income Statement	0.2	(0.2)
Deferred tax asset at the end of the year	0.5	0.3

The analysis of the deferred tax asset is as follows:

	2017 £m	2016 £m
Other timing differences	0.5	0.3

	2017 £m	2016 £m
To be recovered after more than twelve months	0.3	0.2
To be recovered within twelve months	0.2	0.1
	0.5	0.3

The full potential asset for deferred tax is as follows:

	2017 £m	2016 £m
Other timing differences	0.5	0.3
Tax losses	4.5	5.0
	5.0	5.3

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 payables

	2017 £m	2016 £m
Amounts owed to Group undertakings	17.9	6.9
Accruals	1.0	0.6
	18.9	7.5

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

6. Financial liabilities – borrowings

	2017 £m	2016 £m
Loans and bank overdrafts	30.0	36.0
Costs of raising finance	(0.2)	(0.4)
	29.8	35.6
Repayable after more than one year:		
– between one and two years	—	—
– between two and five years	30.0	36.0
– costs of raising finance	(0.2)	(0.4)
	29.8	35.6

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

7. Called up share capital

	2017 £m	2016 £m
Issued and fully paid		
61,259,666 (2016: 60,995,930) ordinary shares of 10p each	6.1	6.1

During the year, the Company issued 263,736 10p ordinary shares to the Norcros Employee Benefit Trust in order to satisfy vestings of options under the Company's Approved Performance Share Plan and SAYE schemes.

Warrant instruments

In 2009 the Company executed a warrant instrument in favour of its principal banks of the day over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising.

Taking into account the capital raising in 2009 the remaining warrants now represent 372,167 10p ordinary shares (0.6% of the issued ordinary share capital) at 31 March 2017. The warrants are exercisable at 89.7p per share at any time up to July 2017.

8. Dividends

A final dividend in respect of the year ended 31 March 2016 of £2.7m (4.4p per 10p ordinary share) was paid on 28 July 2016 and an interim dividend of £1.5m (2.4p per 10p ordinary share) was paid on 12 January 2017. A final dividend in respect of the year ended 31 March 2017 of £2.9m (4.8p per 10p ordinary share) is to be proposed at the Annual General Meeting on 27 July 2017. These financial statements do not reflect this final dividend.

9. Contingent liabilities

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

10. 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
Croydex Trustees 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
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
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	Maison Trinity, St. Peter Port, GY1 4AT, Guernsey
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 is given that the 2017 Annual General Meeting of the Company will be held at 11.00 am on 27 July 2017 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 13 (inclusive) below will be proposed as ordinary resolutions and resolutions 14 to 17 (inclusive) below will be proposed as special resolutions.

1. To receive the audited accounts and the auditor's and Directors' reports for the year ended 31 March 2017.

2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 March 2017.

3. To approve the Directors' Remuneration Policy (as contained in the Directors' Remuneration Report for the year ended 31 March 2017).

4. To declare a final dividend of 4.8p per ordinary share for the year ended 31 March 2017.

5. To re-elect Jo Hallas as a Director.

6. To re-elect Martin Towers as a Director.

7. To re-elect David McKeith as a Director.

8. To re-elect Nick Kelsall as a Director.

9. To re-elect Shaun Smith as a Director.

10. To re-appoint PricewaterhouseCoopers LLP as auditor to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

11. To authorise the Audit Committee of the Board of Directors to agree the remuneration of the auditor.

12. That:

    (a) the rules of the Norcros plc Savings Related Share Option Scheme 2017 (SAYE), described in the notes to the notice of this Annual General Meeting and in the form produced in draft to the meeting and for the purpose of identification initialled by the Chairman of the meeting, be and are hereby approved and adopted; and

    (b) the Directors of the Company be and are hereby authorised:

        (i) to do all such things as may be necessary or desirable to carry the SAYE into effect, including making any changes to the rules of the SAYE that are necessary or desirable in order to ensure that the Directors can make a valid declaration to HM Revenue & Customs that the SAYE satisfies the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003; and

        (ii) to adopt further plans based on the SAYE but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the SAYE.

13. That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (Allotment Rights), but so that:

(a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £4,088,977 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 15 months after the passing of this resolution or, if earlier, on the conclusion of the Company's next Annual General Meeting;

(c) the Company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and

(d) all authorities vested in the Directors on the date of the notice of this Annual General Meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked.

14. That, subject to the passing of resolution 13 in the notice of this Annual General Meeting (the Notice), the Directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash, pursuant to the authority conferred on them by resolution 13 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 £306,298, and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by resolution 13 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.

15. That, subject to the passing of resolution 13 in the notice of this Annual General Meeting (the Notice) and, in addition to the power contained in resolution 14 set out in the Notice, the Directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash, pursuant to the authority conferred on them by resolution 13 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 £306,298; 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 of this meeting, and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by resolution 14 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.

16. 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 of £0.10 in its capital provided that:

    (a) the maximum aggregate number of such shares that may be acquired under this authority is 6,125,966;

    (b) the minimum price (exclusive of expenses) that may be paid for such a share is its nominal value;

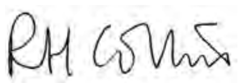
    (c) the maximum price (exclusive of expenses) that may be paid for such a share is the maximum price permitted under the Financial Conduct Authority's Listing Rules or, in the case of a tender offer (as referred to in those Rules), 5% above the average of the middle market quotations for an ordinary 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 15 months after the passing of this resolution or, if earlier, on the conclusion of the Company's next Annual General Meeting; and

    (e) before such expiry, the Company may enter into a contract to purchase shares that would or might require a purchase to be completed after such expiry.

17. 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

14 June 2017

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 vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares of 10p each (ordinary shares) by close of business on 25 July 2017 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.

3. A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with Section 323 of the Companies Act 2006, as amended. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this Notice of Annual General Meeting. To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then be delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Capita Asset Services, PXS at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by 11.00 am on 25 July 2017. Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.signalshares.com. If you have not previously registered to use this facility you will require your investor code which can be located on the enclosed proxy form. In order to be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by the same time. Members who hold their shares in uncertificated form may also use the CREST voting service to appoint a proxy electronically, as explained below. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.

4. Any person to whom this Notice is sent who is currently nominated by a member of the Company to enjoy information rights under Section 146 of the Companies Act 2006, as amended (a nominated person), may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.

5. Voting on all resolutions will be conducted by way of a poll, rather than a show of hands. This is a more transparent method of voting as members' votes are counted according to the number of ordinary shares held. As soon as practicable following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against, together with the number of votes actively withheld in respect of, each of the resolutions will be announced via a Regulatory Information Service and will also be placed on the Company's website: www.norcros.com.

6. As at 13 June 2017 (being the latest practicable date prior to the printing of this document), (i) the Company's issued share capital consisted of 61,259,666 ordinary shares carrying one vote each and (ii) the total voting rights in the Company were 61,259,666.

7. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with Section 319A of the Companies Act 2006, as amended, and subject to some exceptions, the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act 2006, as amended, to publish on a website in advance of the meeting may be viewed at www.norcros.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

8. It is possible that, pursuant to members' requests made in accordance with Section 527 of the Companies Act 2006, as amended, the Company will be required to publish on a website a statement in accordance with Section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the Company's latest audited accounts. The Company cannot require the 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.

Notes continued

9. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in the CREST voting service section of the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a CREST proxy appointment instruction) must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited (Euroclear) and must contain all the relevant information required by the CREST manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Capita Asset Services (ID RA10), as the Company's issuer's agent, by 11.00 am on 25 July 2017. After this time, any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) Capita 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.

10. The Company takes all reasonable precautions to ensure that no viruses are present in any electronic communication which it sends but does not accept responsibility for any loss or damage arising from the opening or use of any email or attachment sent by the Company. The Company recommends that members subject all emails and attachments to virus checking procedures prior to opening or use. Any electronic communication received by the Company or Capita Asset Services (including the lodgement of an electronic proxy form) which is found to contain any virus will not be accepted.

11. Copies of Directors' service contracts and letters of appointment will be available for inspection at the registered office of the Company during normal business hours each business day and at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

12. Information regarding this meeting, including information required by Section 311A of the Companies Act 2006, is available at www.norcros.com.

The Annual General Meeting of the Company will take place at 11.00 am on 27 July 2017 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 114 to 118 of this document. The Directors recommend all shareholders to vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

Explanatory notes in relation to the resolutions appear below:

Resolution 1
Report and accounts
For each financial year, the Directors are required to present the audited accounts, the auditor's report and the Directors' Report to shareholders at a general meeting.

Resolution 2
Approval of the 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 2017. 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 for the year ended 31 March 2017 is set out in full on pages 42 to 58 of the Company's Annual Report and Accounts 2017. For the purposes of this resolution, the Directors' Remuneration Report does not include the Directors' Remuneration Policy which is set out on pages 44 to 50 of the Annual Report and Accounts 2017. Any shareholder who would like a copy of the Annual Report and Accounts 2017 can obtain one by contacting our registrar on 0871 6640300. Alternatively, the Annual Report and Accounts 2017 can be viewed on our website at www.norcros.com.

Resolution 3
Approval of the Directors' Remuneration Policy
In accordance with the Companies Act 2006, the Company proposes an ordinary resolution to approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report. The proposed Directors' Remuneration Policy is set out on pages 44 to 50 of the Annual Report and Accounts 2017. The vote on this resolution is binding and, if passed, will mean that the Directors can only make remuneration payments in accordance with the approved policy unless such payments have otherwise been approved by a separate shareholder resolution. The Company is required to ensure that a vote on its remuneration policy takes place annually unless the approved policy remains unchanged, in which case the Company need only propose a similar resolution at least every three years.

The shareholders of the Company approved the current Directors' Remuneration Policy at the Company's 2014 AGM and in 2015 and 2016 there were no changes to that policy. The policy proposed for approval by shareholders at this year's AGM is broadly the same as the previous policy, subject to some minor amendments, which are explained on page 44 of the Annual Report and Accounts 2017.

Resolution 4
Dividend
The payment of the final dividend requires the approval of shareholders in general meeting. If the meeting approves resolution 4, the final dividend of 4.8p per ordinary share will be paid on 3 August 2017 to ordinary shareholders who are on the register of members on 23 June 2017 in respect of each ordinary share.

Resolution 5
Re-election of Jo Hallas
It is proposed that Jo Hallas be re-elected as a Director.

Brief biographical details of Jo can be found on page 31 of the Company's Annual Report and Accounts 2017. The Chairman confirms that, following performance evaluation, Jo's performance continues to be effective, she demonstrates commitment to the role and she possesses the necessary experience and knowledge. The Board therefore unanimously recommends that Jo be re-elected as a Director.

Resolution 6
Re-election of Martin Towers
It is proposed that Martin Towers be re-elected as a Director.

Brief biographical details of Martin can be found on page 30 of the Company's Annual Report and Accounts 2017. The Board confirms that, following performance evaluation, Martin's performance continues to be effective, he demonstrates commitment to the role and he possesses the necessary experience and knowledge. The Board unanimously recommends that Martin be re-elected as a Director.

Resolution 7
Re-election of David McKeith
It is proposed that David McKeith be re-elected as a Director.

Brief biographical details of David can be found on page 31 of the Company's Annual Report and Accounts 2017. The Chairman confirms that, following performance evaluation, David's performance continues to be effective, he demonstrates commitment to the role and he possesses the necessary experience and knowledge. David is also Chairman of the Audit Committee, and the Chairman confirms that David has relevant and recent financial experience. The Board unanimously recommends that David be re-elected as a Director.

Resolution 8
Re-election of Nick Kelsall
It is proposed that Nick Kelsall be re-elected as a Director.

Brief biographical details of Nick can be found on page 30 of the Company's Annual Report and Accounts 2017. The Chairman confirms that, following performance evaluation, Nick's performance continues to be effective, he demonstrates commitment to the role and he possesses the necessary experience and knowledge. The Board unanimously recommends that Nick be re-elected as a Director.

Resolution 9
Re-election of Shaun Smith
It is proposed that Shaun Smith be re-elected as a Director.

Brief biographical details of Shaun can be found on page 30 of the Company's Annual Report and Accounts 2017. The Chairman confirms that, following performance evaluation, Shaun's performance continues to be effective, he demonstrates commitment to the role and he possesses the necessary experience and knowledge. The Board unanimously recommends that Shaun be re-elected as a Director.

Resolution 10
Re-appointment of auditor
The Company is required to appoint an auditor at each general meeting before which accounts are laid, to hold office until the end of the next such meeting. PricewaterhouseCoopers LLP has indicated that it is willing to continue as the Company's auditor for another year. You are therefore asked to re-appoint PricewaterhouseCoopers LLP. The Audit Committee has reviewed PricewaterhouseCoopers LLP's performance as auditor of the Company and has recommended re-appointment. Accordingly, the Directors recommend the re-appointment of PricewaterhouseCoopers LLP.

Resolution 11
Remuneration of auditor
The resolution follows best practice in giving authority to the Audit Committee to determine the remuneration of the Company's auditor.

Resolution 12
SAYE
Resolution 12 is to authorise the adoption of the Norcros plc Savings Related Share Option Scheme 2017 (SAYE). The SAYE is an all-employee share scheme that takes advantage of the beneficial tax status of savings related share option schemes which comply with Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003. Participation in the SAYE will be open to all employees and encourages employees to build a stake in the Company. The principal terms of the SAYE are set out on pages 123 to 124 of this document.

The rules of the SAYE will be available for inspection during normal business hours on Monday to Friday (excluding public holidays) at the Company's registered office at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU and at the offices of Addleshaw Goddard LLP at Milton Gate, 60 Chiswell Street, London EC1Y 4AG from the date of this document until the close of the AGM and at the place of the AGM for at least 15 minutes before, and during, the meeting.

Resolution 13
Power to allot shares
Most listed companies renew their directors' authority to issue shares at each annual general meeting. Such an authority was granted at last year's Annual General Meeting and is due to expire on 27 October 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company. In accordance with best practice, this resolution seeks to renew the Directors' authority to allot shares.

Resolution 13, if passed, will renew the Directors' authority to allot shares in the capital of the Company up to a maximum aggregate nominal value of £4,083,977 (representing 40,839,770 ordinary shares). This represents the The Investment Association's guideline limit of approximately two thirds of the Company's issued ordinary share capital as at 13 June 2017 (being the latest practicable date prior to the publication of this document). Of this amount, ordinary shares to an aggregate nominal value of £2,041,988.50 (representing 20,419,885 ordinary shares which is approximately one third of the Company's issued ordinary share capital as at 13 June 2017 (being the latest practicable date prior to the publication of this document)) can only be allotted pursuant to a rights issue.

As at 13 June 2017 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in the Company in treasury. The renewed authority will remain in force until 15 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2018.

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 14 and 15
Disapplication of pre-emption rights for "customary" 5% and disapplication of pre-emption rights in relation to acquisitions and specified capital investments
The Directors are currently authorised, subject to certain limitations, to issue securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That authority will expire on 27 October 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company and, in accordance with best practice, resolutions 14 and 15 (which will be proposed as special resolutions) seek to renew the Directors' authority to disapply pre-emption rights as referenced below.

Other than in connection with a rights or other similar issue or where, for example, difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements, the authority contained in resolution 14 will be limited to an aggregate nominal value of £306,298. This aggregate nominal amount equates to approximately 5% of the issued ordinary share capital of the Company as at 13 June 2017 (being the latest practicable date prior to the publication of this notice of Annual General Meeting). Resolution 14 follows guidance from the Pre-Emption Group's revised Statement of Principles, published on 12 March 2015, and adopts the Pre-Emption Group's template wording that was published on 5 May 2016.

In line with the revised Statement of Principles, the Company is seeking authority, pursuant to resolution 15, to issue up to an additional 5% of its issued ordinary share capital for cash without pre-emption rights applying. In accordance with the revised Statement of Principles, and the Pre-Emption Group's template wording issued on 5 May 2016, the Company will only allot shares with a nominal value of up to £306,298 (representing 5% of issued ordinary share capital) pursuant to resolution 15 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 remain in force until 15 months after the passing of resolution 15 or, if earlier, at the conclusion of the next Annual General Meeting in 2018.

In accordance with the Statement of Principles (which is supported by The Investment Association and the Pensions and Lifetime Savings Association (formerly National Association of Pension Funds Limited)), the Board confirms its intention that no more than 7.5% of the issued share capital will be issued for cash on a non-pre-emptive basis pursuant to resolutions 14 and 15 during any rolling three-year period.

Resolution 16
Authority to purchase own shares
This resolution, which will be proposed as a special resolution, is a resolution which the Company proposes to seek on an annual basis, in line with other listed companies in the UK, to give the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to an aggregate maximum of 6,125,966 ordinary shares which have an aggregate nominal value of £612,596.60 (representing approximately 10% of the aggregate nominal value of the issued ordinary share capital of the Company as at 13 June 2017 (being the latest practicable date prior to the publication of this document)) and sets minimum and maximum prices. The renewed authority will remain in force until 15 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting in 2018.

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 13 June 2017 (being the latest practicable date prior to the publication of this document), there were warrants and options over 3,955,017 ordinary shares in the capital of the Company, which represent, in aggregate, approximately 6.46% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options and warrants would represent approximately 7.17% of the Company's issued ordinary share capital. As at 13 June 2017 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in treasury.

Resolution 17
Notice of general meeting
This special resolution is required in order to preserve the ability of the Company to convene general meetings (other than Annual General Meetings) of the Company on not less than 14 clear days' notice, rather than on not less than the 21 days' notice which would otherwise be required. In order to preserve this ability, the Company's shareholders must have approved the calling of such meetings on not less than 14 clear days' notice. Resolution 17 seeks such approval.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of the shareholders as a whole.

The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic proxy submission under the Companies (Shareholders' Rights) Regulations 2009 before it can call a general meeting on such notice.

General
The SAYE is a savings related share option scheme designed to take advantage of the tax beneficial status of savings related share option schemes which comply with Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 (Schedule 3).

The SAYE will be administered by the board of directors of the Company (Board) or a duly authorised committee of the Board.

Eligibility
UK employees and full-time directors of the Company and participating companies within the group are eligible to participate in the SAYE. The Board may, however, determine that a qualifying period of service (of up to one year) is required before an employee or full-time director can participate in the SAYE.

The Savings Contract
To participate in the SAYE, an eligible employee must enter into a Save As You Earn contract (Savings Contract) with the savings body designated by the Board, agreeing to make monthly contributions of between £5 and £500 for a specified savings period of three or five years (or such other period as may be specified from time to time under Schedule 3). The Board has discretion to determine the length of the Savings Contracts that will be available in respect of any invitation to apply for options (three years, five years or both). A bonus determined by HMRC may be payable after the expiration of the savings period.

Applications to participate in the SAYE may be scaled down by the Board if applications exceed the number of shares available for the grant of options. Such scaling down may include:

(a) excluding the HMRC bonus;

(b) reducing monthly contributions above a certain level pro rata;

(c) reducing monthly contributions for each eligible employee pro rata; or

(d) treating elections for five-year Savings Contracts as elections for three-year Savings Contracts.

Option price
The option price for each ordinary share in respect of which an option is granted shall not be less than the greater of:

(a) 80% of the closing middle-market quotation as derived from the London Stock Exchange Daily Official List for the dealing day immediately prior to the date on which the invitation to participate in the SAYE is made (or, if the Board so determines, the average of the closing mid-market quotations for the three dealing days immediately prior to the invitation date); and

(b) the nominal value of the shares.

Grant of options
The number of shares over which options may be granted must as nearly as possible be equal to, but not in excess of, that number of shares which may be purchased out of the repayment proceeds (including, if the Board so determines, any bonus payable) of the relevant Savings Contract at the option price.

Subject to any regulatory restrictions, options under the SAYE may only be granted within the period of 30 days following the date on which the option price is determined or, if the option price is determined over three consecutive dealing days, within 30 days after the earliest of those dealing days.

No options may be granted more than ten years after the adoption of the SAYE.

Options granted under the SAYE may not be transferred (other than on death).

No consideration will be required for the grant of the option.

Benefits under the SAYE are not pensionable.

Limits on the issue of shares
In any ten-year period no more than 10% of the issued ordinary share capital of the Company for the time being may be issued or issuable pursuant to rights acquired under the SAYE and any other employees' share plans established by the Company. For the purposes of this limit, options or other rights to acquire shares which lapse or have been released do not count.

Exercise of options

Options will only normally be exercisable for a period of six months commencing on the third or fifth anniversary (as the case may be) of the starting date of the related Savings Contract and, if not exercised by the end of that period, the option will lapse.

Earlier exercise may, however, be permitted in specified circumstances, including:

(a) termination of employment as a result of death, injury, disability, redundancy, retirement or the sale of the subsidiary or business for which the participant works; and

(b) in the event of a takeover or liquidation of the Company.

In these early exercise circumstances, options will only be exercisable to the extent of the savings in the relevant Savings Contract at the date of exercise.

Rights attaching to shares

All shares allotted or transferred under the SAYE will rank pari passu with all other shares of the Company for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment or transfer) and the Company will apply for the listing of any new shares issued under the SAYE.

Corporate events

In the event of a takeover, reconstruction or winding up of the Company, options will become exercisable for a limited period. Alternatively, options may be exchanged for new equivalent options over shares in the acquiring company where appropriate.

Variation of capital

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital, the Board may make such adjustments as it considers appropriate to the number of shares subject to options and/or the price payable on the exercise of options.

Amendments to the SAYE

The Board may alter the provisions of the SAYE in any respect provided that the prior approval of shareholders in general meeting is obtained for alterations or additions to the advantage of participants to provisions relating to eligibility, option price and variation, limits on the number of newly issued shares available under the SAYE or the rights attaching to options or Shares.

The requirement to obtain the prior approval of shareholders will not, however, apply in relation to any alteration or addition which is minor in nature and made to benefit the administration of the SAYE, to take account of any changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any of its subsidiaries or for participants.

Termination

The SAYE will terminate on the tenth anniversary of its adoption, or such earlier time as the Board may determine, but the rights of existing participants will not be affected by such termination. In the event of termination, no further options will be granted.

Employees outside the UK

The Board may at any time without further shareholder approval establish appendices to the SAYE or further share plans corresponding to the SAYE for the benefit of employees in non-UK jurisdictions. Any such appendices or plans will be similar to the SAYE, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further appendices or plans are treated as counting against the relevant limits in the SAYE.

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