NORCROS

Norcros plc Annual Report and Accounts 2022

Inspiring Living Spaces

Our purpose

To inspire and enhance our customers' living spaces.

Our mission

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

UK portfolio

TRITON

MERLYN

VADO

Croydex

abode

JOHNSON · TILES MADE IN THE UK SINCE 1901

norcros ADHESIVES

GRANT WESTFIELD

(Latest acquisition 31 May 2022).

South African portfolio

TILEAFRICA

JOHNSON · TILES Tile Artisans Since 1901

tal

House of Plumbing Plumbing · Civils · Mining · Engineering

PICTURED
Vado: Knurled X Fusion, a fusion of colour and intricate textured accents, striking the perfect blend of confidence and urbanity to inject true individuality into your bathroom design.

FRONT COVER
Johnson Tiles UK: The 1901 range pays homage to traditional glaze effects, giving the illusion of hand crafted qualities on the contemporary slim brick format.

BACK COVER
Vado: Omika Noir, a Polished Black range designed by Jo Love and launched late in November 2021, showcasing a new PVD finish for Vado.

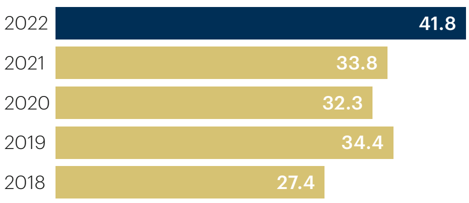
Strategic report

Merlyn: Introduction of the new Merlyn revo bathroom rail and accessories to reduce clutter in your bathroom whilst giving you the safety, adaptability, independence and storage your home requires. The revo rail can be configured to suit your family's needs, present and future, in multiple ways, all in a stylish, easy to clean package.

Record underlying operating profit and strong financial position.

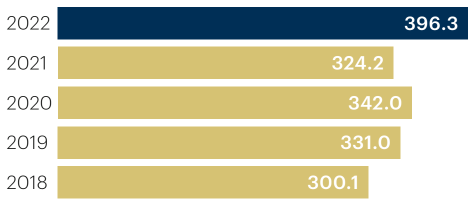
Underlying operating profit £m

£41.8m +23.7%



Total revenue £m

£396.3m +20.6%[1]



1 On a constant currency basis.

Year to 31 March 2022 highlights

- Robust trading and decisive action taken to counter unprecedented cost inflation and supply chain challenges
- Strong execution of strategy
- Full year revenue of £396.3m (2021: £324.2m), 20.6% higher than prior year on a constant currency basis and 20.9% higher than the pre-pandemic 2020 comparator on a constant currency like for like basis (after adjusting the 2020 comparator period from a 53 to a 52 week period pro-rating)
- Record underlying operating profit of £41.8m, 23.7% higher than prior year (2021: £33.8m)
- Operating profit of £36.2m (2021: £24.9m)
- Underlying net cash[2] of £8.6m (2021: net cash of £10.5m)
- Underlying ROCE[2] above strategic target rate at 23.9% (2021: 18.2%)
- Diluted underlying EPS[2] of 38.2p, 22.8% higher than prior year (2021: 31.1p)
- Progressive dividend at 10.0p for the year (2021: 8.2p)
- The acquisition of Grant Westfield completed after the year end, a compelling strategic fit with the Group

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

Current trading

- Group revenue in the two months to the end of May 2022 was marginally ahead of the strong prior year comparator by approximately 1% and significantly ahead of the pre-pandemic comparator of the two months ended May 2019 by approximately 25%. Whilst market conditions are likely to remain uncertain, the Board believes that the Group's proven business model and leading customer service proposition will continue to drive outperformance leading to further progress and market share gains, in line with its expectations, for the year to 31 March 2023

Strategic vision remains valid

Revenue target

£600m

Revenues derived from overseas markets

50%

Sustainable ROCE

>15%

Key messages

- Our record performance is a testament to our proven business model and the dedication of our employees
- The Group has delivered revenue and profit growth on the prior year and the pre-pandemic 2020 comparator
- UK – a strong performance benefiting from the breadth of distribution channels, stock availability and market leading service levels
- SA – an excellent performance, reflecting leading market positions, stock availability and enhanced product offer
- The Group has agreed a new £130m multicurrency revolving credit facility in the year
- We remain confident that the Group's highly experienced management teams, leading brands, proven business model, and leading customer service proposition will continue to drive outperformance, leading to further progress in the year ahead

Why we outperform? It's in our DNA.

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

1

Focused operating model

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

2

Experienced management team

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

3

Leading market positions and brands

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

4

Group-scale advantages versus smaller competitors

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

5

Balanced and diversified business portfolio

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

7

Innovation and new product development

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

6

Flexible and capital light model

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

8

Clear and focused strategy

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

A portfolio of market leading businesses with strong brands.

UK

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

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

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

A leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves

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

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

The leading manufacturer and supplier of ceramic tiles in the UK

Manufacturer of tile and stone adhesives, grouts and related products

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

Read more about our UK businesses on **pages 22 to 27**

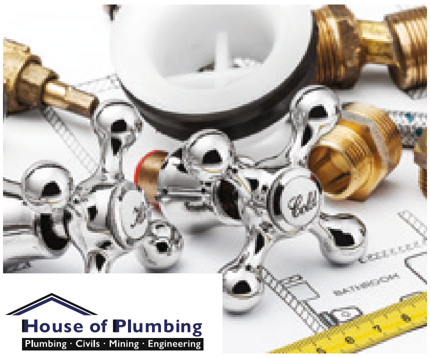
South Africa

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.

Chain of retail stores focused on ceramic and porcelain tiles, and associated products such as sanitaryware, showers and adhesives

Manufacturer of ceramic and porcelain tiles

The leading manufacturer of ceramic and building adhesives



Market leading supplier of specialist plumbing materials

Read more about our South African businesses on pages 28 to 30

Excellent opportunities for growth in all markets.

Key market drivers

UK and South Africa market demand is dependent on:
- New building activity
- Repair, maintenance and improvement (RMI) activity

Influenced by macroeconomic factors:
- Consumer confidence
- Economic growth
- Interest and inflation rates
- Government expenditure

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

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

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

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

Johnson Tiles: Material Lab is a design resource studio and materials library in London, created especially by Johnson Tiles, the UK's leading tile manufacturer. We listened and responded to what the architect and design community wanted and created a muse for inspiration, sharing ideas, networking and meeting clients.

UK

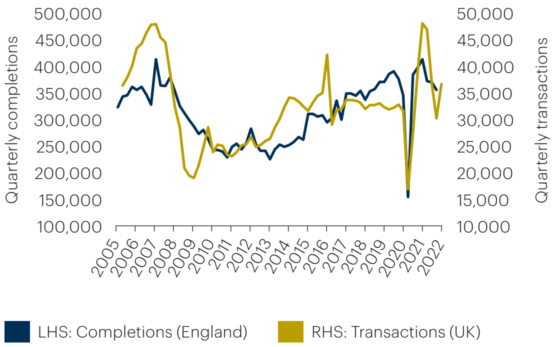
Large fragmented market

Significant consolidation opportunity

- Large target market – c. £2.1bn @ MSP[1]
- Shortage of housing
- Fragmented by product and channel
- Norcros market leading positions
- No overall dominant or global player
- No one company serving all segments and channels
- Complementary kitchen market segments
- Further opportunity to grow market share

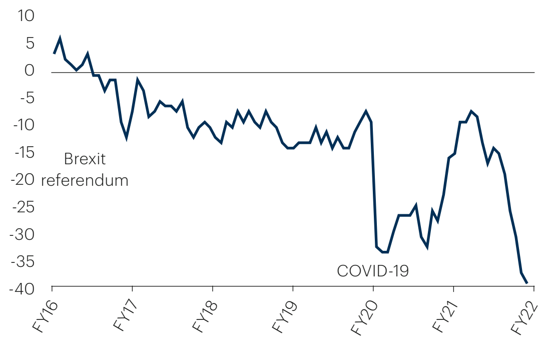
Quarterly housing completions and transactions

Sources: GOV.UK and HMRC – Q1 2022



UK GfK consumer confidence

Source: GfK – May 2022



South Africa

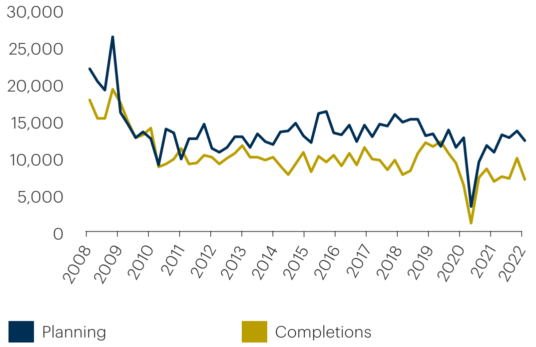
Medium-term potential

Market leading positions

- Sizeable target market – c. £1.2bn @ MSP[1]
- Supportive dynamics:
  - Shortage of housing
  - Construction levels are still less than half 2007 peak
  - Favourable long-term socio-economic demographics
- Integrated business models – Norcros market leading positions
- Complementary sub-markets alternative coverings
- Further opportunity to grow market share

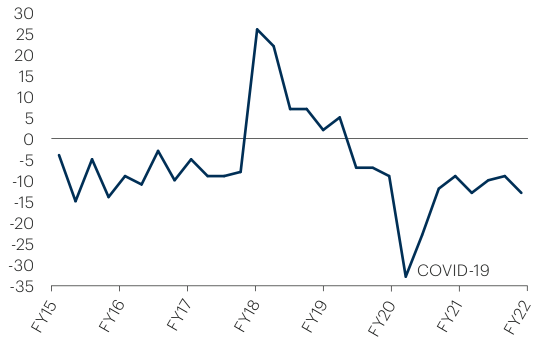
Quarterly – dwellings completed and plans passed

Source: SA Stats – Q1 2022



FNB/BER consumer confidence index

Source: FNB/BER – Q1 2022



1 MSP = manufacturer's selling price.

A record performance for the Group.

"Norcros has continued to trade robustly through unprecedented cost inflation and supply chain challenges."

Gary Kennedy
Chair

Overview

In my first year as Chair, I am pleased to report a record performance for the Group. Norcros has continued its recovery following the period of exceptional global disruption and uncertainty caused by the COVID-19 pandemic. The resilience of the Group's business model and strategy has proven once again to be highly effective through a period of unprecedented cost inflation, supply chain challenges and more recently the Ukraine crisis.

Group revenue for the year was £396.3m (2021: £324.2m), 22.2% higher than the prior year on a reported basis and 20.6% higher on a constant currency basis. Against the pre-pandemic 2020 comparator, this represents a 15.9% increase on a reported basis, 18.6% on a constant currency basis and 20.9% on a constant currency like for like basis after adjusting the 2020 comparator period from a 53 to a 52-week period pro-rating.

Underlying operating profit was at a record level of £41.8m (2021: £33.8m), 23.7% ahead of the prior year, reflecting the strong progress and market share gains in both the UK and South Africa.

The Group finished the year with net cash of £8.6m (2021: net cash of £10.5m), reflecting investment into inventory in the period to optimise our service and stock availability in the light of the exceptional supply chain challenges.

Acquisition of Grant Westfield

On 31 May 2022, we completed the acquisition of 100% of the share capital of Granfit Holdings Limited and its subsidiaries including Grant Westfield Limited, trading as Multipanel. Grant Westfield is a leading manufacturer of high end waterproof bathroom wall panels. The company has a 140-year track record and operates under the leading UK bathroom wall panel brand Multipanel. Headquartered in Edinburgh, Scotland, customers are served from a nationwide UK distribution network of eight locations, and a growing presence in Europe from a distribution hub in Germany. Customers include national and regional merchants, major buying groups, specification and online customers. See note 31 to the financial statements.

Strategy

Notwithstanding the challenges of COVID-19, we have made strong strategic progress and our focused growth strategy continues to be valid and relevant. Our targets to grow Group revenue to £600m by 2025 whilst sustaining a pre-tax return on underlying capital employed of more than 15% over the economic cycle continue to govern how we evaluate opportunities and deploy capital. The Group's performance in the year demonstrates the resilience and effectiveness of our business model and strategy. Whilst there is still a significant degree of uncertainty around the post-COVID-19 economic recovery, supply chain challenges and the Ukraine crisis, we are convinced of the validity and effectiveness of the strategy and remain committed to these targets.

Dividend

The Group responded swiftly to the impact of the COVID-19 pandemic and the need to preserve cash by not paying a final dividend in relation to the year ended 31 March 2020 nor an interim dividend in relation to the year ended 31 March 2021. Based on the improved trading performance in the second half of the prior year, the further strengthening of the balance sheet and the outlook, the Board reinstated the progressive dividend policy with a final (and total) dividend for 2021 of 8.2p per share. For the year ended 31 March 2022, the Board is recommending a final dividend of 6.9p (2021: 8.2p) per share. When combined with the interim dividend of 3.1p (2021: £nil) per share, which was paid on 11 January 2022, this will make a total dividend for the year of 10.0p (2021: 8.2p) per share, a 21.9% increase on the previous year in line with the growth in earnings albeit maintaining a prudent level of cover.

Pension scheme

The net position relating to our UK defined benefit pension scheme (as calculated under IAS 19R) has improved to a surplus position of £19.6m at 31 March 2022 from a deficit of £18.3m at 31 March 2021, primarily as a result of an increase in the discount rate driven by market factors.

The Group has reached agreement with the Trustee on the 2021 triennial actuarial valuation for the UK defined benefit scheme and on a new deficit recovery plan. Deficit repair contributions have been agreed at £3.8m per annum from 1 April 2022 to March 2027 (increasing with CPI, capped at 5%, each year). Both the Group and the Trustee regard this as an appropriate outcome.

We remain confident that our pension obligations continue to be appropriately funded and well managed. The Group recognises that the pension scheme is a key stakeholder and the Group and the Trustee continue to work constructively together.

Environmental, social and governance (ESG)

The Board remains committed to embedding sustainability within our business strategy. We recognise that our stakeholders, including our employees, investors and customers, have rising expectations about our environmental and social impacts and the way that we operate our business. We are proud of our history of environmental and social leadership, our achievements in setting industry leading standards in our products and the support we provide our communities. This year, we have made enhancements to our emissions and energy data collection process and are pleased to include our first report aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which outlines our approach to managing climate-related risks and opportunities across the Group. We also report on the enhanced structure of our ESG management internally which has helped us develop our framework and improve the management of our impact. Further details can be found in the ESG section on pages 42 to 59.

Board changes and senior management appointments

As previously announced, I was appointed as a Non-executive Director and Non-executive Board Chair on 8 December 2021. I am delighted to join the Board and be part of the future growth of the Group. I would like to thank David McKeith, who was Acting Chair for the Group from April 2021 until my appointment.

As previously reported, James Eyre was appointed to the Board as Chief Financial Officer with effect from 1 August 2021 following Shaun Smith's retirement at the end of December 2021. James was our Corporate Development and Strategy Director and has been a member of the Group's senior team since 2014, responsible for leading our acquisitions. He is a Chartered Accountant and held senior finance roles at AstraZeneca, Bank of Ireland and Rothschild & Co prior to joining Norcros.

The Board composition can be found on pages 64 and 65.

As previously announced, Thomas Willcocks was appointed to the Group senior executive team as Group Business Director – UK, with effect from 1 August 2021. Thomas joined Norcros South Africa in 2006 and was promoted to Managing Director of Norcros South Africa in 2009. He has overseen the sustained and profitable growth of our South African business. Kevin Swan succeeded Thomas as Managing Director of Norcros South Africa, also from 1 August 2021, having joined Norcros in March 2021. He was previously chief executive of Bidvest Packaging.

The Group Executive Committee comprises our CEO (Nick Kelsall), CFO (James Eyre), Group Counsel/Company Secretary (Richard Collins) and Group Business Director – UK (Thomas Willcocks).

Governance

As Chair, one of my primary responsibilities is to ensure that the Group continues to operate to the highest standards in all aspects of governance and risk management. Our aim at Norcros has always been to operate in line with our values and the "Norcros DNA" which sets us apart from our competitors, while ensuring that proper operating procedures and internal controls are maintained at all times. Transparency is central to this objective and you will find more detail about our approach and progress over the last year in the Corporate Governance section on pages 66 to 69.

Abode: Agilis Single Lever in Brushed Brass and Matt Black: Style, form and function unite with Agilis, the latest innovation to join the Distinctly Abode collection of design-led taps.

With the handle up front and centre an agile movement such as the flick of a wrist will operate the water flow of the Agilis, great if you have dirty hands from food preparation, baking or gardening.

Designed for ultimate ease of use, the Agilis reduces reach, making it simpler to access the tap handle. Available in Chrome, Brushed Nickel, Brushed Brass, Matt Black or Black and Brass.

Chair's statement continued

People

The Board continues to regard our employees as our most valuable asset and in recognition of this the Group aims to create a safe and positive working environment within an open, transparent and entrepreneurial culture and de-centralised operating model. On behalf of the Board, I would like to thank the Group's employees who have helped to deliver on the Group's strategic objectives and in particular for their dedication and contribution over the last twelve months. I would also like to warmly welcome the management team and employees of the Grant Westfield business to the Group.

Current trading

Group revenue in the two months to the end of May 2022 was marginally ahead of the strong prior year comparator by approximately 1% and significantly ahead of the pre-pandemic comparator of the two months ended May 2019 by approximately 25%.

Summary

The Group has delivered a robust performance and a record result despite challenging market conditions. This demonstrates the effectiveness and resilience of our Group with its highly experienced management teams, leading brands, proven business model, leading customer service proposition and strong financial position. In addition, through the acquisition of Grant Westfield, the Group has taken a further important step forward in its growth strategy.

Market conditions are likely to remain uncertain and challenging, albeit the Board is confident that the Group's resilient business model and strong execution of strategy will continue to deliver outperformance leading to further progress and market share gains in line with its expectations in the year ahead.

Gary Kennedy
Chair
8 June 2022

Abode: Protrad 4 in 1 boiling hot water tap in Antique Brass and Brushed Nickel.

Abode's research confirms that there is now a strong demand for hybrid tap designs that combine traditional style traits with modern functionality, like instant steaming hot and filtered water on tap. Abode's Protrad in Antique Brass or Brushed Nickel is able to create a blended décor that is both classic and modern, with the advanced functionality of boiling hot water.

Record performance notwithstanding supply chain challenges and exceptional cost inflation.

We have continued to build on last year's strong recovery from the unprecedented global disruption and uncertainty caused by the pandemic."

Nick Kelsall
Chief Executive Officer

Overview

Norcros has ended the year reporting record levels of revenue and underlying operating profit and a net cash position.

We have continued to build on last year's strong recovery from the COVID-19 pandemic against a backdrop of unprecedented cost inflation and exceptional supply chain challenges. It is particularly pleasing to see how well our businesses in the UK and South Africa responded and adapted to these challenges and continued to make the strong progress in performance. It is a testament to our management teams, proven business model, supply chain infrastructure and our leading customer service proposition.

Group revenue at £396.3m (2021: £324.2m) increased by 22.2% on a reported basis and by 20.6% on a constant currency basis. Revenue was also 20.9% higher than the pre-pandemic comparator of 2020 on a constant currency like for like basis (after adjusting the 2020 comparator period from a 53 to a 52-week period pro-rating). The strong trading performance in the first half of the year continued into the second half with further revenue growth in South Africa and a robust performance in the UK.

Group underlying operating profit for the year increased by 23.7% to a record of £41.8m (2021: £33.8m), reflecting the increased revenue in the year and an operating margin slightly ahead of last year at 10.5% (2021: 10.4%). Management acted decisively to counter unprecedented cost inflation and supply chain challenges to protect margins through implementing selling price increases and ensuring superior levels of stock availability and service.

Revenue in the UK was £256.7m for the year (2021: £220.2m), 16.6% higher than the prior year on a reported basis and 16.1% higher than 2020 on a like for like basis. Buoyant demand in the RMI sector, market share gains (supported by excellent stock availability) and increased selling prices to recover higher input costs were the key drivers. All businesses apart from Johnson Tiles (which was relatively more impacted by the slower recovery in the commercial sector) delivered revenue growth on the pre-pandemic levels in 2020 and all divisions outperformed the prior year.

UK underlying operating profit for the year was a record at £30.9m (2021: £26.9m) with an underlying operating margin of 12.0% (2021: 12.2%). Underlying operating profit growth was driven by a strong performance across the UK businesses.

Operating cash flow was lower than prior year as a result of investment into working capital, primarily inventory.

Revenue in South Africa increased by 28.8% on prior year on a constant currency basis, and 34.2% higher on a Sterling reported basis, to £139.6m (2021: £104.0m). Revenue was also 30.7% higher than 2020 on a constant currency like for like basis. All divisions delivered revenue growth on both prior year and 2020.

Tile Africa, Johnson Tiles and TAL continued to benefit from higher demand and market share gains in the retail renovation market, while House of Plumbing's growth from new branch openings was partially offset by subdued activity in the large-scale commercial building segment.

South African underlying operating profit for the year was at a record level of £10.9m (2021: £6.9m), largely reflecting strong retail demand and a £0.2m foreign exchange translation gain from a stronger Rand. Underlying operating margin was 7.8% (2021: 6.6%).

As in the UK, operating cash flow was lower than prior year as a result of investment into working capital, primarily inventory.

Acquisition of Grant Westfield

On 31 May 2022 we completed the acquisition of 100% of the share capital of Granfit Holdings Limited and its subsidiaries including Grant Westfield Limited, trading as Multipanel. The acquisition was funded through equity and utilisation of the Group's banking facilities. Grant Westfield is a quality business with a strong track record of profitability and cash generation run by an experienced and capable management team. We welcome all the employees to the Norcros Group and expect the business to make a strong contribution to the Group through its complementary range of waterproof bathroom wall panels.

Strong financial position

The Group has a strong balance sheet with net cash of £8.6m (2021: net cash of £10.5m). This position reflects a planned investment into working capital in the year of £23.6m, particularly inventory, with a resultant underlying operating cash flow of £28.6m (2021: £65.8m) in the year.

The Group completed a refinancing of its banking facilities in the second half of the year. The new facility is a £130m multicurrency revolving credit facility for an initial three-year and seven-month term, with two further years as extension options. There is also an uncommitted accordion facility of £70m. The Group therefore remains well positioned to progress its growth strategy.

Following the acquisition of Grant Westfield in May 2022, pro-forma leverage is approximately 1.0x EBITDA.

Chief Executive Officer's statement continued

Strategy remains valid

In April 2018 we launched a refreshed strategy for growth and a 2023 vision for the Group, including an updated set of strategic targets which were: to increase Group revenue to £600m by 2023; to maintain revenue derived outside of the UK at approximately 50% of Group revenue; and to sustain a pre-tax return on underlying capital employed of more than 15% over the economic cycle. The previous timescale of 2023 was extended to 2025 in the prior year reflecting the COVID-19 disruption. Notwithstanding the extended timeframe, the strategy remains valid and we have performed strongly against these targets as detailed below:

- Group revenue increased by 22.2% to £396.3m (2021: £324.2m; original 2023 target: £600m).
- On a Sterling reported basis, Group revenue derived outside of the UK was 43.9% (2021: 41.6%), and in constant currency terms, from when the targets were set, 47.0% (2021: 45.6%).
- Group underlying return on capital employed was 23.9% on a pre-IFRS 16 basis (2021: 18.2%) and significantly exceeded our strategic target of 15%.

The Group's very strong recovery from the COVID-19 pandemic and the decisive response to the inflationary and supply chain challenges continue to demonstrate the resilience of our business model and the effectiveness of our strategy.

The Board remains confident that the Group's focused strategy, highly experienced management teams, talented people, market leading brands, supply chain and customer service will continue to drive outperformance in the current financial year."

Nick Kelsall
Chief Executive Officer

The UK bathroom and kitchen product market remains highly fragmented with significant consolidation opportunities to either broaden our product portfolio or further consolidate our current offerings. The significant strength of the balance sheet means the business is well placed to take advantage of further acquisitions or organic growth opportunities as they arise.

Sustained investment in new product development will continue to drive organic growth alongside our market leading brands, customer service and best in class quality. Our product vitality rate (the percentage of revenue in the period derived from new products launched in the last three years) remained high at 29% (2021: 28%), but marginally short of our demanding target of 30% mainly due to the COVID-19 related disruption to supply chains and the temporary closure of retail showrooms in recent years postponing projects. Our vitality rates are nonetheless market leading and are expected to increase again as our new product launches return to pre-COVID-19 levels.

Summary and outlook

The Group has outperformed expectations, recovering very strongly from the pandemic and then successfully navigating a period of unprecedented cost inflation and supply chain challenges. Our performance on all fronts is a testament to our business model and our employees, particularly against the backdrop of challenging markets as demand continues to adjust to the impact of the pandemic. It is particularly pleasing to see how well our businesses both in the UK and South Africa have continued to make strong progress, gain market share and benefit from their leading brands, supply chain infrastructure and stock availability.

Strategic report

Whilst the recovery has been strong, the normalisation of consumer spending patterns in addition to pressure on household disposable incomes will provide some uncertainty in our markets. In addition, the secondary impacts of the COVID-19 pandemic and the Ukraine crisis remains difficult to predict. Notwithstanding these uncertainties, we are confident that our supply chain infrastructure combined with our local inventory holdings will ensure our leading competitive position is maintained.

In summary, we have ended the year strongly, outperforming our expectations and our markets and delivered record levels of revenue and profit and growth on prior year and pre-pandemic levels.

Whilst market conditions are likely to remain uncertain, the Board believes that the Group's proven business model and leading customer service proposition will continue to drive outperformance leading to further progress and market share gains, in line with its expectations, for the year to 31 March 2023.

Nick Kelsall
Chief Executive Officer
8 June 2022

Vado: In collaboration with Jo Love, Design Director of Love Interiors, Vado has launched Omika Noir in Polished Black. Omika Noir offers a number of bathing and showering solutions, embracing a slim, minimalistic silhouette with intricate geometric accents. The range will add interest and character to any minimalistic modern décor.

Maximising shareholder value through continuous investment.

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

Our key inputs

We are focused on providing sustainable value creation whilst committed to operating in an ethical, entrepreneurial and responsible manner with the highest standards of corporate governance.

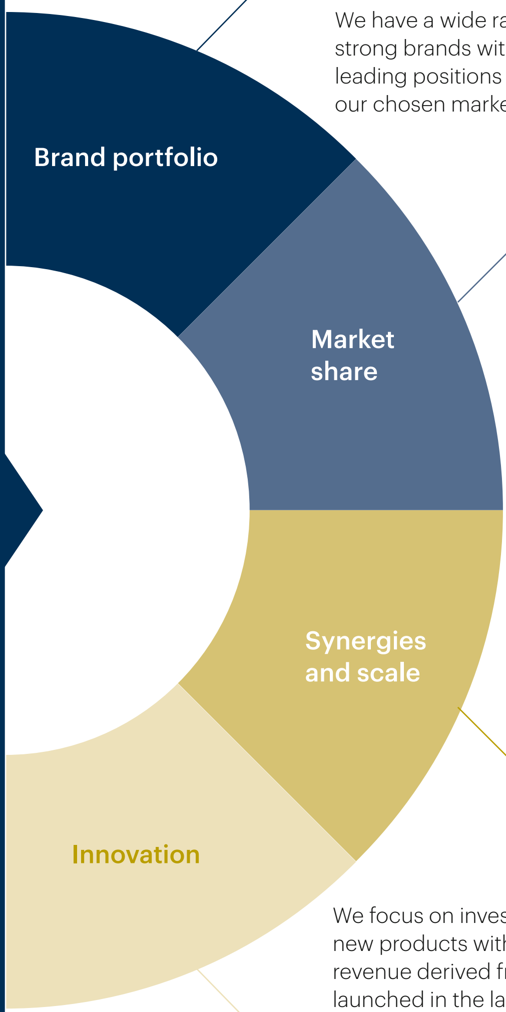
People
- Providing our employees with a safe and positive working environment
- Open, transparent and entrepreneurial culture and de-centralised operating model
- Strong cultural values aligned to our "Norcros DNA"

Products
- Strong brands, contemporary designs, trusted quality, innovation and a wide product range
- Continuous NPD programme driving organic market share growth

Process
- Customer centric approach
- Committed to operating in an ethical and responsible manner
- Upholding the highest levels of corporate responsibility and governance
- Minimising our negative impact on the environment

How we do business

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



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

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

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

We focus on investment in new products with 29% of 2022 revenue derived from products launched in the last three years.

What makes us different

We base our business on understanding our customers' needs. Norcros is a substantial and growing international group with consistent, high quality standards and considerable resources.

- **Collaborative branding**
  Broad brand positioning facilitates channel development and acquisition of new accounts.
- **Channel management**
  As our businesses enjoy leading positions, we have the necessary management expertise to satisfy the needs of all our customers across our broad distribution base.
- **Leveraging Group reach**
  Achieving greater penetration of housebuilders and modular/bathroom pod manufacturers.
- **Complementary products and broad product range**
  Our complementary and extensive product range provides a one-stop shop to our existing customer base and is important in attracting new customers.
- **Best in class sourcing and assembly**
  Our products are sourced and manufactured to the highest standards and are quality monitored at each stage of the supply chain.
- **Successful acquisition strategy**
  We target acquisitions in complementary product, market and industry segments exhibiting attractive returns on capital.
- **Broad coverage of the Group**
  Leveraging channel development, joint product development and supply chain efficiencies.

The value we create

The key areas of value creation across our stakeholder base are below:

Shareholders
- Progressive and resilient return of value to shareholders
- Continued execution of growth strategy with strong pipeline of opportunities
- Strong financial position with robust cash-generative business
- Return on capital employed maintained above strategic target

Customers
- Over 7,500 business customers supplied during the year with innovative high quality branded products
- Continued innovation and deployment of technology to service our customers
- Sustained investment in our leading brands to ensure longevity
- Customer-focused approach delivering outstanding customer service and unrivalled technical support

Employees
- Nearly 2,400 employees around the world[1]
- Focus on training and development
- Experienced, devolved management teams and well-established local trading relationships
- Empowering culture to enable our people to meet their aspirations

Society
- Playing a key role in the communities we serve by supporting local businesses, schools and colleges, through education and training schemes
- Supporting the local communities with a range of charitable events

Environment
- Committed to monitoring and minimising our environmental impacts and encouraging our suppliers to do the same
- Committed to adapting our business to changing consumer demands for our products

1 Including Granfit Holdings and its subsidiaries.

A focused growth strategy delivering strong sustainable results.

About our strategy

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

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

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

Our strategic targets

Grow Group revenue to

£600m

by 2025

Maintain approximately

50%

of Group revenue derived outside the UK

Achieve a sustainable underlying return on capital employed of

15%

through the economic cycle

1

Share gains and sector focus

Pursue a faster and focused growth strategy to scale the size of the Group organically

Progress in 2022

- Underlying operating profits increased by 23.7% from £33.8m to £41.8m
- Ended the year with strong Balance Sheet with net cash of £8.6m (2021: net cash of £10.5m)
- Underlying ROCE achieved of 23.9% (2021: 18.2%) ahead of strategic target of 15%
- UK market share growth during the year particularly in Triton, Merlyn and Abode
- Tile Africa, Johnson Tiles and TAL increasing market share gains in the retail renovation market; House of Plumbing branch expansion
- Momentum in Eire market, Triton, Merlyn and Vado

Priorities for 2023

- Continue to move towards being "one-stop shop for bathrooms" in our selected markets
- Further investment in brands, service, marketing and sales, and stock availability underpinning margins and share gains
- Further increase export traction via Merlyn, VADO, Croydex and Johnson Tiles

2

Acquisitions

Target acquisitions in selected geographies and complementary product markets with attractive returns on capital

Progress in 2022

- Acquisition of Grant Westfield – a leading UK designer, manufacturer and supplier of waterproof bathroom wall panels, operating under the renowned Multipanel brand

Priorities for 2023

- Well-developed complementary acquisition pipeline
- Attractive opportunities to gain share and build the "one-stop-shop"
- Develop international pipeline

3
ESG
Continue to ensure high standards of corporate governance and responsibility and place sustainability at the heart of our business

Progress in 2022
- New ESG governance structure – Board reporting and ESG Forums
- Reported against Task Force on Climate-related Financial Disclosures (TCFD)
- New Code of Ethics and Standards of Business Conduct across the Group
- Group-wide assessment by Carbon Trust of Scope 1, Scope 2 and Scope 3 emissions
- Triton and Croydex achieve Route to Net Zero Standard (Taking Action)
- Group Health and Safety Policy updated

Priorities for 2023
- Continue to develop an overarching ESG framework, considering metrics and targets

4
Operational excellence
Leverage revenue synergies and efficiencies within our portfolio of complementary businesses

Progress in 2022
- Specification channel group continues to drive further penetration of housebuilders and modular/bathroom pod manufacturers
- Collaborative branding winning new accounts – Merlyn and Triton: "Fast Fix" shower enclosure into Screwfix
- Joint new product initiative – Triton and Abode: Proboil

Priorities for 2023
- Opportunity to apply Group reach to Grant Westfield into new channels, markets and accounts
- Focus on development of further supply chain and sourcing synergies

5
Product vitality
Maintain investment in our strong brands and new product development programmes

Progress in 2022
- House of Plumbing product range expanded to serve broad civils market segment
- Comprehensive launch of a number of new product lines in the year (see Business Reviews for details)
- New Product Vitality Index at 29% (revenue % from products launched in last 3 years) – maintained at high level (2021: 28%)

Priorities for 2023
- Further investment in NPD
- Further investment in marketing

Measuring our progress.

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

Total revenue £m

£396.3m +22.2%

2022	396.3
2021	324.2
2020	342.0
2019	331.0
2018	300.1

Link to strategy 1 2 3 4 5

Definition Reported Group revenue for the year.

Performance Total revenue for the year increased by 22.2% on a reported basis and by 20.6% on a constant currency basis.

Group revenue outside the UK %

43.9% +2.3%

2022	43.9
2021	41.6
2020	43.1
2019	41.7
2018	44.3

Link to strategy 1 2 3 4 5

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

Performance Group revenue outside the UK has increased in the year to 43.9%, reflecting growth in South Africa ahead of growth in the UK. In constant currency terms from when the targets were set we are more closely in line with the strategic target (of 50%) at 47.0% (2021: 45.6%), the growth on prior year reflecting the higher constant currency growth in South Africa over the UK in the year.

Underlying operating profit £m

£41.8m +23.7%

2022	41.8
2021	33.8
2020	32.3
2019	34.4[1]
2018	27.4[1]

Link to strategy 1 2 3 4 5

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

Performance Underlying operating profit increased by £8.0m (+23.7%). This reflected a strong trading performance in the UK and in South Africa.

1 On a pre-IFRS 16 basis.

Underlying return on capital employed %

23.9% +570bps

2022	23.9
2021	18.2
2020	16.4
2019	18.2
2018	18.0

Link to strategy 1 2 3 4 5

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

Performance Underlying ROCE remained above the strategic target of 15% over the economic cycle. The improvement over prior year reflected the 23.7% growth in underlying operating profit against increased capital employed, driven by the Group's investment into inventory.

Dividend per share p

10.0p +21.9%

2022	10.0
2021	8.2
2020	3.1
2019	8.4
2018	7.8

Link to strategy 1 2 3 4 5

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

Performance In line with the Board's progressive albeit prudent dividend policy, the dividend per share increased 21.9% to 10.0p per share from 8.2p per share.

Underlying operating cash flow £m

£28.6m -56.5%

2022	28.6
2021	65.8
2020	38.4
2019	39.8
2018	31.0

Link to strategy 1 2 3 4 5

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

Performance Underlying operating cash generation decreased to £28.6m reflecting a strong trading performance and investment into inventory.

Link to strategy 1 Share gains and sector focus 2 Acquisitions 3 ESG 4 Operational excellence 5 Product vitality

A record performance for the Group.

	2022 £m	2021 £m
Revenue	**396.3**	324.2
Operating profit	**36.2**	24.9
IAS 19R administrative expenses	**1.7**	1.4
Acquisition related costs	**4.8**	3.7
Exceptional operating items	**(0.9)**	3.8
Underlying operating profit	**41.8**	33.8

	2022 £m	2021 £m
Revenue – UK	**256.7**	220.2
Revenue – South Africa	**139.6**	104.0
Revenue – Group	**396.3**	324.2
Underlying operating profit – UK	**30.9**	26.9
Underlying operating profit – South Africa	**10.9**	6.9
Underlying operating profit – Group	**41.8**	33.8
Underlying operating profit margin – UK	**12.0%**	12.2%
Underlying operating profit margin – South Africa	**7.8%**	6.6%
Underlying operating profit margin – Group	**10.5%**	10.4%

	2022 £m	2021 £m
Underlying operating profit	**41.8**	33.8
Depreciation of right of use assets	**4.1**	4.0
Lease costs	**(5.7)**	(5.3)
Depreciation and underlying amortisation (owned assets)	**5.2**	5.4
Underlying EBITDA	**45.4**	37.9
Net working capital movement	**(23.6)**	21.8
Share-based payments	**1.1**	1.0
Operating profit impact of IFRS 16	**1.6**	1.3
Depreciation of right of use assets	**4.1**	4.0
Cash settlement of share options	**—**	(0.2)
Underlying operating cash flow	**28.6**	65.8

	2022	2021
Basic underlying earnings per share	**38.9p**	31.2p
Diluted underlying earnings per share	**38.2p**	31.1p

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

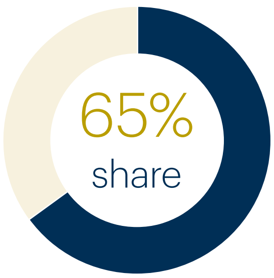
An excellent performance.

Revenue grew 16.6% on the prior year as we gained market share, benefiting from our market leading brands, well-established supply chain infrastructure and superior customer service.

Highlights 2022

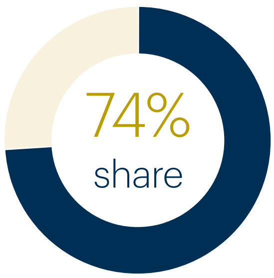
Share of Group revenue

£256.7m



Share of Group underlying operating profit

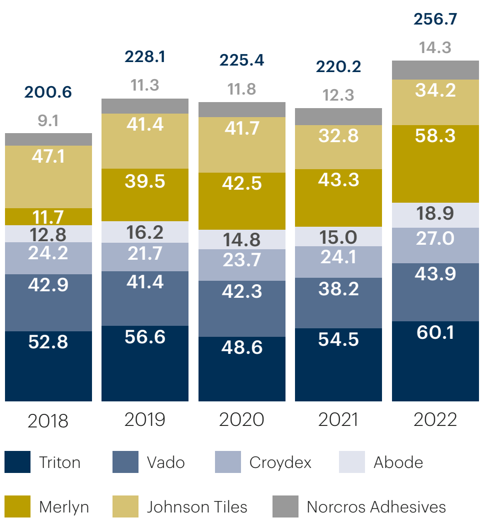
£30.9m



UK revenue £m

£256.7m

+16.6%



UK

In the UK, full year revenue was 16.6% higher than the prior year on a reported basis at £256.7m (2021: £220.2m). We have continued to build on last year's strong recovery from the COVID-19 pandemic, the impact of which appears to be reducing. Demand was driven by an increase in RMI activity and a robust private new housebuilding sector, where we enjoy market leading positions. Exports also performed well in the year. The commercial and local authority sectors have taken longer to recover but are showing early signs of improved demand in the year ahead.

Our businesses further capitalised on these market conditions by a planned reinvestment in inventory levels to help mitigate the significant supply chain challenges in the period, which benefited from our well-established supplier infrastructure in China. This targeted investment in inventory, combined with our experienced and dedicated staff, and a strong new product development pipeline, helped deliver meaningful market share growth over the period in our chosen markets and segments. Whilst overheads were carefully managed as we emerged from the disruption of the previous year, we experienced unprecedented raw material, freight and energy cost increases. These cost increases were largely recovered through price increases to our customers and margins continue to be closely monitored.

Further progress has been made on our ESG initiatives, with the businesses specifically focused on our Carbon Management Plans. We are particularly proud of the fact that Triton has achieved The Carbon Trust Standard with a 38% reduction in its CO_2 footprint over the assessment period and has now embarked on becoming net carbon zero as part of our "cleaner conscience" campaign by 2025. Further detail is included in the ESG section.

The business and our teams continue to be mindful of the risks associated with the ongoing COVID-19 pandemic. Whilst the impact of the pandemic appears to be reducing, we continue to ensure that every reasonable action is being taken to provide a safe working environment for all our team members.

We are proud of the resilience and agility demonstrated by our teams and partners and are confident that we are well positioned to continue to profitably grow market share in the year ahead.

Underlying operating profit for the year grew by £4.0m to a record level of £30.9m (2021: £26.9m) with an operating margin of 12.0% (2021: 12.2%). This increase in profitability mainly reflected the benefits of the operational leverage resulting from the significant increase in revenue in the period.

TRITON

Beauty salon goes with the Instaflow to improve efficiency

The challenge
Award-winning LUXE Hair Beauty Bridal, Leicestershire, urgently needed an energy efficient solution to provide instantaneous hot water, while helping to keep its utility bills under control.

The solution
Triton's 15L Instaflow Stored Water Heater is ideal for premises that only have access to cold mains water supply; it is quick and easy to install and easy to hide from view. The system benefits from low operating pressures, while also providing quick heat-up times and variable temperature settings. As the electric Instaflow heats water only when needed, it minimises wastage and conserves power.

The result
The salon is able to cater for the needs of its customers, while using as little water and energy as possible in the process.

Triton

Revenue at Triton, the UK's market leader in showers, was £60.1m (2021: £54.5m), 10.3% higher than the prior year and 26.3% higher than the pre-COVID-19 2020 comparator on a like for like basis.

Triton has benefited from strong retail sales over the last two years by ensuring product availability and maintaining high customer service levels. As a result, as competitors struggled to react to the challenging situation, Triton was able to build on its market leading position taking an increasing market share in electric and mixer showers which has been retained. Retail sector revenue increased by 2.9% in the year and by 31.2% in comparison to 2020 on a like for like basis.

Following an initial delay in the recovery of contract, housing and local authority business, the trade sector revenue has returned strongly. Trade sector revenue in the year was 22.1% higher than prior year and 21.3% higher than 2020 on a like for like basis. Export revenue also performed strongly with 11.0% growth on the prior year and 31.5% growth against 2020 on a like for like basis.

Proud to be manufactured in Britain for over 45 years and a member of the "Made in Britain" scheme since 2014, Triton is known as a leader in electric shower innovation with a focus on its environmental credentials. Our "cleaner conscience" TV and press campaigns highlighting the environmental and financial benefits of showering less have been well received. Further initiatives were introduced in the year such as 100% recycled bags for shipping, 30%+ recycled content plastic packaging, carbon neutral paper for all production (such as installation instructions) and electric vehicles within the fleet.

During the year Triton continued to work with the Carbon Trust with the target to be net carbon zero by the end of 2025, Triton's 50th anniversary year.

New products continue to be a key driver in maintaining Triton's long-term leading market position where ongoing investment and new product launches have proven successful. Notable revenue growth in the year was delivered from Omnicare Ultra, a shower range for the care and adaptations segment. Triton's Enrich electric shower won an award in the year as the product of choice by installers and, overall Triton was awarded the Feefo Platinum Trusted Service Award for demonstrating outstanding service to customers.

Triton again delivered a high level of underlying operating profit ahead of the prior year combined with good cash conversion.

UK business review continued

UK continued

Merlyn

Merlyn, the UK and Ireland's no. 1 supplier of shower enclosures and trays to the residential, commercial and hospitality sectors, performed strongly and recorded revenue of £58.3m (2021: £43.3m), growth of 34.6% on the prior year and 39.8% against 2020 on a like for like basis. The business continued to grow its market share, leveraging its leading position in the UK through its quality product offering, stock availability and customer centric service.

UK revenue grew by 35.8% on prior year and 41.7% on 2020 on a like for like basis, with a particularly strong performance in the trade sector, where revenue grew by 56.3% against the prior year and 65.8% against 2020 on a like for like basis. This was driven by growth across a number of existing customers in addition to a number of new contracts including Sanctuary Housing and St Modwen Homes. The retail sector revenue increased by 21.3% against prior year and 25.2% against 2020 on a like for like basis, representing an increased share of showroom spend. Exports increased by 26.0% in the year and 26.0% against 2020 on a like for like basis, reflecting growth in Ireland and France.

New product development remains a core component of Merlyn's growth strategy with the launches of Arysto luxury shower enclosures and slip resistant trays during the year. The future pipeline includes an Arysto range extension, a next generation of shower trays, further storage options and products with improved glass cleaning properties. Our focus on our customers was reflected in Merlyn winning the Fortis Overall Supplier of the Year and Wetroom Supplier of the Year and the Neville Lumb Overall Supplier of the Year and also attaining the Gold Standard in Excellence Through People.

Merlyn has continued to progress its environmental credentials during the year and has launched an eco-packaging solution developed last year to eliminate the use of single-use plastics with fully recyclable alternatives. All new product launches will incorporate eco-packaging.

Notwithstanding substantial increases in input and sea freight costs, Merlyn recorded a strong underlying operating profit performance. Cash conversion remained strong in the period.

MERLYN

Bodmin Jail Hotel blends heritage architecture with contemporary design

The challenge

Bodmin Jail Hotel is a four-star boutique hotel based in the Grade II listed walls of the former prison building in Cornwall. The design brief to Merlyn was to intertwine the imposing architecture of the 18th century jail with high quality contemporary products.

The solution

Dart Bathrooms, the contracted bathroom merchant, worked closely with Merlyn's Specification Team to select the stylish 8 Series Frameless Quadrant Door to effortlessly combine high aesthetics with functionality.

The result

The new bathroom suites perfectly marry the imposing original architecture of the 300-year-old jail with contemporary fittings and finishes. The 8 Series Frameless Quadrants with concealed fixings help to create the illusion of space, blending seamlessly with the original architecture and weathered stone walls. The product also comes with a lifetime guarantee and Mershield Stayclear easy clean protected glass.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded revenue of £43.9m for the year (2021: £38.2m), 14.9% higher than the prior year and 5.8% higher than 2020 on a like for like basis.

In the UK, our retail sector revenue showed strong growth, up on prior year by 23.8% and 12.0% up on 2020 on a like for like basis on the back of a vibrant new product development programme and excellent stock availability.

The trade sector was more challenging with revenue up 6.3% on prior year but 4.5% lower than 2020 on a like for like basis. This was in part driven by the lack of availability of building materials and labour which resulted in slower than planned build programmes at key customers.

Export revenue was 16.5% ahead of both prior year and 2020 on a like for like basis on the back of strong growth in Europe and the Middle East.

The business continued to invest in NPD with further market leading launches planned to follow the successful launches of the Knurled X Fusion and Omika Noir ranges this year. Our NPD programme has a strong environmental and sustainability focus, with the launch of our EcoTurn range of cold start taps last year reinforcing Vado's position as an on-trend and sustainable brand.

Vado generated an underlying operating profit ahead of last year and a strong level of cash conversion in the period.

Croydex

Croydex, our market leading, innovative designer, manufacturer, and distributor of high quality bathroom furnishings and accessories, recorded revenue of £27.0m (2021: £24.1m) for the period, 12.0% higher than the prior year and 15.9% higher than 2020 on a like for like basis.

Retail sector revenue was marginally ahead of prior year and 14.0% up on 2020 on a like for like basis. Retail and E-Commerce sales slowed in the second half of the year as customers returned to physical stores and activity returned to more normal levels. The business continues to develop its digital strategy and has secured further listings with Home Depot.com, Lowes, Walmart and Amazon, providing a sound base for both our export and online growth plans.

Trade sector revenue was up 28.4% on the prior year and up 16.9% against 2020 on a like for like basis, with the toilet seat category including Croydex's patented fixing system performing especially well. Export sales were in line with prior year and 18.2% up on 2020 on a like for like basis, mainly driven by new business in Italy, offset by a slowdown in Germany.

Croydex's ongoing new product development programme has played a major role in driving new sales opportunities, particularly through new patented solutions within the shower rod, toilet seat and medicine cabinet categories. Hygiene-focused products with anti-bacterial and anti-viral surfaces and non-touch taps were also introduced. The packaging policy was developed further in the year to reduce the environmental impact and eco-design was integrated into all products. Croydex has worked with the FSC on timber certification and BEIS, DEFRA, BMA and UWL regarding the proposed water efficiency labelling scheme.

Underlying operating profit was ahead of the prior year, albeit cash conversion was significantly lower than prior year, reflecting investment into inventory to support stock availability and service.

Vado: By using the latest thermostatic cartridge technology, Vado's thermostatic shower and bath valves can eliminate the risk of scalding, delivering optimum mixed water temperature to guarantee safety for all the family.

UK business review continued

UK continued

Abode

Abode, our leading designer and distributor of high quality hot water taps, bathroom mixers, kitchen sinks and taps, recorded revenue of £18.9m for the year (2021: £15.0m), a 26.0% increase on prior year and a 30.3% increase against 2020 on a like for like basis.

The business continued to benefit from its strong market positions with key customers, a well-planned and executed NPD programme and timely investment in additional inventory. The business has grown market share over the period and remains focused on developing sustainable products that provide customers with "water the way you want it".

Retail growth has been supported by an "Approved Retailer" scheme and investment in point-of-sale display aids to drive market share growth in our premium Distinctly Abode ranges. Growth in the specification sector has benefited from the Pronteau and Protrad hot water taps with further initiatives planned in the year ahead. Both taps have been awarded WRAS approval, a pre-requisite for new build markets.

Our focus on our products and customers will see further market leading product launches in the year ahead that will further benefit the growth of the business.

Underlying operating profit was higher than prior year with cash conversion lower than prior year, reflecting the investment into inventory.

JOHNSON TILES

Johnson Tiles and Norcros Adhesives unite to refurbish Everglow Salon, Biddulph

The challenge

This 40m² project required all walls and floors to be stripped back to properly prepare the structural framework of the space. The floors then needed levelling to provide a suitable substrate for tiling. Additionally, a tight deadline was set to meet the fixed salon opening date.

The solution

Norcros Adhesives Pro-10 Leveller was used to provide a suitable substrate; this product is ideal for preparing sub-floors before fixing tiles. Johnson Tiles' Glide porcelain marble-effect floor tiles were fitted using Norcros Adhesives' S1 Rapid White Adhesive and finished with Flexi Grout in Slate Grey.

The result

The pairing of opulent floor tiles and neutral grout allows other design elements to shine. Foliage features within furniture pieces and hanging plants create a biophilic-inspired design. Gold fixtures add a touch of luxury with a metallic vibe, with the deep green velvet chairs add texture and colour.

This collaboration between Norcros Adhesives and Johnson Tiles resulted in the completed space delivering an on-trend style, perfect for this contemporary salon.

Johnson Tiles

Johnson Tiles, our UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, recorded revenue of £34.2m (2021: £32.8m), 4.3% higher than the prior year but 16.4% lower than 2020 on a like for like basis. We have accelerated the process of repositioning Johnson Tiles and specifically exited a number of lower margin products as part of this plan, resulting in a more focused business.

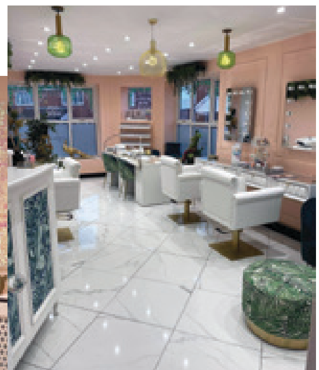
Trade sector revenue was up 17.6% on the prior year but 5.7% down on 2020 on a like for like basis, with the second half recording a 2.0% decrease on 2020 on a like for like basis. The house developer sector continued its strong performance during the year but commercial specifications, which are driven by the hospitality and retail sectors, continued to operate significantly below pre-COVID-19 levels. The social housing refurbishment market continues to be impacted by the overhang from the Grenfell cladding issue. Johnson Tiles' strong relationships with the national house developers continued, including Barratt, David Wilson, Persimmon, Charles Church, Redrow and Countryside.

Retail sector revenue was down 9.9% on prior year and 28.9% down on 2020 on a like for like basis, driven primarily by the planned exit of lower margin product categories. This has freed up resources for our growing focus on small format niche product ranges.

In 2021 Johnson Tiles celebrated both its 120th year as a UK manufacturer of tiles and its heritage as a designer and innovator in tiles, with the business winning a Product of the Year award for the South Bank range at the Mix Interiors 2022 Mixology Awards.

Export revenue was 11.1% below prior year and 22.6% below 2020 on a like for like basis due mainly to lower revenues to France.

Johnson Tiles has developed a market leading position on sustainability over many years focusing strongly on recycling energy, water and waste and will pursue further initiatives to progress the reduction in our carbon footprint in the year ahead.



NORCROS ADHESIVES

Norcros Adhesives helps Maggie's Wirral cancer support centre

The challenge

Maggie's Wirral cancer support centre offers a warm and friendly atmosphere where every person feels cared for. The centre aims to provide calming, therapeutic and relaxing spaces, for those receiving treatment for cancer and their families and carers who need support. As such, the design of its buildings is of key importance in creating a welcoming and comforting environment.

The solution

Norcros Adhesives was able to provide the products, expertise and technical back-up, together with a lifetime guarantee. The project featured an underfloor heating mat on top of a 70–80mm thick sand and cement screed. The surface of the screed was primed with Norcros Prime Bond and the heat mat was fully embedded in Norcros Rapid Porcelain Grey Adhesive. Large-format tiles were then laid using Norcros S1 Fibre Reinforced Tile Adhesive in Grey and colour matched grouts and silicone were used for seamless expansion joints.

The result

The completed space has a very usable and comforting feel and the project was completed without any technical problems or delays.

In the past year, while the business made encouraging progress, the performance was impacted by the significant increase in input costs and in particular energy. These cost increases have now been passed through to our customers by a series of phased selling price increases, albeit with some lag effect. The underlying operating loss was lower than the previous year and the level of cash generation reflected an investment into inventory.

Norcros Adhesives

Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, recorded revenue of £14.3m (2021: £12.3m), 16.3% higher than prior year and 23.3% higher than 2020 on a like for like basis.

Retail sector revenue was 70.5% ahead of prior year and 73.3% above 2020 on a like for like basis, reflecting significant growth of our product lines into some of our larger customers combined with a displacement of competitor products.

Trade sector revenue was 29.1% below prior year and 4.9% below 2020 on a like for like basis, reflecting a slower recovery in the larger private and public commercial specification projects and an increased focus on the retail sector.

The Middle Eastern operations were closed at the end of the previous financial year, and as a result, there were no revenues in the year.

Norcros Adhesives maintained the "Gold Standard" from the Supply Chain Sustainability School and the business remains committed to making further progress, especially in the areas of packaging and recycling.

Raw material and transport costs both increased significantly in the year and impacted margins as the recovery through selling price increases lagged the increase in operating costs. Norcros Adhesives made a small underlying operating loss in line with the prior year.

South Africa business review

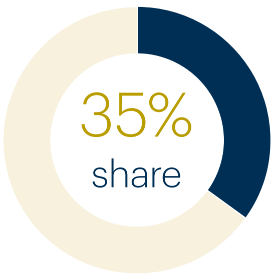
Significant progress and an excellent performance.

An excellent performance, with revenue 28.8% ahead of prior year on a constant currency basis driven by strong retail renovation demand and market share gains.

Highlights 2022

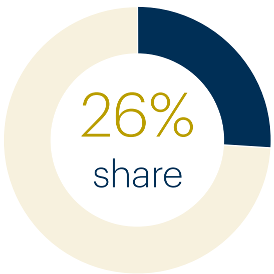
Share of Group revenue

£139.6m



Share of Group underlying operating profit

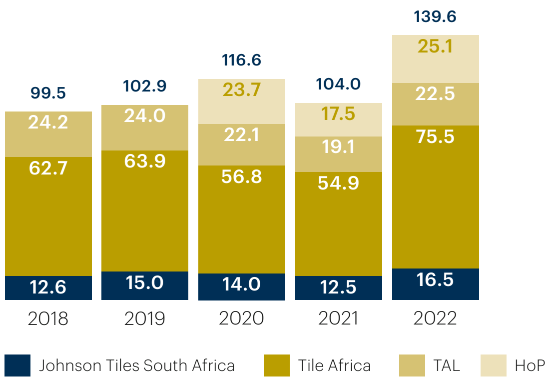
£10.9m



South Africa revenue £m

£139.6m

+28.8%[1]



1 On a constant currency basis.

South Africa

Revenue for the year increased by 28.8% on prior year on a constant currency basis and increased by 34.2% on a Sterling reported basis to £139.6m (2021: £104.0m).

The prior year's performance was materially impacted by the COVID-19 related nationwide lockdown, which saw revenue decline sharply caused by the temporary suspension of manufacturing and closure of retail operations in the first quarter. Market activity returned in the year with Tile Africa, Johnson Tiles and TAL continuing to benefit from the higher demand and market share gains in the retail renovation market. House of Plumbing revenues benefited from the opening of new branches but were held back by the lack of large-scale commercial building activity.

The business continued to prioritise staff wellness during the year and proactively supported all employees with full access to our Wellness Centre that extended to all aspects of wellbeing, including independent psychological support. The third and fourth COVID-19 waves were safely navigated by focusing on the well-practised protocols and continuing to shield our vulnerable staff. Staff are encouraged but not forced to vaccinate against COVID-19 and the business has provided four internal free vaccination drives in addition to the private sector and government offerings. During the year, 828 employees undertook a COVID-19 test, many at the on-site Wellness Centre at Olifantsfontein, with 259 positive cases reported. There were no cases of work transmission and thankfully only a small number of employees required hospitalisation in the year.

Underlying operating profit for the year was at a record level at £10.9m (2021: £6.9m) and a substantial increase over 2021, reflecting the strong retail demand for our products and a £0.2m translation exchange gain from a stronger Rand. Cash generation was good, reflecting investment in capital expenditure and the planned increase in our stock holding mitigating the supply chain challenges and delays in imported raw material and finished goods. The business finished the year in a very strong financial and competitive position, well placed to continue to gain market share and grow in its respective markets.

> **Revenue for the year increased by 28.8% on prior year on a constant currency basis."**

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business, recorded revenue of £16.5m (2021: £12.5m), a 32.0% increase on a reported basis and 26.9% higher on a constant currency basis. Revenue was 27.9% higher than 2020 on a constant currency like for like basis.

Record levels of manufacturing output were achieved during the year as productivity and efficiency initiatives were successfully delivered. Together with targeted plant investments during the period, this focus helped to drive improved throughput and product quality, enabling the business to meet the increased demand from housing renovations, commercial housebuilders and, in the latter part of the year, from the recovering commercial sector, particularly the corporate renovation segment. A lack of big build construction activity remains.

Products were specified and installed in leading developments across the country, in quality, entry-level residential developments such as Thaba Village, The Reeds and Greenpark in Johannesburg, The Blyde and Greencreek in Pretoria, The Huntsman, Fynbos and Greenbay in Cape Town and Ballito Hills in Durban.

During the year, the manufactured tile range was consolidated, reducing the complexity of the portfolio to further improve in-stock and customer service levels whilst increasing the depth of some ranges.

Underlying operating profit was ahead of the prior year.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, sanitaryware and bathroom fittings, recorded revenue of £75.5m (2021: £54.9m), a 37.5% increase on a reported basis and 32.0% higher on a constant currency basis. Revenue was 45.5% higher than 2020 on a constant currency like for like basis.

The substantial growth on prior year was driven by buoyant retail demand from increased renovation activity, significantly improved operating disciplines and superior stock availability.

The successful, exclusive Evox range of bathroomware and sanitaryware was expanded with several new bath and tap ranges, and an exclusive upmarket range, NUVO, was launched in the second half of the year. An appealing range of bathroom furniture was also added.

The commercial contracts sector however remains subdued with lower overall new build activity. Despite this, the category improved as several retail floor covering installations for Pick n Pay, Boxer and Spar were completed.

Tile Africa currently operates from thirty-three owned stores and two franchise stores. The temporary Wynberg pop-up clearance store was closed during the year, and a new store opened in Thohoyandou. The dual Tile Africa HomeXpress value-for-money brand is being trialled in this store.

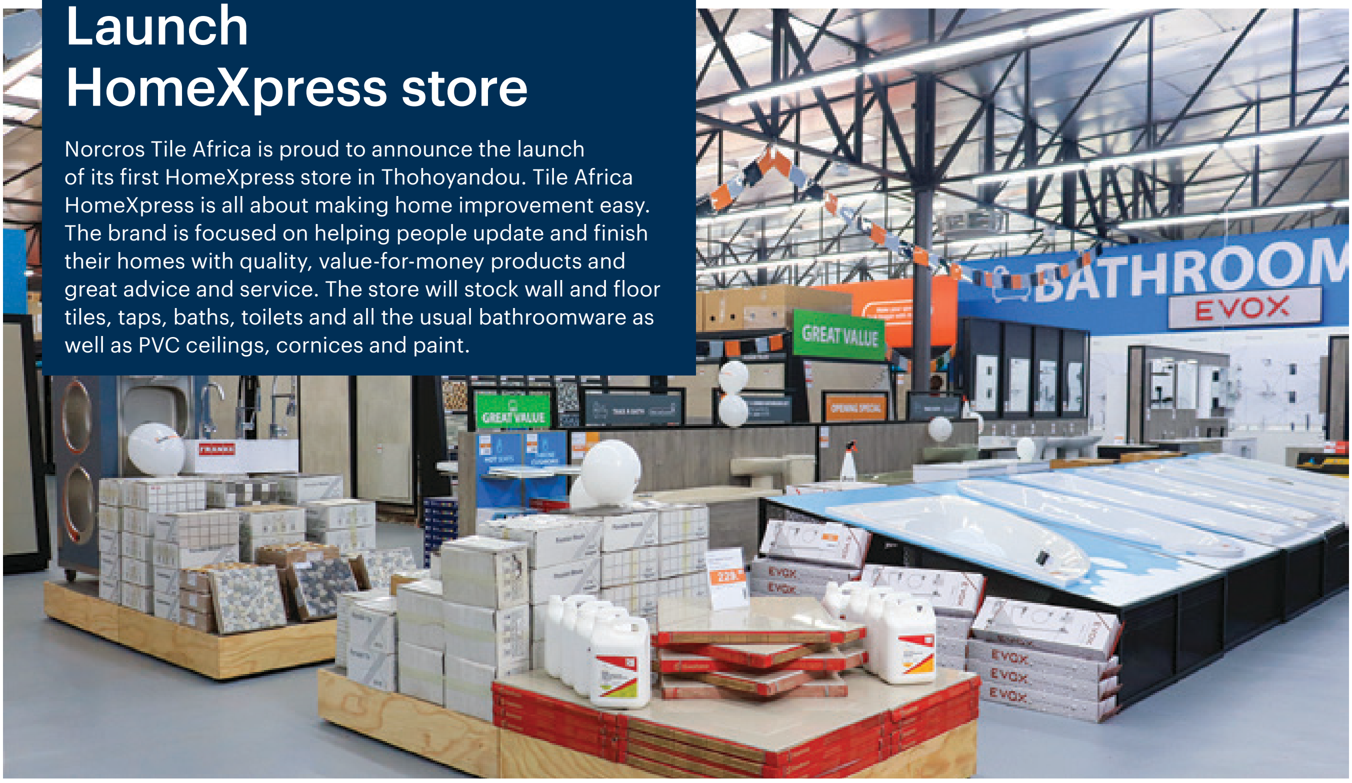
Ongoing capital investment continues, mirroring the successful flagship Greenstone store and Ballito store concepts, incorporating a bathroom store-within-a-store format and a bespoke alternative floor coverings offer.

Tile Africa's underlying operating profit was significantly ahead of prior year, with strong cash flow partially offset by the investment into inventory. This investment enabled the business to both support the revenue growth and ensure our customer service and stock availability were maintained notwithstanding the supply chain challenges and extended import lead times.

TILE AFRICA

Launch HomeXpress store

Norcros Tile Africa is proud to announce the launch of its first HomeXpress store in Thohoyandou. Tile Africa HomeXpress is all about making home improvement easy. The brand is focused on helping people update and finish their homes with quality, value-for-money products and great advice and service. The store will stock wall and floor tiles, taps, baths, toilets and all the usual bathroomware as well as PVC ceilings, cornices and paint.



South Africa business review continued

South Africa continued

TAL

TAL, our market leading adhesives business, recorded revenue of £22.5m (2021: £19.1m), a 17.8% increase on a reported basis and a 13.1% increase on a constant currency basis. Revenue was 11.4% higher than 2020 on a constant currency like for like basis.

Large commercial new build projects remained limited, which impacted demand for the business's high specification, rapid setting adhesives and system-driven construction products. Export retail demand remained solid despite competitors reopening plants in neighbouring countries.

Notwithstanding market conditions, TAL remains the leading supplier, with the business supplying market leading products and technical expertise to several construction projects during the year, including The Blyde residential development, Babylonstoren Spa, Ford Motor Company's new manufacturing facility, Dr Pixley Kaseme Hospital, The Hilton Hotel, Hilton Towers and The Arch.

Investment in new product development continued during the period with the launch of products in the waterproofing category as well as barrier and keying compounds. Ongoing development of novel fixing systems for coverings outside our traditional tile market continues.

TAL's underlying operating profit and cash generation were ahead of the prior year.

House of Plumbing

House of Plumbing, our market leading supplier of specialist plumbing materials into the specification and commercial segments, recorded full year revenue of £25.1m (2021: £17.5m), 43.4% higher than the prior year on a reported basis and 37.2% higher on a constant currency basis. Revenue was 15.1% higher than 2020 on a constant currency like for like basis.

The large commercial projects traditionally supplied by House of Plumbing are yet to recover post-COVID-19. However, additions to the branch network contributed to increased revenues compared to the prior year. During the period, four new branches were added in Nelspruit, Secunda, City Deep and Durban South focused on the civils product ranges used in infrastructure, mining, engineering and irrigation projects in addition to the traditional commercial plumbing offering.

House of Plumbing now operates eight branches. The focus is on providing expert technical advice and consistent stock availability with the business planning to continue to extend its geographical expansion and further establish a national footprint.

During the year, House of Plumbing supplied several landmark projects, including Redhill School, Ford Silverton, Coca Cola Midrand, SAB Alrode, Rand Airport, N2 Woodhill shopping mall and Netcare Hospital, Alberton.

House of Plumbing's underlying operating profit was marginally higher than prior year, with cash flow reflecting the investment into inventory and new branches.

TILE AFRICA

Launch NUVO Bathroom Brands

Tile Africa launched new exclusive NUVO Bathroom Brands in its stores with a selection of beautiful lifestyles to showcase the different ranges. It was first introduced to the local market through the tap and basin offering and was then followed by four exciting vanity ranges.

Record revenue and profit performance and a strong balance sheet.

The Group completed a refinancing of its banking facilities in the second half of the year and is well-positioned to progress its growth strategy."

James Eyre
Chief Financial Officer

- Group revenue increased by 22.2% to £396.3m (2021: £324.2m)
- Group underlying operating profit increased by 23.7% to £41.8m (2021: £33.8m)
- Group operating profit was £36.2m (2021: £24.9m)
- Group underlying profit before tax was £39.3m (2021: £30.6m)
- Group profit before tax was £33.0m (2021: £18.5m)
- Underlying operating cash flow of £28.6m (2021: £65.8m), 63% of underlying EBITDA (2021: 174%)
- Net cash of £8.6m (2021: net cash of £10.5m)
- Pension scheme in a surplus position of £19.6m (2021: deficit of £18.3m)

Financial overview

	2022 £m	2021 £m
Revenue	**396.3**	324.2
Underlying operating profit	**41.8**	33.8
IAS 19R administrative expenses	**(1.7)**	(1.4)
Acquisition related costs	**(4.8)**	(3.7)
Exceptional operating items	**0.9**	(3.8)
Operating profit	**36.2**	24.9
Net finance costs	**(3.2)**	(6.4)
Profit before taxation	**33.0**	18.5
Taxation	**(7.3)**	(3.5)
Profit for the year	**25.7**	15.0

Revenue

Group revenue at £396.3m (2021: £324.2m) increased by 22.2% on a reported basis and by 20.6% on a constant currency basis. Group revenue was 20.9% higher than 2020 on a constant currency like for like basis, after adjusting the 2020 comparator period from a 53 to a 52-week period pro-rating.

Underlying operating profit

Underlying operating profit increased by 23.7% to £41.8m (2021: £33.8m). Our UK businesses recorded an underlying operating profit of £30.9m (2021: £26.9m), and our South African businesses an underlying operating profit of £10.9m (2021: £6.9m). Group underlying operating profit margin was 10.5% (2021: 10.4%).

IAS 19R administrative costs

These costs represent the costs incurred by the Trustee of administering the UK defined benefit pension scheme and are reflected in the Income Statement under IAS 19R. Costs of £1.7m are higher than prior year largely as a result of the fees relating to the triennial actuarial valuation (2021: £1.4m).

Acquisition related costs

A cost of £4.8m (2021: £3.7m) has been recognised in the year and is analysed as follows:

	2022 £m	2021 £m
Intangible asset amortisation	**3.7**	3.7
Advisory fees	**1.1**	—
	4.8	3.7

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

Exceptional operating items

A net exceptional operating credit of £0.9m (2021: charge of £3.8m) has been recognised in the year.

	2022 £m	2021 £m
Release of UK property provision	**(0.9)**	—
COVID-19 related restructuring	**—**	3.8
	(0.9)	3.8

The UK property provision related to the only remaining surplus and legacy onerous property lease at Groundwell, Swindon. In the year, the Group reached agreement with the landlord to exit the lease early. A cash settlement payment of £1.3m including dilapidation obligations was made in the period. The remaining £0.9m of the related provision has been released as an exceptional operating item.

During the prior year an exceptional charge of £3.8m was incurred in relation to restructuring programmes implemented by the Group as a result of COVID-19.

Chief Financial Officer's report continued

Finance costs

	2022 £m	2021 £m
Interest payable on bank borrowings	**0.8**	1.5
Interest on lease liabilities	**1.7**	1.7
Movement on fair value of derivative financial instruments	**—**	2.0
Discounting of property lease provisions	**0.1**	—
Amortisation of costs of raising debt finance	**0.2**	0.2
Finance costs	**2.8**	5.4
IAS 19R finance cost	**0.4**	1.0
Total finance costs	**3.2**	6.4

Net finance costs for the year of £3.2m compares to £6.4m in 2021. This decrease is mainly due to the movement in the fair value of foreign exchange contracts which was a £2.0m cost in the prior year in relation to expired forward foreign exchange contracts. Forward foreign exchange contracts are now accounted for under IFRS 9 hedge accounting, with the movement in fair value recognised in the Consolidated Statement of Comprehensive Income.

The Group has recognised a £0.4m interest cost in respect of the UK defined benefit pension scheme liability (2021: £1.0m) which decreased by £0.6m principally reflecting the lower deficit throughout the year.

Underlying profit before tax

Underlying profit before tax was £39.3m (2021: £30.6m), mainly reflecting the increase in underlying operating profit noted above.

Taxation

The tax charge for the year of £7.3m (2021: £3.5m) represents an effective tax rate for the year of 22.1% (2021: 18.9%). The increase in the effective tax rate mainly relates to a higher proportion of the Group's taxable profits being generated in South Africa and the non-deductible acquisition related costs in 2022.

The standard rates of corporation tax in the UK, South Africa and Ireland in the period were 19% (2021: 19%), 28% (2021: 28%) and 12.5% (2021: 12.5%) respectively.

Dividends

The Group responded swiftly to the impact of the COVID-19 pandemic and the need to preserve cash by not paying a final dividend in relation to the year ended 31 March 2020 or an interim dividend in relation to the year ended 31 March 2021. The Group's dividend policy, which takes into account the Group's growth strategy, the interests of other key stakeholders, the Group's cash-generative characteristics and its earnings growth, was reinstated in the second half of the prior year. The Board recommends a final dividend of 6.9p per share (2021: 8.2p). This, combined with the interim dividend of 3.1p per share (2021: £nil), results in a total dividend of 10.0p per share (2021: 8.2p). The total dividend is equivalent to a dividend cover of 3.8 times, consistent with the year ended 31 March 2021. The cash cost of the total dividend is £8.7m.

This final dividend, if approved at the Annual General Meeting, will be payable on 29 July 2022 to shareholders on the register on 24 June 2022. The shares will be quoted ex-dividend on 23 June 2022. Norcros plc operates a Dividend Reinvestment Plan (DRIP). If a shareholder wishes to use the DRIP the latest date to elect for this in respect of this final dividend is 8 July 2022.

Balance sheet

The Group's balance sheet is summarised below.

	2022 £m	2021 £m
Property, plant and equipment	**29.0**	28.0
Right of use assets	**19.9**	19.6
Goodwill and intangible assets	**90.3**	93.6
Deferred tax	**(9.4)**	(0.5)
Net current assets excluding cash and borrowings	**68.2**	44.0
Pension scheme surplus/(liability)	**19.6**	(18.3)
Lease liabilities	**(24.0)**	(24.2)
Other non-current assets and liabilities	**(1.9)**	(4.3)
Net cash	**8.6**	10.5
Net assets	**200.3**	148.4

Total net assets increased by £51.9m to £200.3m (2021: £148.4m). Net current assets increased by £24.2m reflecting the significant cash investment into working capital, particularly inventory.

Property, plant and equipment increased by £1.0m to £29.0m and included additions of £5.3m (2021: £2.5m). The depreciation charge was £5.1m (2021: £5.2m) and foreign exchange gains were £0.8m (2021: gain of £1.7m).

Right of use assets increased by £0.3m to £19.9m (2021: £19.6m), reflecting the small difference between additions or renewals and right of use asset depreciation in the year. Lease liabilities of £24.0m (2021: £24.2m) decreased by £0.2m.

The deferred tax liability increased by £8.9m to a liability of £9.4m (2021: liability of £0.5m). The increase is mainly the result of a movement in the pension scheme position from a deficit at 31 March 2021 to a surplus at 31 March 2022.

Pension schemes

On an IAS 19R accounting basis, the gross defined benefit pension scheme valuation of the UK scheme showed a surplus of £19.6m compared to a deficit of £18.3m last year. The present value of scheme liabilities decreased by £47.8m primarily due to an increase in the discount rate to 2.75% (31 March 2021: 2.05%) and benefit payments made in the period. The value of scheme assets decreased by £9.9m largely due to benefit payments made in the period partially offset by asset returns.

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

The Group's contributions to its defined contribution pension schemes were £3.7m (2021: £3.0m).

Cash flow and net debt

Underlying operating cash flow was £37.2m lower than in the prior year at £28.6m (2021: £65.8m).

	2022 £m	2021 £m
Underlying operating profit	**41.8**	33.8
Depreciation and amortisation	**5.2**	5.4
Net working capital movement	**(23.6)**	21.8
IFRS 2 charge add-back	**1.1**	1.0
Depreciation of right of use assets	**4.1**	4.0
Cash settlement of share options	**—**	(0.2)
Underlying operating cash flow	**28.6**	65.8

The main driver of the reduction in the underlying operating cash flow was a significant cash investment into working capital, particularly inventory, to optimise our service and stock availability proposition in the light of exceptional supply chain challenges. Underlying operating cash conversion in the year was 63% of underlying EBITDA (2021: 174%).

	2022 £m	2021 £m
Underlying operating cash flow	**28.6**	65.8
Cash flows from exceptional items and acquisition related costs	**(1.7)**	(2.5)
Pension fund deficit recovery contributions	**(3.3)**	(3.3)
Cash flow generated from operations	**23.6**	60.0
Net interest paid	**(2.5)**	(3.2)
Taxation	**(6.5)**	(3.5)
Net cash generated from operating activities	**14.6**	53.3
Capital expenditure	**(5.4)**	(2.8)
Dividends	**(9.1)**	—
Share transactions	**0.1**	0.3
Principal element of lease payments	**(4.7)**	(4.3)
Exchange movement	**1.6**	0.6
Movement in costs of raising finance	**1.0**	(0.2)
Net cash (spent)/generated	**(1.9)**	46.9
Opening net cash/(debt)	**10.5**	(36.4)
Closing net cash	**8.6**	10.5

NORCROS ADHESIVES

Norcros Adhesives is the trusted solution for new seaside development

The challenge

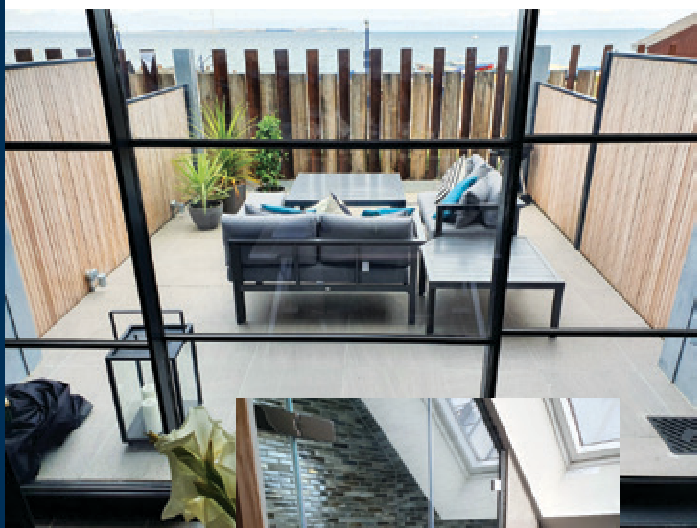
Norcros Adhesives has been involved in the construction of a new development of seven houses and eight holiday lets at the seaside town of Whitstable, Kent. All are designed according to the local style to fit in with surrounding buildings and finished to a luxury standard, offering spectacular views across the bay.

The solution

Tiling contractor Cerface of Gillingham, who have a long established partnership with Norcros Adhesives would only specify Norcros Adhesives products. This gave them the confidence to ensure that the products would work well for all areas of the project.

The result

The properties are now being advertised by town estate agency Christopher Hodgson for prices ranging from £800,000 to £1.45m, with five of them set to fetch seven-figure sums.



Chief Financial Officer's report continued

Cash flow and net debt continued

Cash generated from operating activities was £38.7m lower than the prior year at £14.6m, largely due to the £37.2m reduction in underlying operating cash flows.

Cash flows from exceptional items and acquisition related costs in the current year primarily relate to the settlement of the surplus legacy lease at Groundwell of £1.3m.

Capital expenditure at £5.4m (2021: £2.8m) represents an increase against COVID-19 levels and includes investment in new product programmes, new stores and upgrades, IT systems and manufacturing facilities.

The Group ended the year with net cash of £8.6m (2021: net cash of £10.5m) on a pre-IFRS 16 basis after a net cash outflow of £1.9m. Net debt inclusive of IFRS 16 lease liabilities was £15.4m (2021: £13.7m).

Funding and liquidity

The Group agreed a new multicurrency revolving credit facility with four lenders in the second half of the year. The Group now has committed banking facilities of £130m (plus a £70m uncommitted accordion) with a maturity date of the facility of October 2025 with two further years as extension options.

James Eyre
Chief Financial Officer
8 June 2022

	Average rate vs £	
	2022	2021
South African Rand	**20.28**	21.36
Euro	**1.18**	1.13
US Dollar	**1.37**	1.32

	Closing rate vs £	
	2022	2021
South African Rand	**19.20**	20.24
Euro	**1.19**	1.18
US Dollar	**1.31**	1.38

	2022	2021	Change
Revenue (£m)	**396.3**	324.2	22.2%
Underlying operating profit (£m)	**41.8**	33.8	23.7%
Underlying profit before tax (£m)	**39.3**	30.6	28.4%
Underlying diluted earnings per share (pence)	**38.2**	31.1	22.8%
Underlying return on capital employed (%)	**23.9**	18.2	570bps
Underlying operating cash flow (£m)	**28.6**	65.8	(56.5%)
Net cash (£m)	**8.6**	10.5	(1.9m)

Supporting sustainable business objectives through embedded risk management.

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

Risk management framework

How we manage risk

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

Defined risk responsibilities:

Board – Overall responsibility for risk management. Defines the Group's Risk Management Policy, sets risk appetite levels for each risk category and provides leadership on the Group's risk culture

Audit and Risk Committee – Provides oversight, challenge and independent assurance on the risk management framework

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

Defined risk policies and reporting procedures:

- Formal Board-approved Group Risk Management Policy
- Defined risk appetite levels for each category of risk
- Standardised, regular risk reviews and embedded risk reporting
- Divisional support from Group Head of Internal Audit and Risk Assurance

What we monitor

Risk landscape

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

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

Risk categories

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

What we assess

Risk appetite: Acceptable level of risk, defined by the Board, for each category of risk
Risk ownership: Each risk has a named owner
Risk scoring: Each risk is assessed in terms of its financial and reputational impact, and its likelihood, using a standard scoring scale
Inherent (gross) risk score: Assessment before mitigating controls or actions are applied or taken
Residual (net) risk score: Assessment after mitigating controls or actions are applied or taken
Actions: Required actions to address risks that exceed risk appetite, including defined timelines

Principal risks and uncertainties

Principal risks

Our risk management framework identifies the principal risks and uncertainties that we consider may threaten the Group's business model, future performance, solvency or liquidity. These are explained in further detail in the table below, including how they are being managed. The Board has carried out a robust assessment of the principal risks and taken them into consideration when assessing the long-term viability of the Company on page 41. The list does not comprise all the risks that the Group may face, and they are not listed in any order of priority.

During the past two years, many of our existing principal risks were affected by the COVID-19 global pandemic. The Group has gained considerable experience in identifying and managing the specific risks arising from COVID-19. Although those risks appear to be diminishing, we remain of the opinion that uncertainty resulting from the COVID-19 pandemic is likely to remain throughout the next financial year; we therefore continue to identify COVID-19 as a principal risk.

Building on the Group's history of being focused on providing sustainable value creation, environmental, social and governance (ESG) risk was added as a principal risk in 2021, recognising ESG's importance to key stakeholders.

Strategic risks

Coronavirus (COVID-19) pandemic

Risk movement

Reducing

Description

Although diminished, the ongoing effects of the COVID-19 global pandemic are still in evidence in 2022. Vaccination programmes have been rolled out across much of the world, reducing the impact of contracting COVID-19 for most, whilst not necessarily preventing its spread. While travel restrictions, social lockdowns and business closures are no longer in place in most locations, there is a risk that COVID-19 will continue to be a source of uncertainty in the markets where we operate. Cases remain high and there is ongoing uncertainty over the effectiveness of vaccines on future variants of the virus, and over the lower take-up rates of vaccines in some locations.

Impact

Whilst the Group has continued to perform robustly throughout the pandemic, the mid to long-term financial impact of the COVID-19 pandemic on our main markets remains uncertain. Additionally, further outbreaks of new variants that are vaccine resistant or vaccine supply issues that impact the rollout of vaccination efforts in some of our key markets could lead to further restrictions or other impacts that could be detrimental to our trading in the short term.

COVID-19 may continue to affect other principal risks, for example by accelerating or exacerbating their potential effects.

Mitigation

Throughout the various waves of the pandemic, we have demonstrated that our existing business continuity plans, insofar as they applied to a global pandemic, assisted us in mitigating the impacts of COVID-19. In the early days of the pandemic, this included being able to quickly safeguard our employees and limit the financial impact on the business through a range of measures including the temporary suspension of operations, bringing forward planned factory maintenance shutdowns and reducing discretionary expenditure. We ensured that those employees who could continue to do their jobs from home were technologically enabled to do so securely, and we provided safe systems of work for those who could not practically work from home. We could reintroduce any or all of these measures again should the need arise.

We continue to closely monitor global developments related to the COVID-19 pandemic.

Strategic risks continued

Acquisition risk

Risk movement

Stable

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

The impact of significant global events, including COVID-19, may affect the cost, timing or availability of potential acquisitions, and the availability of equity or bank funding. However, such events may also provide additional opportunities that would not otherwise have existed.

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

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

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

Integration plans are finalised prior to acquisitions completing to ensure newly acquired businesses are integrated efficiently and swiftly after acquisition. Group Internal Audit and Risk Assurance conducts post-integration audits to ensure operations are fully integrated. Past acquisitions provide demonstrable evidence of the Group's ability to successfully integrate new businesses.

Environmental, social and governance (ESG) risk

Risk movement

Increasing

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

A significant part of ESG risk is related to climate change and the potential effects of both physical and transition climate-related risks. See the TCFD section on pages 55 to 59.

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

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

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

In recognition of the rising importance of ESG, the Group has established an ESG governance structure, revised Group policies, strengthened carbon data with The Carbon Trust and developed our ESG reporting (see the ESG section on pages 42 to 59).

People risk

Staff retention and recruitment

Risk movement

Increasing

Description
The Group currently employs 2,196[1] people worldwide. The Group's ability to grow and increase its market share depends significantly on its continuing ability to recruit and retain highly skilled employees in each area of its activities and to be an employer of choice in the communities where it operates.

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

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

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

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

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

1 Not including Granfit Holdings and its subsidiaries.

Principal risks and uncertainties continued

Commercial risks

Market conditions

Risk movement

Increasing

Description

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

COVID-19 had an unprecedented negative effect on the growth of the global economy and the impact of this is expected to continue, at least in the short to medium term. RMI demand in our key markets has remained resilient in the last financial year while consumers continued to invest in improving their homes; however, there is no guarantee that this will continue in the future. The disposable income of consumers may be adversely impacted by rising inflation especially in food, household energy bills and fuel and transport costs.

Recovery from COVID-19 placed unprecedented demand on global supply chains, as evidenced by the ongoing shortage of shipping containers and increasing freight costs, along with raw material and energy price inflation, which has been influenced by the recent conflict in Ukraine.

Impact

Demand for our products remains robust following the unexpected and rapid deterioration in market conditions arising from COVID-19. However, demand could still weaken in the short to medium term as consumer spending patterns change, impacting profitability and cash generation.

In the short to medium term, the ongoing disruption to global supply chains and increasing inflationary pressures could lead to reduced profitability.

Mitigation

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

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

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

Loss of key customers

Risk movement

Stable

Description

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

The deterioration in market conditions noted elsewhere and the ongoing impact of COVID-19 continue to heighten the risk that key customers could go out of business, or that they could change their business models, e.g. they may move to an online, or other alternative, model and we may miss this opportunity if we fail to adapt to such changes.

Impact

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

Mitigation

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

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

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

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

Competition

Risk movement

Stable

Description

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

Impact

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

Mitigation

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

Operational risks

Reliance on production facilities

Risk movement

Stable

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

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

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

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

Finished goods inventory holdings across the operations provide limited "buffer" stocks in the event of operational failure. Disaster recovery plans are in place and business continuity plans have been developed and are tested. Additionally, a business interruption insurance policy is in place to mitigate losses caused by a serious insurable event affecting manufacturing capability.

Loss of key supplier

Risk movement

Stable

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

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

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

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

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

Information security and cyber

Risk movement

Increasing

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

The evolution of home and remote working methods developed during COVID-19 presents increased cyber security risks due to remote system access from potentially less secure working environments and unfamiliar working practices.

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

Mitigation
The Group uses modern systems that are appropriately maintained and updated.

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

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

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

During the year, the Group invested in an online training programme with information security and data protection training mandated for all users of IT equipment.

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

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

Principal risks and uncertainties continued

Financial risks

Exchange rate risk

Risk movement

Stable

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

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

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

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

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

Funding and liquidity risk

Risk movement

Reducing

Description
The Group's ability to grow and adapt its business is dependent, in part, on its ability to source funding through bank financing facilities. Whilst the Group has committed funding until October 2025 it is possible that the Group may find it difficult to obtain financing on commercially acceptable terms in the longer term.

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

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

Pension scheme risk

Risk movement

Stable

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

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

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

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

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

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

The Group's financial results show a net surplus in this scheme, as at 31 March 2022, of £19.6m (2021: deficit of £18.3m) assessed in accordance with the accounting standard IAS 19R. The present value of scheme liabilities decreased by £47.8m due to an increase in the discount rate to 2.75% (31 March 2021: 2.05%), partially offset by increased levels of inflation. The assets' value reduced as benefit payments were in excess of asset returns.

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

Viability statement

In accordance with provision 31 of the 2018 revision of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a longer period than the twelve months required by the "going concern" provision. Taking into account the Group's current position and the nature of the principal risks and uncertainties it faces (see pages 36 to 40), the Board has decided to assess the viability of the Group over a three-year period to 31 March 2025. The Board considers this period appropriate as it believes it is not possible to credibly forecast beyond this time horizon and it is also the period over which long-term incentives are set for Executive Directors and senior management.

A Viability Statement financial model was developed on a bottom-up basis by taking the output of the annual budgeting process built up by individual businesses, then subjected to review and challenge by the Board, and applying conservative general and business-specific assumptions to build years two and three. The acquisition of Grant Westfield was also reflected in the assessment. The Board considers the outputs from this financial model, including the Group's cash flows, headroom under existing financial facilities of £130m, dividend cover and other key financial ratios over the three-year period. The financial model has then been stress tested by modelling the most extreme but plausible scenario, that being further national lockdowns as a result of a resurgent COVID-19 pandemic. This has been based on the actual impact of the COVID-19 pandemic on the Group, which at its peak saw a revenue reduction of 25% over a six-month period. The Directors have considered the impact of this scenario on the Group's financial performance (specifically headroom on our financial facilities and covenants) which are in place until at least October 2025 after taking account of mitigating actions that could be made, with the result being that the Group maintains the necessary liquidity levels and complies with the facility covenants despite the impact of significant declines in revenues, earnings and cash outflows and increasing leverage.

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

Therefore, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet their liabilities as they fall due over the period to March 2025.

ABODE

Abode saves water with new flow limited tap collection

In anticipation of the Government's Future Home Standard to lower energy consumption by 2025, Abode is proud to offer six of its most popular mixer tap designs for the modern kitchen, alongside two of its Pronteau steaming hot taps.

Every component of its flow limited taps has been extensively tested to meet exacting standards and withstand the added stress that flow restriction creates. The development of the new Flow Limited Tap Collection by Abode is testament to the company's investment in new product design and development, delivering the best in design-led, sustainable solutions across the UK property market to support the next generation of buyers who want a "house of the future". Each product has a flow limitation of 5LPM to comply with the maximum number of regulations.

ESG

1 EMBEDDING SUSTAINABILITY

Why sustainability matters

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

We have a history of environmental and social leadership. We pride ourselves on reducing our operational environmental impact through energy saving, recycling and waste management schemes. We design and supply product that not only create commercial returns but also generate savings for customers on energy bills, carbon footprint, water consumption and waste. We also play an active role in our communities.

Going forward, as our customers, staff, other stakeholders and the communities in which we work place increasing importance on environmental, social and governance (ESG) issues, we will continue to develop our sustainability strategy. In the remainder of 2022, we will continue to work on our ESG plan, which will capture our existing ESG initiatives, a set of new activities and an overarching framework, through which we will give further consideration to ESG metrics and targets. We will continue to make a positive impact and difference to our customers, communities and employees.

Achievements and priorities

Achievements since our last Annual Report include:

- We have reported against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for the first time, including integrating climate-related risk assessment into the Group's overall risk management framework.
- We established an ESG governance structure, including business unit level ESG Forums and twice yearly reporting to the Norcros plc Board, to co-ordinate and manage our sustainability strategy.
- We carried out a Carbon Trust carbon footprint assessment across the Group, establishing an updated methodology for calculating emissions.
- We developed, agreed and rolled out a new Code of Ethics and Standards of Business Conduct across the Group and updated our Group Health and Safety Policy.
- We conducted a materiality assessment, identifying ethical conduct and integrity, product quality and safety, and health and safety as our most material issues.
- Triton achieved the Carbon Trust Standard for Carbon in 2021 and lowered its CO_2 footprint by 38% during the assessment period. Croydex achieved the new Carbon Trust Route to Net Zero Standard (Taking Action) in early 2022.
- We continued to invest in the development of new sustainable products. The eco-friendly Abode Swich was an SBID winner in the Kitchen Product Design category in 2021 and the One Small Step Award for Sustainability at the 2021 Ideal Home Awards.

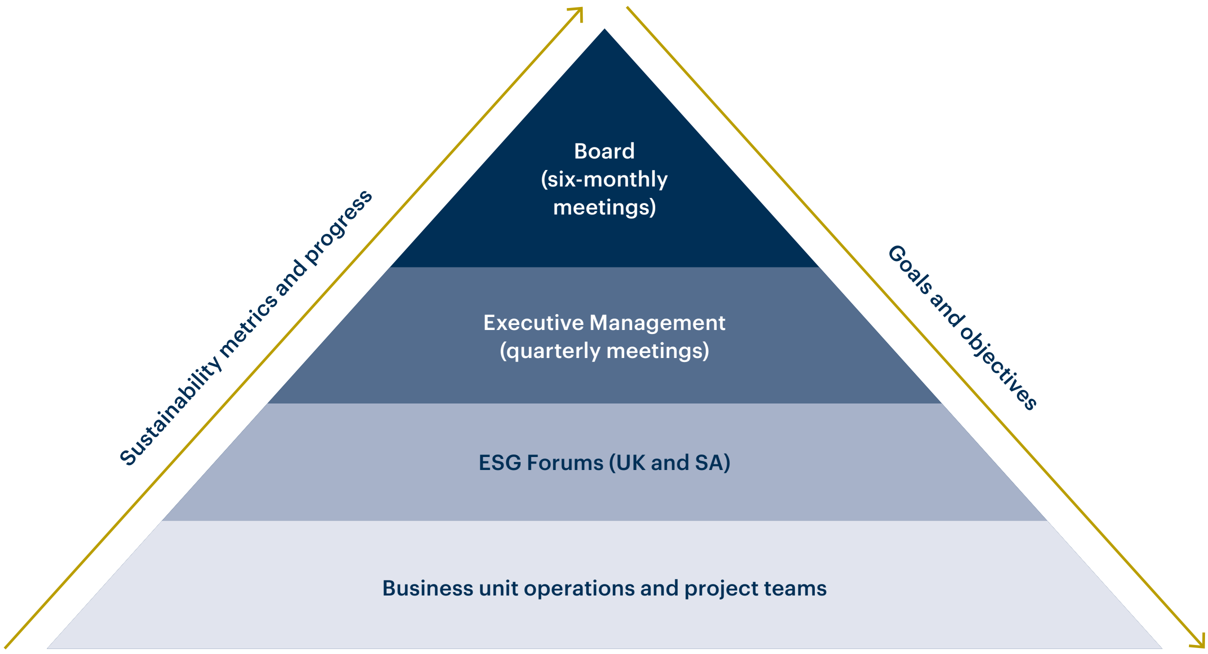
Our priorities are to:

- continue to deliver the programme of initiatives we are undertaking across our business units to support their staff and their communities;
- continue to focus on sustainability as part of our new product development programmes;
- build on the work we have done with the Carbon Trust to develop Carbon Management Plans across the Group; and
- develop our ESG plan that prioritises our effort on the ESG issues most material to Norcros and considers the right metrics and targets so that we can measure, continuously improve and report on our ESG performance.

Sustainability governance

The Board of Norcros plc is responsible for ensuring key sustainability policies, such as the Code of Ethics and Standards of Business Conduct, are communicated, understood and observed by all Group businesses, employees and associates. Day to day responsibility for promoting and implementing these policies is delegated to business unit senior management. This year, we established our ESG Forums to provide more structure to our sustainability management process, which will accelerate our sustainability ambition within the Group.

The ESG Forums use expertise across Group functions and allow us to prioritise our impact through organisational workstreams and to monitor progress against our plans across the Group. Our South African business, Norcros South Africa, has a well-established Social and Ethics Committee of its Board, which oversees ESG in all South African business units.



1 EMBEDDING SUSTAINABILITY CONTINUED

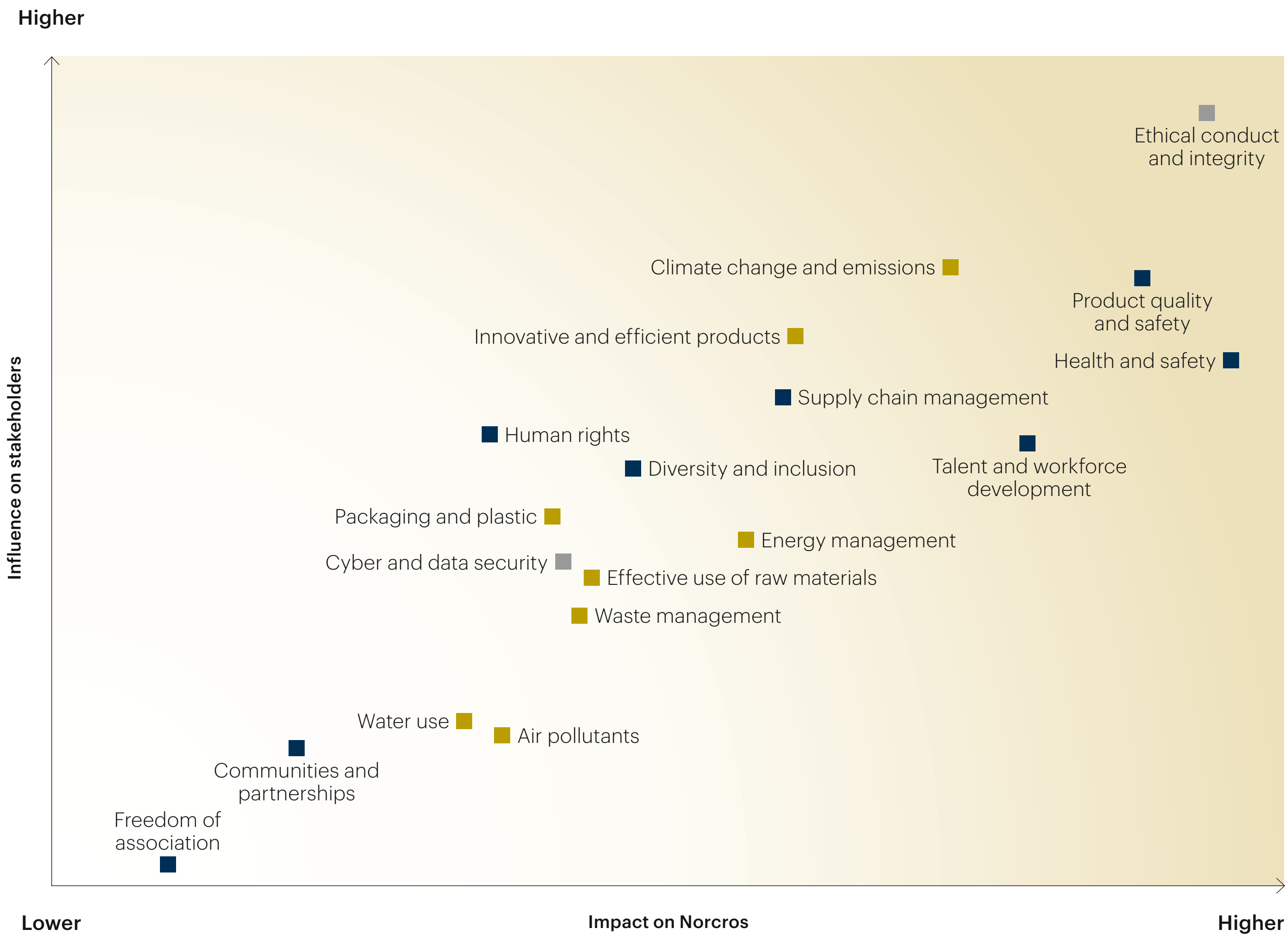
Sustainable business goals and materiality assessment

Materiality assessment

We have carried out a materiality assessment to define the issues which matter most to the Group, from a financial perspective, and the issues which impact society and influence our stakeholders. The materiality assessment is crucial as it allows us to prioritise issues and will be a vital input as we develop our sustainability strategy and ESG plan throughout 2022.

We developed the materiality assessment by considering the issues that were important to our internal and external stakeholders. We held a workshop with our senior leadership team to develop and shortlist these issues and prioritised their relative importance to the business. We also surveyed a selection of staff and external stakeholders, such as customers and our lending banks, to incorporate their views into our analysis and to help improve our understanding of issues that are of highest importance to them.

Our materiality assessment is shown in the matrix below. We identified 18 material issues and prioritised the issues by the impact of the issue on our business and the level of influence the issue has on stakeholders. The most material issues for Norcros are in the top right of the diagram. We concluded the three most important issues are ethical conduct and integrity; product quality and safety; and health and safety. As we develop our ESG plan, we will focus our effort on the material issues and the prioritisation of these issues will help us to further refine where we invest our time.



We have grouped our material issues into three broad categories:

- Governance
- Environmental
- Social

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

United Nations Sustainable Development Goals Alignment

At Norcros, we impact and influence six of the United Nations Sustainable Development Goals (UN SDGs). There are 17 SDGs (https://sdgs.un.org/goals) and this year, we assessed which Goals are most material to us. Norcros makes the greatest contribution to SDGs 8, 12 and 16 (explained in the graphic below) through the provision of safe, quality products and ensuring our business is conducted in an ethical manner. The alignment of these material topics to the SDGs most relevant to us is shown below.

Environment

Material topics:

- Energy management
- Effective use of raw materials
- Waste management
- Packaging and plastic
- Innovative and efficient products
- Climate change and emissions

Aligned UN SDGs:

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Social

Material topics:

- Talent and workforce development
- Health and safety
- Supply chain management
- Human rights
- Freedom of association
- Product quality and safety

Aligned UN SDGs:

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Governance

Material topics:

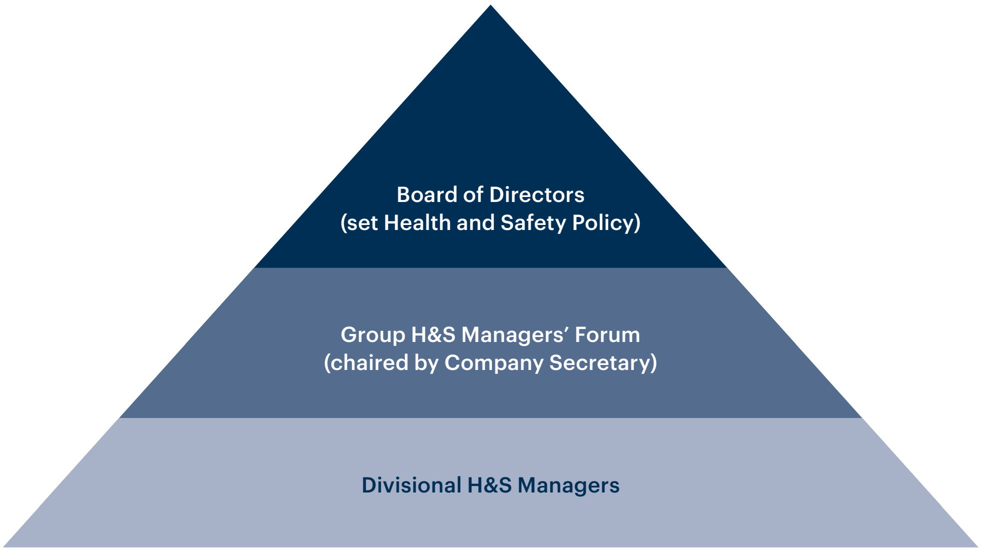
- Ethical conduct and integrity
- Cyber and data security

Aligned UN SDGs:

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

2 HEALTH AND SAFETY



Safety first

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

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

Our health and safety organisational framework, outlined below, clearly defines those responsible and accountable for health and safety across our businesses. In addition, every employee is made aware that they have a responsibility for their own and others' health and safety when engaged on Company business. The Group Health and Safety Managers' Forum is chaired by the Company Secretary and comprises all the divisional Health and Safety Managers. Other members of Group management attend by invitation including the Group Head of Internal Audit and Risk Assurance.

Currently, Triton Showers, Vado, Johnson Tiles SA, TAL and Merlyn Industries are certified to the Health and Safety Management System ISO 45001 standard; together this covers 50% of our turnover.

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

Safety performance

We have a proud track record of safety performance, and we are starting to report on this as part of our ESG annual report. There were no fatalities recorded in the year (2021: nil) and there have been no fatalities recorded over the last decade when the current executive team have been in post. We record Accident Incidence Rate (AIR) monthly for each location and for the whole Group; this includes all reported accidents, however minor. Our Group AIR for 2022 was 308[1] injuries per 100,000 employees in the year – which is consistent with levels in years when operations were not affected by the pandemic (2021: 222 per 100,000 employees; 2020: 303 per 100,000 employees). We recorded five serious reportable accidents in 2022 (2021: four, 2020: six).

We record the root cause of accidents and 80% of accidents in 2022 were caused by slips, trips and falls, or by handling, lifting or carrying. All accident statistics and their causes are regularly reviewed by the Group Health and Safety Managers' Forum. We maintain externally managed whistleblowing reporting lines that are available to all employees where they can report confidentially, and anonymously should they want to, any concerns they may have in respect of health and safety matters.

1 The UK HSE's all-manufacturing industry average AIR was 2,080 per 100,000 workers in 2021.

Response to covid-19

Health and safety during the COVID-19 pandemic has been of paramount importance to us as a responsible employer. As social lockdowns and travel restrictions have been lifted, the impact of COVID-19 on Norcros, our employees and our customers has reduced. We followed government legal requirements and advice closely throughout the pandemic, including when all restrictions were lifted in the UK, and responsibility for COVID-19 workplace safety fell solely upon employers. This rigorous approach to the protection of our people meant that, as with the previous financial year, in the year to 31 March 2022 there were no reported incidents of transmission of COVID-19 at any Norcros location. Instructions, such as "work from home wherever possible", have now ended and we are encouraging our employees to return to the workplace when they feel comfortable doing so. Where practical, we have introduced flexible working policies for those colleagues who are able to effectively work remotely; this provides them with greater flexibility on a more permanent basis.

Health and wellbeing

We treat everyone with respect and encourage them to be themselves. We promote employee wellbeing and reduce stress through several initiatives and support mechanisms. Support is provided to all UK and Eire employees through our Employee Assistance Programme that extends to all aspects of wellbeing, including free access to various independent support helplines (e.g. stress, health, lifestyle, etc.).

Norcros South Africa's Wellness Centre

Norcros SA runs a well-established Wellness Programme with an on-site Wellness Centre at the Olifantsfontein site, providing primary healthcare, occupational health, and professional wellness programmes and support.

The centre can dispense chronic illness and HIV medication and it is also partnered with Reality Wellness to provide professional counselling and support to staff on issues such as health, financial, psychological, trauma, substance abuse and more. The families of employees are also encouraged to make use of these support services.

3 OUR PEOPLE

Workforce engagement

We engage with employees throughout the Group through our divisional structure. This ensures that all communication and engagement are appropriate to each business and location. We have a very effective approach to cascading information about business changes, key issues and business performance updates through the organisation using a variety of channels including the line management structure, emails and Microsoft Teams calls. Our engagement methods were tested through 2021 as we successfully implemented new policies due to the COVID-19 pandemic and we engaged with more staff who were working remotely.

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

Number of staff by year by region

	FY 2022	FY 2021
UK	**1,002[1]**	983
South Africa	**1,194**	1,072
Total	**2,196**	2,055

1 Not including Granfit Holdings and its subsidiaries.

Diversity and inclusion

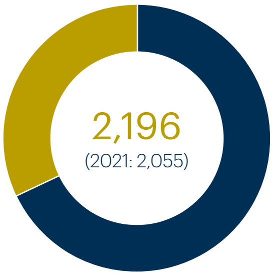
We believe that a diverse and inclusive organisation promotes greater innovation and more effective decision making. Our Code of Ethics and Standards of Business Conduct sets out our overall approach, in which all employees are encouraged to advance within the Group and have equal opportunities to do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

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

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

Gender diversity statistics

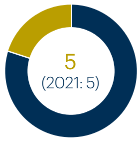
Total employees



Male: 1,489 (2021: 1,393)

Female: 707 (2021: 662)

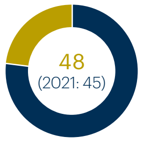
Board



Male: 4 (2021: 4)

Female: 1 (2021: 1)

Senior management



Male: 37 (2021: 37)

Female: 11 (2021: 8)

Norcros SA says YES

Norcros SA is proud to participate in the ground-breaking, life-changing Youth Employment Service (YES). YES is a joint project between the private sector and government to assist young, previously disadvantaged South Africans to gain work experience through meaningful employment placements.

Norcros SA, through a number of employment and outreach programmes, already recognises and supports the local community; therefore, its engagement with the YES programme fits well with this framework and will see 65 young people employed by Norcros SA for a period of 12 months across all four of its businesses.

Norcros SA – celebrating success

Our colleagues are fundamental to the successful delivery of our strategy and, as such, Norcros SA has partnered with the Gordon Institute of Business Science (GIBS) on a programme for management development for staff across the different divisions in South Africa. The aim of this 12-month programme is to develop colleagues so that they have a better understanding of the current and future global economic and social environment, and to develop their leadership and management skills in an ever-changing environment.

Talent and career management

All of our businesses have staff training programmes that are suitable for the development of appropriate technical and people skills. We are committed to education and career development, and for those in senior leadership roles, coaching and mentoring have been offered rather than attending courses or other developmental activities. The coaching is focused on the individual's unique work challenges and opportunities as well as on the individual's personal style and behaviour.

Employees are encouraged to be involved in the Company's performance through employee share schemes, and other means of incentivisation and reward.

Community partnerships

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

Merlyn supports #WalkAMileInMay campaign

Almost half of UK women don't regularly check for early signs of breast cancer, even though we know that early detection can make all the difference to the fight against this disease. Merlyn's campaign with the Pink Ribbon Foundation urges women to use precious time behind the shower screen to check for early warning signs. In fact it is the most common place that women pick up on any changes to their bodies. That's why the partnership with Merlyn, which was launched back in 2019 to support the Pink Ribbon Foundation, is such a vital one.

Merlyn is currently supporting the #WalkAMileInMay campaign with Merlyn donating £3,100 to get each employee started by sponsoring one mile per day for them. Employees and the local community are getting involved, with Lisa Allen from the Pink Ribbon Foundation arriving at Merlyn's offices in Kilkenny to kick off the campaign.

4 ENVIRONMENTAL PERFORMANCE

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

Triton achieved the Carbon Trust Standard for Carbon

Triton achieved the Carbon Trust Standard for Carbon in 2021 and Croydex achieved the new Carbon Trust Route to Net Zero Standard (Taking Action) in 2022 based on the progress it has made with carbon management and emissions. At Triton, some of the key carbon management initiatives have included installing LED lighting throughout 95% of its facility, reducing water usage by 38%, introducing electric vehicle charge points in the car park and a cycle to work scheme and using 100% recycled paper.

Managing environmental performance

Our individual business units track and monitor their environmental impacts. The main vehicles for compliance and improvement across sites are our environmental management systems. Six of our businesses, covering 88% of turnover, are certified to the Environmental Management ISO 14001 standard and our businesses report regularly on any environmental issues that arise. We have also completed an environmental audit at Johnson Tiles South Africa during the year and, where improvements have been suggested, they are being assessed and addressed by management. The Group has not had any environmental fines in the last twelve months.

Energy management and greenhouse gas emissions

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

We have a range of initiatives underway across the Group to reduce our carbon footprint. We engaged with the Carbon Trust to undertake a review of our carbon management practices in each of our business units. We will consider the recommendations from this work as part of our ESG planning work through the remainder of 2022. Triton has ambitious aims to achieve carbon neutral certification and net zero status by 2025, which include the launch of Triton's Cleaner Conscience Taskforce, a working group of employees focused on driving down waste pollution, pursuing sustainable and innovative product design and looking at how Triton can improve its product life cycle. Triton achieved the Carbon Trust Standard for carbon in 2021 and, over the review period, lowered its CO_2 footprint by 38%, a significant result and one that demonstrates the company's level of commitment to reducing carbon emissions. Croydex has also been awarded the Carbon Trust Route to Net Zero Standard (Taking Action).

Carbon emissions

Our emissions data covers 100% of our operations. Following our work with The Carbon Trust over the last 12 months, we have modified our methodology for calculating carbon emissions. We measure our CO_2 emissions in accordance with the internationally recognised Greenhouse Gas (GHG) Protocol and our metrics include Scope 1 and 2 emissions. Our Scope 3 CO_2 emissions represent estimated CO_2 emissions from business travel for FY 2022. We continue to develop our data and a deeper understanding of Scope 3 emissions and will report further on this in due course.

The increase in Scope 1 and 2 emissions from FY 2021 is in a large part due to the reopening of the UK and South Africa economies after the COVID-19 pandemic and the return to normalised levels of operating activity of Norcros as a Group through FY22.

Carbon Emissions and Energy Consumption Data

	FY 2022			FY 2021			FY 2020
	UK	**Global (excl. UK)**	**Total**	UK	Global (excl. UK)	Total	Total
Scope 1 (tCO_2e)	**15,846**	**30,669**	**46,515**	13,610	31,331	44,941	63,143
Scope 2 (tCO_2e)	**3,798**	**25,986**	**29,784**	3,508	18,078	21,586	30,284
Scope 3 (tCO_2e) – business travel	**270**	**941**	**1,211**	n/a	n/a	n/a	n/a
Total emissions (tCO_2e)	**19,914**	**57,596**	**77,510**	17,118	49,409	66,527	93,427
Intensity ratio (total emissions (tCO_2e)/ Group revenue (£m))	**—**	**—**	**195.6**	—	—	205.2	273.2
Energy consumption (kWh)	**100,560,823**	**180,146,369**	**280,707,192**	75,225,476	147,750,036	222,975,512	n/a

Water consumption

Water efficiency is an increasingly important issue for us. This includes, where possible, reducing the amount of water we use in all our operations and designing products that help our customers reduce the amount of water used for their domestic or commercial purposes.

Targets

Triton has a target to reduce water usage by 7% which has led to the introduction of two new water meters to help identify where the majority of water is being consumed. We recognise this target only covers 15% of our business operations and we will consider broadening the coverage of targets as part of the next stage of our ESG plan.

Water consumption

Freshwater usage (m^3)	**FY 2022**	FY 2021	FY 2020
UK	**37,267**	27,466	48,920
SA	**101,663**	79,866	84,274
Total	**138,930**	107,332	133,194
Intensity ratio m^3 per £m revenue	**433.07**	397.23	467.02

The table above outlines water consumption across business units which account for 81% of Group revenue for FY 2022 (FY 2021: 83%, FY 2020: 83%). As with emissions, as the Group has returned to normal levels of manufacturing activity after the restrictions from the COVID-19 pandemic ended, water consumption has increased in comparison to FY 2021.

Waste management

Reducing packaging and increasing the amount of recycling are important goals for all our business units from an operational, commercial and environmental perspective. Various initiatives aimed at reducing waste sent to landfill and encouraging recycling are in place; employees are expected to support these schemes by sorting waste and disposing of it appropriately. Triton challenges suppliers to remove unnecessary extras, such as strapping used on the outer boxes. As a result, two out of three suppliers have invested in reusable plastic containers, which has meant that Triton has seen significant reductions in the amount of cardboard being received from UK suppliers.

Environmental, social and governance continued

5 SUSTAINABLE PRODUCTS

Abode Filter Recycle Scheme

Abode's 4 in 1 range of taps provide hot and cold domestic water, steaming hot water on demand, and fresh filtered water meaning you can make a start to eliminate the use of single-use plastic in the home. Its Filter Recycle Scheme adds another advantage to the list, as the filter and the boiler can be recycled free of charge to the consumer. Abode's recycle partner will oversee the separation of each component part with the plastic being ground down and the internal resin brought back to life, ready to be reused.

Boosting innovation

Norcros is committed to designing, manufacturing and supplying products that are reliable and safe to use. All our products are tested to ensure that they meet safety requirements in the countries in which they are sold and information about safe use and disposal of Norcros products is provided through warning labels, manuals and other documentation where this is appropriate. The majority of our business units, covering 95% of turnover, are externally certified to the Quality Management ISO 9001 standard.

The Group is also committed to minimising the environmental impact of its products and services wherever possible. We have provided our customers with some environmentally beneficial products that are energy efficient, easily recyclable and durable to increase their longevity. To be a sustainable business, we need to continue to develop innovative solutions and we are always developing new products and technologies that align to customer and market demands as well as investing in research and development to stay ahead of our competitors. The impacts from climate change and the accelerated commitment to environmental legislation from governments, such as net zero by 2050 in the UK, has created opportunities for Norcros to capitalise on consumer and market demands for products that help customers reduce their environmental impacts. The Group offers a number of innovative products that already provide customers with solutions to reduce their carbon emissions while also saving money.

Responsible sourcing

The way our products are sourced has a significant impact on our environmental and social sustainability. We are committed to encouraging our suppliers to minimise their environmental impact and we also expect all our suppliers to conduct themselves to standards equivalent with the Code of Ethics and Standards of Business Conduct. Environmental standards at Norcros Adhesives have been maintained in the year with the continued "Gold Standard" accreditation from the Supply Chain Sustainability School (which is partnered with the housebuilder Barratt).

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

Abode – eco-friendly "Swich" – SBID winner of Kitchen Product Design category 2021

Abode's aim is to reduce to amount of plastic waste going to landfill and not harming the environment is a key consideration for the brand. At the 2021 Society of British International Design (SBID) awards ceremony, Adobe's Swich was recognised as an outstanding example of technical innovation, aesthetic creativity and fit-for-purpose functionality. The versatility and ease of Swich is an industry game changer for the modern home. With a revolutionary design, via a simple turn of the control handle, Swich can transform a new or existing kitchen tap into a water filter tap, removing the need to have bottled water in the house.

6 ETHICS AND COMPLIANCE

The Code of Ethics and Standards of Business Conduct (the Code and Standard) applies in all areas of Norcros Group's business and to all officers, Directors, employees, contractors and agency staff employed by or working for Norcros plc or any division of Norcros plc. The Board of Norcros plc is responsible for ensuring these business principles, such as anti-bribery and corruption and diversity, are communicated to, and understood and observed by, all Group businesses, employees and associates. This Code and Standard will be made available to every employee at the start of their relationship with Norcros and will also be communicated to all new employees of any business acquired by Norcros.

Whistleblowing

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

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

Anti-bribery and corruption

Norcros prohibits bribery and all other types of fraud and will take disciplinary and/or legal action as appropriate in all cases of actual or attempted fraud across all operations. We have a strict Anti-Bribery and Corruption Policy, which applies to suppliers, set out in the Code and Standard and we conduct our business in a fair, open and transparent manner. The Board of Directors has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those who have influence comply with it. We prohibit, and will not accept, facilitation payments or "kickbacks" of any kind. Facilitation payments are typically unofficial payments made to secure or expedite a routine government action by a government official. All employees are required to undertake training under our Anti-Bribery and Corruption Policy at regular intervals and appropriate procedures are in place at all locations to mitigate the risk of any employee committing an offence of the policy.

Various day to day business situations are potentially sensitive in that they can create opportunities for corruption, particularly bribery, or a perception of improper practices. These situations include, but are not limited to the following and Norcros' Anti-Bribery and Corruption Policy sets out steps to prevent these situations occurring:

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

"This Code of Ethics and Standards of Business Conduct applies in all areas of Norcros Group's business and to all officers, Directors, employees, contractors and agency staff employed by or working for Norcros plc or any division of Norcros plc."

6 ETHICS AND COMPLIANCE CONTINUED

Human rights

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

Labour

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

Tax transparency

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

"Our corporate values focus on respect, integrity and fairness. We are committed to respecting the dignity of the individual and to supporting the UN Declaration of Human Rights, the UN Universal Declaration of Human Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and other core conventions."

7 TCFD REPORT

The Group recognises the recommendations of the Task Force on Climate-related Financial Disclosures. The following pages represent our first disclosure against the TCFD recommendations and the UK Government requirement for Premium Listed companies to make climate-related financial disclosures aligned with TCFD.

Governance

We are enhancing our sustainability management and reporting and developing our framework and response, which will include managing our emissions impact.

The Board of Directors is responsible for all matters of strategy at Norcros, and the oversight of climate-related issues is embedded in that process. The Board is kept informed of climate-related matters through regular scheduled updates at Board meetings with climate change on the agenda at least once every six months and through twice yearly reports. The Board has regular access to appropriate expertise, monitors and oversees progress of the Group's sustainability performance, tracks the process of significant strategic developments and monitors the Group's emissions (Scope 1 and 2).

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

As climate-related issues are fundamental to the Group's business purpose, the CEO has overall responsibility for their oversight, ensuring climate-related issues are considered in the review of Norcros' strategy, budget and business. The CEO is also responsible for reporting on progress to the Board, which is done twice yearly.

At a management level, the Group has instigated a sustainability committee (ESG Forum), comprised of representatives of the underlying business units. The ESG Forum convenes quarterly and is led by the CEO and the Corporate Development and Strategy Director. The ESG Forum is responsible for reviewing and managing progress against the Group's sustainability framework, directing action in their respective business units and feeding back data, achievements and barriers to be resolved. Representatives of the ESG Forum are themselves informed by operational and project teams within the business units. The Norcros management team will also begin to consider KPIs, targets and aligning staff incentives as part of ESG strategy and planning work through 2022.

Risk management

Climate-related risks and opportunities relevant to Norcros were identified with the help of external consultants CEN-ESG and refined through consultation with the Head of Internal Audit and Risk Assurance and senior management. We considered climate-related risks and opportunities in all physical and transition risk categories, current and emerging, whether they occur within our own operations or upstream and downstream of the Group and whether they occur within short, medium or long-term time horizons.

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

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

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

See pages 36 to 40 for principal risks and uncertainties disclosures.

7 TCFD REPORT CONTINUED

Strategy

Through the above process the following key risks and opportunities that could have a material financial impact on the organisation have been identified. These are expanded in further detail below.

In consideration of the longer time horizons for climate-related issues, the time horizons for our climate-related risk assessment analysis have been determined as:

- short term: zero to three years;
- medium term: three to ten years; and
- long term: over ten years.

Risk	1. Carbon pricing (carbon tax) in own operations	2. Carbon pricing in the value chain	3. Water scarcity	4. Cost of capital linked to sustainability criteria	5. Customer and consumer pressure	6. Rising temperatures	7. Extreme weather events
Type	Transition (current and emerging regulation)	Transition (emerging regulation)	Physical (chronic)	Transition (market)	Transition (market and reputation)	Physical (chronic)	Physical (chronic)
Area	Own operations	Upstream	Own operations	Own operations	Downstream	Downstream	Downstream
Primary potential financial impact	Higher costs associated with energy	Increased cost of purchased goods and inbound transportation	Higher costs/ disruption	Higher cost of capital	Lost revenue	Higher costs/ disruption	Higher costs/ disruption
Time horizon	Medium term	Medium term	Medium term	Medium term	Medium term	Medium term	Medium term
Likelihood	Certain	Certain	Possible	Likely	Likely	Possible	Possible
Impact measure	Intermediate	Low	Intermediate	Severe	Intermediate	Low	Low

Opportunity	1. Product design – resource efficient manufacturing	2. Product design – resource efficient products	3. Water, energy and waste savings	4. Renewable energy	5. Lower transport related emissions
Type	Products and services	Products	Resource efficiency	Energy source	Resource efficiency
Area	Own operations/ downstream	Own operations/ downstream	Own operations	Own operations	Own operations/ downstream
Primary potential financial impact	Increased sales	Increased sales	Decreased costs	Decreased costs	Decreased costs
Time horizon	Medium term	Medium term	Medium term	Medium term	Short term
Likelihood	Likely	Likely	Likely	Likely	Likely
Impact measure	Intermediate	Intermediate	High	Low	Low

Internally, we are developing our climate-related scenario analysis to improve our understanding of the behaviour of certain risks to different climate outcomes. We expect much of our scenario analysis to be qualitative at first but, there will be opportunities in future years to improve our analysis as new data is made available both internally and externally to support a meaningful quantitative assessment.

Climate-related risks

Risk	Carbon pricing (carbon tax) in own operations
Description	The cost of carbon, applied either via emissions trading prices, the price of offsets or direct carbon taxes, is expected to rise as businesses are compelled to take more responsibility for their energy use and carbon emissions. This would increase our manufacturing costs, through costs associated with Scope 1 emissions or through the increased cost of electricity used (Scope 2). The most energy intensive areas of the business are the kilns used in the manufacture of tiles (Johnson Tiles UK and Johnson Tiles South Africa).
Impact	The UK and South Africa currently have different carbon tax schemes and prices. In the UK, Johnson Tiles is part of an Emissions Trading System for energy intensive industries. The current ETS price is circa £80/tCO_2e and is expected to increase in the medium term. In South Africa the current (gross) carbon tax is R144/tCO_2e although the net price is circa 20% of this level. Carbon taxes are expected to increase significantly from 2026 as per draft legislation.
Mitigation	Continued improvement in the energy efficiency of the manufacturing processes through recycling of heat from the kilns.

Risk	Carbon pricing in the value chain
Description	The cost of carbon, applied either via emissions trading prices, the price of offsets or direct carbon taxes, is expected to rise as businesses are compelled to take more responsibility for their energy use and carbon emissions. In addition, the scope of this tax is expected to widen to include Norcros' value chain.
Impact	We have yet to quantify our Scope 3 emissions but expect the prices of embedded carbon of purchased goods and services, and transportation, to increase for the Group. China accounts for a significant percentage of the Group's suppliers, so the Chinese Emissions Trading Scheme (ETS) will be a key risk. How it develops is uncertain, but in line with global trends we expect the scope to widen and pricing to increase. We expect our suppliers to pass on their increased energy costs over time.
Mitigation	Broaden Scope 3 reporting and disclosure so we can better monitor and assess Scope 3 emissions. Work more closely with suppliers to ensure they are following practices in line with our regulatory standards and to where possible "design out" carbon in our product suite.

Risk	Water scarcity
Description	The Group's tile manufacturing businesses in the UK and South Africa rely on water as a key component of the manufacturing process. Our South African sites are in an area classified as high physical water risk (WWF Water Risk Filter). Climate change is expected to exacerbate this risk in the medium term.
Impact	In a situation of extreme water shortages, a lack of water could disrupt production of tiles (or significantly increase manufacturing costs) and hence negatively impact revenues and profits, as well causing reputational risk to the business.
Mitigation	Continued improvement in the water efficiency of the manufacturing process including exploring the possibility of drilling bore holes for alternative water supplies, continue existing pH neutralising water treating and recycling methods to minimise water use.

7 TCFD REPORT CONTINUED

Climate-related risks continued

Risk	Cost of capital linked to sustainability criteria
Description	Providers of capital (investors and banks) have been steadily incorporating sustainability into their lending assessments, which represents a risk to the availability and cost of capital if Norcros loses its competitive position in ESG performance and disclosure. Over the medium term, we expect lenders will apply punitive charges if ongoing targets on emissions reduction are not met.
Impact	The cost of debt is likely to increase. However, Norcros' facilities have recently been renewed at rates in line with the market.
Mitigation	Remain in continued dialogue with lenders to ensure climate change disclosure is in line with the latest regulatory requirements and make progress toward setting a net zero target and transition plan.

Risk	Customer and consumer pressure
Description	The UK's net zero carbon target is driving new building regulation and more environmentally friendly industry standards. Additionally, consumers are demanding more eco-friendly products for their homes. Our product design must continue to be innovative, reducing hot water and energy consumption in homes, in order to remain market leaders.
Impact	Norcros' relative size and competitive position in the market mean that the Group is well placed to react to key client guidelines and any industry trends. However, failure to pay attention to developing consumer trends and a lack of further investment in R&D could leave Norcros vulnerable to losing out on a market that is increasingly growing to cater for consumers' sustainable demands and regulatory requirements.
Mitigation	The Group must continue to monitor key client guidelines (of homebuilders and retailers) including any announcement on targets for their Scope 3 emissions to ensure compliance. Continued consumer surveys allow us to remain in touch with the latest consumer trends. Collaboration across the Group to ensure we are well placed to respond to increasing ESG requirements when clients are making purchasing decisions.

Risk	Rising temperatures
Description	In South Africa, mean annual temperatures have increased at least 1.5 times the observed global average increase of 0.65°C during the last 50 years, and mean average temperature is expected to continue to rise.
Impact	Projected increases in temperatures can cause heat stress for employees working outside and increased demand for air conditioning and cooling equipment during hot weather which may overload the grid or drive higher costs by increasing electricity demand when electricity prices are at their highest. At this stage, the projected annual increase in temperatures for South Africa is not expected to trigger dramatic enough increases in temperature to change operations or working practice.
Mitigation	Norcros has already installed back-up generators in the event of power outages which can maintain operations. The Company is also investigating the use of on-site renewable power to become less dependent on grid energy.

Risk	Extreme weather events
Description	Norcros' operations have been assessed and deemed not to be at major risk from extreme weather events. However, risks to Norcros could occur if the supply chain is subject to physical risks resulting from climate change e.g. extreme weather events or water scarcity.
Impact	In a situation of extreme weather events, such as flooding or water scarcity, supply of input materials or finished products could have a negative impact on the ability of Norcros to provide the appropriate level of stock for consumers. This could impact revenues and profits, as well causing reputational risk to the business.
Mitigation	Norcros has a high level of resilience in its supply chain which, for example, experienced no significant disruption during the COVID-19 pandemic, despite a large supplier network in China. The diversity of supply sources and de-centralised model (suppliers and representative offices are located near the factories they supply) contribute to this resilience.

Climate-related opportunities

Opportunity	Product design – resource efficient manufacturing
Description	Products manufactured though an energy efficient process or with recycled raw materials can significantly help lower our GHG emissions over the medium term.
Impact/ examples	Johnson Tiles manufactures a "greener" tile which is thinner than the standard tile and hence consumes less energy in the firing process and less water in the production process. As it is lighter, it requires less packaging and is cheaper to transport.

Opportunity	Product design – resource efficient products
Description	Products that are designed with energy and water saving features are expected to see revenues grow ahead of the market. We expect products with energy saving ratings to take market share, as increasing environmental regulatory requirements is putting pressure on smaller suppliers.
Impact/ examples	The Abode Swich water filter diverter can transform any tap into a filtered water tap, enabling households to live more sustainably by reducing their use of plastic water bottles. The product won the SBID International Design Award and an Ideal Home Award for sustainability, recognising its contribution to promoting sustainable living. Triton's electric showers are A-rated energy efficiency products, with an opportunity to take a greater market share of an increasingly environmentally driven market.

Opportunity	Water, waste and energy savings
Description	Reduce energy and water intensity of our manufacturing processes and reduce waste generated. This is an ongoing process within our operations across all sites. As "best practice" examples are shared across all divisions, there is scope to further reduce our resource efficiency.
Impact/ examples	Opportunities exist to recycle heat generated from the kilns and use this for the drying processes. Currently, various energy saving practices are being implemented including LED lighting, HVAC control systems and polycarbonate sheeting in South Africa. Packaging is recycled with innovative "eco-packaging" solutions, like that in Merlyn where single-use plastic has been eliminated and been replaced by fully recyclable alternatives.

Opportunity	Renewable energy
Description	A medium-term opportunity exists to reduce our dependence on conventional energy sources and replace them with renewable sources. In-house solar photovoltaic (PV) systems would make operations less dependent on the national grid and sourcing energy under a power purchase agreement (PPA) would make use of clean sources of electricity, lowering emissions.
Impact/ examples	Johnson Tiles SA is currently reviewing proposals for solar power both on and off site. Although this involves some additional capex, the longer-term emissions reduction potential is considerable.

Opportunity	Lower transport related emissions
Description	Norcros is exposed to carbon price impacts on transportation costs, within Scope 1 and 3 emissions. The main source of transport related emissions relates to the diesel emissions from Triton's fleet of service engineers. There has also been an increase in the proportion of goods air freighted recently to compensate for longer lead times resulting from COVID-19. Although Norcros only uses air freight for a small proportion of its transport, shifting this to sea freight would reduce our transportation emissions (Scope 3).
Impact/ examples	We estimate that if Triton's entire service fleet was transitioned over to EV it would reduce net emissions significantly, as the decrease in Scope 1 emissions would be much greater than the increase in Scope 2 emissions (electricity). Initial analysis indicates that 1 tonne shipped by air on our routes generates 50–80 times the emissions of 1 tonne shipped by sea.

Metrics and targets

Norcros monitors Scope 1 and 2 greenhouse gas emissions, calculated in line with the GHG Protocol, as per page 51 of this report.

We recognise the requirement to outline targets for our emissions and energy and water consumption. By the end of 2022, we will have developed an updated ESG strategy and plan and we will consider sustainability KPIs and targets, including those for net zero. This will require developing a fuller understanding of our Scope 3 emissions to quantify our value chain emissions impacts.

Engaging with our stakeholders.

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

Section 172 statement

The Board of Directors of Norcros plc consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1) (a–f) of the Companies Act 2006) in the decisions they have taken during the year ended 31 March 2022.

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

a) the likely consequences of any decisions in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with suppliers, customers and others;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the Company.

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

The consideration of all stakeholder interests in the context of the COVID-19 pandemic has been a particular area of focus for the Board in recent years. The Board dedicated time for it to consider all stakeholder interests, primarily those of its shareholders as a whole, but also employees, suppliers, customers and the members of the Group's pension schemes. All these stakeholders (amongst others) have been impacted in different ways by the pandemic and the Board has had regard to this and has formulated a number of measures to address stakeholder interests in a balanced way.

Shareholders

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

Why and how we engage:

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

Outcomes of our engagement include:

- Following the results of the 2021 AGM, the Board followed up on the points raised regarding Directors' remuneration to understand if any action was required.
- Engagement with our shareholders has influenced our acquisition and capital investment strategy and progressive, albeit prudent, dividend policy.
- The acquisition of the Grant Westfield business was partly funded through equity, the demand for which was extremely strong, demonstrating support for the Group's strategy.

Customers

Our commitment to customer service remains critical to our success.

Why and how we engage:

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

Outcomes of our engagement include:

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

Environment

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

Why and how we engage:

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

Outcomes of our engagement include:

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

Society

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

Why and how we engage:

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

Outcomes of our engagement include:

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

Stakeholder engagement continued

Employees

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

Why and how we engage:

- We engage to ensure that all employees are valued and are given the opportunity to provide feedback and participate in shaping the development of the Group.
- This helps us underpin our culture of safety and ensures that employees at all levels in the business play a role in promoting and upholding a strong focus on health and safety, for the benefit of the Group and the wider community.
- We engage with staff throughout the Group through our divisional structure. Engagement is led by Alison Littley as the designated Non-executive Director for workforce engagement (see pages 48 and 49).

Outcomes of our engagement include:

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

NORCROS SA

Norcros SA's Diversity & Inclusion Program Launches its first female graduate scheme

There is no doubt that South Africa has made significant progress towards achieving gender equality, however, a lot still remains to be done. Today, organisations are becoming more diverse, creating workplaces that embrace more innovation and creativity, thus fuelling growth and aiding in the sustainability of the organisation.

As part of its Diversity and Inclusion program, Norcros SA has launched its first female graduate scheme and we are excited to extend a warm welcome to the 2022 graduates and look forward to their valuable contribution.

Strategic Report

To the members of Norcros plc

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

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

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

Approval

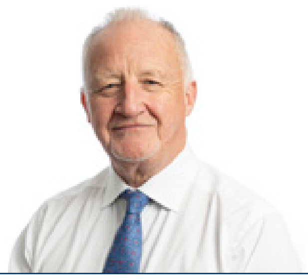
The Group Strategic Report on pages 2 to 62 of Norcros plc was approved by the Board and signed on its behalf by:

Nick Kelsall
Chief Executive Officer
8 June 2022

Corporate governance

Johnson Tiles: Melrose features a rustic structure combined with a glossy glaze to give a handcrafted aesthetic. With natural variation in colour and texture suitable for any interior space, Melrose offers 5 neutral tones of Bone, Pewter, Slate, Moss and Stone, providing a modern look ideal for any interior space.

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



Gary Kennedy
Chair

N R

Date of appointment

Joined the Board as Non-executive Chair on 8 December 2021

Length of tenure

One year

Skills and experience

Gary is also non-executive chair at Greencore Group plc, where he assumed the role of executive chair from 31 March 2022 and will fulfil that role until a new CEO takes office in September 2022. Gary has extensive executive experience along with a wealth of non-executive director experience. He is currently chair of Goodbody Stockbrokers (Ireland), and in the past has served as chair of Connect Group plc and Green REIT plc and on the boards of Elan plc, Allied Irish Bank, Friends First Holdings and the IDA Ireland. He was also government appointed director of Irish Bank Resolution Corporation. Gary is a fellow of the Institute of Chartered Accountants in Ireland and a council member of the Institute of Directors in Ireland.

Nick Kelsall
Chief Executive Officer

Date of appointment

Chief Executive on 1 April 2011 having previously served as Chief Financial Officer on appointment to the Board in October 1996

Length of tenure

Eleven years

Skills and experience

Nick joined Norcros as Finance Director of H&R Johnson Tiles Limited in 1993. Nick was promoted to Chief Financial Officer in October 1996, before being appointed to Chief Executive Officer on 1 April 2011. Formerly, Nick held a number of senior financial management positions with Touche Ross, Manchester, and, immediately prior to joining Norcros, with Waterford Wedgwood Group plc. Nick has extensive international senior management and M&A experience and has been a listed company director since 1996. He is a fellow of the Institute of Chartered Accountants in England and Wales.

James Eyre
Chief Financial Officer

Date of appointment

Appointed Chief Financial Officer in August 2021

Length of tenure

One year

Skills and experience

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

Re-election of all Directors

It is proposed that each Director will seek election or re-election at the 2022 AGM. The Board is satisfied that the Directors, individually and collectively, have the balance of technical expertise, skills and experience to manage the Company's affairs and to further the Group's strategic objectives. In particular, each Director has experience of growing an international business, organically, as well as by acquisition. A detailed CV for each Director, including their particular areas of experience and expertise, is available on the Company's website, www.norcros.com.

The Board notes that, if re-elected, David McKeith will before the 2023 AGM have reached a tenure of over nine years. The reasons for this are explained on page 66. David McKeith will not seek re-election at the 2023 AGM.

David McKeith
Non-executive Director

A N R

Date of appointment
Appointed to the Board in July 2013

Length of tenure
Eight years

Skills and experience
David is Senior Independent Director and Chair of the Audit and Risk Committee. From April 2021 he acted as Board Chair pending the appointment of Gary Kennedy as Chair on 8 December 2021. David was the senior partner of the Manchester and Liverpool offices of PricewaterhouseCoopers LLP and served on its UK supervisory board. David was until 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.

Alison Littley
Non-executive Director

A N R

Date of appointment
Appointed to the Board in May 2019

Length of tenure
Three years

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

Richard Collins
Company Secretary

Date of appointment
Joined the Company in June 2013 as Company Secretary and Group Counsel

Length of tenure
Nine years

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

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

Corporate governance

Committed to ensuring high standards of corporate governance.

Gary Kennedy
Chair

Chair's introduction to governance

For the year under review the Company has complied with the 2018 UK Corporate Governance Code. We have carried out a thorough evaluation of Board performance, which remains satisfactory. As is set out in the Board Chair's Statement on page 11, there were changes to the Board during the year; for the year under review its composition was as follows:

Breakdown of Executive and Non-executive Directors

Non-executive Chair	1
Non-executive Directors	2
Executive Directors	2

Note: between 15 April 2021 and 8 December 2021, David McKeith (a Non-executive Director) was Acting Board Chair.

Board of Directors

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc and is accountable to the Company's shareholders for good corporate governance. Its policy is to manage the affairs of the Company in accordance with the principles of the UK Corporate Governance Code referred to in the Listing Rules of the UK Listing Authority. For the year under review, the Company has complied with the UK Corporate Governance Code as revised in 2018 (the Code) in all respects. A copy of the Code is publicly available from www.frc.org.uk. The following sections of this statement describe the Board's approach to corporate governance and how the principles of the Code are applied. These sections refer to the year ended 31 March 2022, unless otherwise stated.

Board balance and independence

The Board normally comprises the Non-executive Chair, two Non-executive Directors and two Executive Directors, and all Directors are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this report and their biographical details are given on pages 64 and 65. It should be noted that from 15 April 2021 to 7 December 2021 the Board temporarily had only two NEDs (with one of them acting as Board Chair), which was a transitional arrangement whilst a Board Chair was being recruited.

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

David McKeith is the Senior Independent Non-executive Director. He is available to shareholders if they have any issues or concerns which contact through the normal channels of Board Chair, Group Chief Executive or Chief Financial Officer has failed to address or resolve, or for which such contact is inappropriate.

The Board notes that David McKeith was appointed to the Board in July 2013 and that in accordance with the Code he will cease to be regarded as independent on the ninth anniversary of his appointment. Notwithstanding that the Board regards Mr McKeith as independent in his approach and in the performance of his responsibilities, in keeping with the Board's succession plan it had been intended for Mr McKeith to step down from the Board at the Company's 2022 AGM. However, this timetable was affected by the COVID-19 pandemic and the need for Board stability and continuity during this critical period. Therefore the revised timetable is that a successor NED to Mr McKeith will be appointed in due course and in any event by the 2023 AGM.

Governance structure

The Board
Gary Kennedy (C) (appointed as NED and Board Chair on 8 December 2021) David McKeith (Acting Board Chair from 15 April 2021 to 7 December 2021)

Audit and Risk Committee	Remuneration Committee	Nomination Committee
David McKeith (C) Alison Littley	Alison Littley (C) David McKeith Gary Kennedy (served on Committee from 8 December 2021)	Gary Kennedy (C) (served on Committee from 8 December 2021) David McKeith (Acting Chair from 15 April 2021 to 7 December 2021) Alison Littley

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

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

Board Chair and Chief Executive Officer

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

Board, Committee and Director evaluation

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

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

Advice for Directors

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

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

Board procedures

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

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

Corporate governance continued

Board procedures continued

The report of the Nomination Committee is on page 75, the report of the Audit and Risk Committee is on pages 70 to 74 and the report of the Remuneration Committee is on pages 76 to 96.

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

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

Directors' roles

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

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

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

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

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

Retirement by rotation

Each of the Directors is subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter, in accordance with the Company's Articles of Association, all of the Directors are subject to retirement by rotation such that one third of the Directors retire from the Board each year and each Director must seek re-election at intervals of no more than three years. However, the Board has decided that every Director should, where appropriate, offer themselves for re-election at each Annual General Meeting. Accordingly, each continuing Director will seek re-election at the next Annual General Meeting. Biographical details of all of the Directors are set out on pages 64 and 65, 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 99.

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

There was full attendance of Directors at the Board and principal Board Committee meetings during the year, as detailed in the table below:

	Main Board 8 meetings	Audit and Risk Committee 3 meetings	Remuneration Committee 8 meetings	Nomination Committee 6 meetings
Gary Kennedy, Chair[1]	3/8	—	2/8	2/6
David McKeith[2]	8/8	3/3	8/8	6/6
Alison Littley	8/8	3/3	8/8	6/6
Nick Kelsall	8/8	—	—	—
James Eyre[3]	5/8	—	—	—
Shaun Smith[4]	3/8	—	—	—

1 Gary Kennedy was appointed to the Board as Board Chair on 8 December 2021.

2 David McKeith acted as Board Chair from 15 April 2021 to 7 December 2021.

3 James Eyre was appointed to the Board as Chief Financial Officer on 1 August 2021.

4 Shaun Smith acted as Chief Financial Officer until 31 July 2021.

Relations with shareholders

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

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

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

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

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

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

Accountability and audit

The respective responsibilities of the Directors and auditor in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 99 and the Auditor's Report on pages 101 to 106. The Directors ensure the independence of the auditor by requesting annual confirmation of independence which includes the disclosure of all non-audit fees.

Risk management and internal control

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

The Board has carried out a robust assessment in order to identify and evaluate what it considers to be the principal risks faced by the Group and has also assessed the adequacy of the actions taken to manage these risks. This process has been in place for the period under review and up to the date of the approval of the Annual Report and Accounts. The principal risks are disclosed on pages 36 to 40.

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 41.

Operational structure, review and compliance

In addition to the Chief Financial Officer, the Group has Senior Financial Managers at its Head Office. The current Group Head of Internal Audit and Risk Assurance was appointed in March 2020 and he is responsible for the Internal Audit and Risk Assurance function for the Group. Further information on the work of this function is in the Audit and Risk Committee Report on pages 70 to 74.

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

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

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

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

Takeover directive

Share capital structures are included in the Directors' Report on pages 97 and 98.

Approved by the Board of Directors on 8 June 2022 and signed on its behalf by:

Gary Kennedy
Chair
8 June 2022

Monitoring the Company's reporting and risk management.

David McKeith
Chair of the Audit and Risk Committee

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

Role of the Audit and Risk Committee

The main responsibilities of the Audit and Risk Committee are:

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

Members

During the year to 31 March 2022, the Committee has consisted only of independent Non-executive Directors. Biographies of all members of the Committee appear on pages 64 and 65. On 15 April 2021, David McKeith assumed the role of Acting Board Chair following Mark Allen's decision to step down from the Board. David remained in this role until the appointment of Gary Kennedy as Board Chair on 8 December 2021.

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

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

Responsibilities

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

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

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

Significant financial reporting matters in the 2022 Annual Report

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

Reporting of COVID-19

COVID-19 continued to have an impact (albeit reducing) on both operational decisions and financial reporting in 2022. The Group has reported the impacts of COVID-19 on the business in this and the prior years' Annual Report and Accounts and on the actions taken by management throughout the pandemic. The Strategic Report on pages 2 to 62 includes commentary on the impacts and actions on employees, operations, financing and commercial trading.

The Committee is of the view that the commentary provided by management is fair, balanced and understandable and provides shareholders and stakeholders with clear and timely information on any COVID-19 impacts on trading and the Group's financial liquidity.

Going Concern and Viability Statement

The Group has prepared a Going Concern and Viability Statement reflecting the potential impact of principal risks and uncertainties, including any future COVID-19 pandemic related disruption, on liquidity and solvency. This has been performed by modelling a reasonable worst-case scenario and then applying a reverse stress test on the Group's current forecasts. Further details are included on page 41 and on page 112.

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

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. The Group's UK defined benefit pension scheme (as calculated under IAS 19R) shows a surplus of £19.6m at 31 March 2022 from a deficit position of £18.3m at 31 March 2021.

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

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

Fair, balanced and understandable

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

The Committee also advises the Board on whether it considers that the Annual Report and Accounts, taken as a whole, 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 2022 Annual Report and Accounts are fair, balanced and understandable.

Meetings of the Committee

The Committee met formally three times during the year ended 31 March 2022. By invitation, the Board Chair, Chief Executive Officer, Chief Financial Officer, Company Secretary, Group Head of Internal Audit and Risk Assurance and Group Financial Controller also attended each of these meetings together with the engagement partner and other members of the audit team from the external auditor.

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

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

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

Audit and Risk Committee report continued

Principal activities of the Audit and Risk Committee during the year

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

Area	Activities
Financial reporting	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 2021
	Review of the Company's Annual Report and Accounts for the year ended 31 March 2022, including consideration of:
	• significant financial reporting matters;
	• whether the Annual Report and Accounts are fair, balanced and understandable; and
	• the requirements of the going concern assessment and Viability Statement
	Review of changes to corporate reporting requirements
	Review of the potential further impairment of assets at Johnson Tiles UK due to the impact of the energy prices
	Review of onerous lease provision
External audit	Review of the external auditor's proposed audit work plan for the year ended 31 March 2022, 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 2022
Internal audit	Review of the internal audit work programme for 2021/22
	Approval of the annual internal audit programme for 2022/23
	Review of current internal audit resource levels
	Assessment of the work carried out to test and review internal controls and IT security, together with the status of recommendations identified
	Review of findings and agreed actions arising from internal audit assignments
Compliance	Review of the whistleblowing incidents log
	Review of the fraud and attempted fraud log
	Review of the data protection log including data incidents, data subject access requests, etc.
Risk management	Review of the Group's reported principal risks and uncertainties
	Approval of the addition of environmental, social and governance (ESG) as a principal risk including defining its risk appetite level
	Review of the actions taken by the Group to manage risks arising from ESG risks including climate change
Governance	Conducted an appraisal of the performance of the Committee
	Review of the Group's policy in respect of the employment of former employees of the external auditor
	Review of the Group's policy in respect of the engagement of the external auditor for non-audit services and non-audit services provided by the external auditor during the year
	Review of the Committee's Terms of Reference and constitution in line with current best practice

Internal audit framework

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

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

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

Group Internal Audit and Risk Assurance activities during the year

The Group Internal Audit and Risk Assurance team provided assurance across a wide range of risks during the year in line with the standards set out in the approved audit charter. The annual audit plan included Business Reviews of operational units, assessing the effectiveness of key internal controls in place over selected systems and processes. In South Africa (SA), the primary focus was on the controls in place at retail outlets with completion of a cycle of operational reviews across all stores. The SA team was expanded during the year along with the audit plan, which also covers SA Head Office financial and other risk-based reviews. The plan also covered following up on previous audits to confirm management's progress with agreed actions.

Other key activities included: sourcing and implementation of an online awareness training programme for all employees covering anti-bribery, information security and data protection, liaison with our insurers on a range of risk management projects including cyber security and business continuity and disaster recovery planning, facilitation of annual control self-assessments covering financial and information security controls and other key risks, data protection controls validation and anti-bribery and corruption controls validation.

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

Risk management framework

Our risk management framework is highlighted on page 35 of our Strategic Report. The Audit and Risk Committee's role in the risk management framework can be summarised as:

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

Internal control and risk management review

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

The Committee undertakes a review, at least annually, of the effectiveness of the Company's system of internal controls and risk management and the Board will take into account the Committee's report, conclusions and recommendations in this regard. The Board confirms that it has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the UK Corporate Governance Code, for the period from 1 April 2021 to the date of approval of the Annual Report and Accounts for the year ended 31 March 2022.

Fraud and whistleblowing

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

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

Audit and Risk Committee report continued

External auditor

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

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

Policies on the award of non-audit work to the external auditor and the employment of ex-employees of the external auditor are in place and reviewed annually. Additionally, the approval of the Chair of the Committee is required prior to awarding high value non-audit work to the external auditor, and the non-audit work planned and performed is monitored by the Committee at each meeting. There was no non-audit work awarded to the external auditor during the year.

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 2022 meeting of the Committee. The Committee also agreed the terms of engagement and the fees payable for the engagement. At each meeting the Committee had the opportunity to discuss matters with the external auditor without management being present. The Chair of the Committee also has regular discussions with the external audit partner outside the formal Committee process.

For the year ended 31 March 2022, the Committee was satisfied with the independence, objectivity and effectiveness of the relationship with BDO LLP as external auditor.

External audit tender and appointment of auditor

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

On behalf of the Audit and Risk Committee.

David McKeith
Chair of the Audit and Risk Committee
8 June 2022

Evaluating the Board and succession planning for a sustainable future.

Gary Kennedy
Chair of the Nomination Committee

Role of the Nomination Committee

The main responsibilities of the Nomination Committee are:

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

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

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

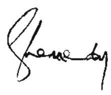
During the year under review, the Nomination Committee led the process to find a new Non-executive Director to serve as Board Chair.

Another principal activity of the Committee was the appointment to the Board of James Eyre, as Group Chief Financial Officer. The Committee also oversaw the creation of the new senior executive level role of Business Director – UK.

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

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

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



Gary Kennedy
Chair of the Nomination Committee
8 June 2022

Fairly rewarding contribution to the success of the Group.

Alison Littley
Chair of the Remuneration Committee

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 setting of targets for, and determination of payouts of, all incentive arrangements;
- ensure alignment of the remuneration structure for senior executives to the Executive Director remuneration policy, including approval of changes to packages;
- keep under review the Executive Director remuneration policy (and the approach to implementation) in the context of pay policies and practices across the wider workforce, and the Group's culture; and
- prepare the Annual Remuneration Report, to be approved by the members of the Company at the Annual General Meeting.

Dear shareholders,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2022.

Firstly, I would like to acknowledge the feedback received from shareholders over the last twelve months in relation to remuneration outcomes for the year ended 31 March 2021. The Board was naturally disappointed as to the voting outcome on the resolution to approve last year's Remuneration Report. We engaged with our principal shareholders prior to the AGM and subsequently, to understand their specific perspectives on our approach. The Committee discussed in detail the feedback received through this helpful process, for which I am grateful to those shareholders who contributed. Whilst there was some divergence in the views put forward, there was also consistency in the expectation that remuneration decisions be demonstrably aligned with the interests of wider stakeholder groups. The Committee has taken on board this feedback, and will strive to continue to balance this important perspective with its obligations, as steward of the Group, to ensure remuneration is:

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

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

The performance context for remuneration in the year

Following the unprecedented challenges posed by the COVID-19 pandemic over the past two financial years, the year ended 31 March 2022 saw the Group continue its recovery off the solid platform embedded by swift management actions during 2020 and 2021. As reported earlier in this Annual Report, highlights include:

- strong market outperformance with a significant increase in revenue compared to 2021; 22.2% on a reported basis and 20.6% on a constant currency basis;
- record underlying operating profit of £41.8m; an increase of 23.7% compared to 2021;
- a very strong balance sheet with £8.6m net cash (pre-IFRS 16), significant liquidity and funding headroom; and
- total dividend of 10.0p per share, reflecting the Board's confidence in the Group's prospects.

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

Remuneration for the year in review

Due to the continued strong performance summarised above, the Committee is pleased to note that the operating profit targets set for the annual bonus were achieved in full, resulting in the bonus payments for our Executive Directors detailed on page 89. In keeping with our normal practice, the Committee reviewed the formulaic outcome in the context of alignment with the Group's underlying performance, as well as the experience of other stakeholder groups. Noting the recent feedback from shareholders, the Committee's assessment of this outcome is explained in detail below:

Aspect reviewed	Evaluation by the Committee
The toughness of targets set at the start of the year	The targets were set at the start of the financial year (at a time of ongoing uncertainty) to span an appropriate range of possible performance outcomes identified in the budgeting process. The Committee reviewed the actual outturn in the context of the assumptions underlying the budgeting process at the time, and concluded that these – and therefore the targets built off them – remained representative of trading conditions.
The Group's longer-term performance trajectory	Notwithstanding the formulaic outcome, the Committee evaluated performance in the context of this being a record performance for the Group, and concluded that the formulaic payout of 100% was warranted.
Shareholder experience	We continued to deliver against our stated and progressive dividend policy. The Group's TSR has outperformed the FTSE All-Share Construction and Materials Index over the one, three and five-year periods to 31 March 2022.
Employee experience	We continued to prioritise the safety, health and wellbeing of all our people and the wider communities in which we operate. This is detailed on pages 46 and 47. During the year, we protected jobs, did not furlough any staff, and did not make use of government support.
Customer experience	We maintained the highest standards of service to our customers, particularly given the global challenges to supply chains.

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

Owing to the impact of the COVID-19 pandemic on the Group's EPS performance in the 2020 and 2021 financial years, the three-year cumulative EPS performance targets for the 2019 APSP awards were not achieved, and therefore these will lapse in full. APSP awards for the year in review were made in July 2021 and suitably challenging EPS targets set (see page 90 for further details).

The Committee concluded that no discretion was required to be exercised to ensure alignment of incentive outcomes for the year in review with the Group's performance over the relevant period.

Remuneration for the year to 31 March 2023

The workforce

During the year in review, the Group's workforce remuneration practices were reviewed against our philosophy that pay should: be competitive without being excessive; be aligned with our strategy; and enable Norcros to attract, motivate and retain talent to support delivery of our strategic objectives and longer-term value creation for shareholders. This review identified that our pay levels and practices have fallen, in some cases significantly, behind competitive market norms; as Norcros has evolved over time in terms of market capitalisation, scale and complexity. The below-market positioning of pay is inconsistent with our culture and values of setting total remuneration at around market median levels. In this context, correctional adjustments to salary levels have been implemented across the Group with effect from 1 April 2022, to bring these more into line with market and recognise individuals' relative experience, performance and contribution to the ongoing success of Norcros. This also includes a material cost of living increase for FY 2023 of circa 5% on average across the workforce.

The Executive Directors

Against this backdrop, the Committee has also reviewed its approach to executive remuneration. The Committee's review was informed by a number of relevant reference points, including: our stated pay principles; the approach taken for the wider workforce; and our recent experience of competing for talent in the recruitment into our CFO and Chair roles. To validate the conclusions of the review, a detailed benchmarking exercise of CEO and CFO remuneration levels was also undertaken.

The Committee concluded that the structure of executive remuneration remains appropriate within the life of the current policy, but that the base salaries of the Executive Directors (and therefore the fair value of total remuneration) are misaligned with their performance and contribution to the leadership of the Group. Salary inflation has been no more than the average inflationary increase awarded to the wider UK workforce, since Executive Director base salaries were last adjusted following a review of fixed pay levels in 2014. As a result, pay levels were far below market norms and not easily brought into line over time. Consistent with the approach of making correctional salary adjustments below Board level, the Committee therefore engaged with its largest shareholders in early 2022 on the following changes to Executive Director remuneration:

	Current salary (effective 1 April 2021)	New salary (effective 1 April 2022)	Proposed salary (effective 1 April 2023)
CEO – Nick Kelsall	£388,000	£476,000 22.7% increase	
CFO – James Eyre	£261,000	£290,000 11.1% increase	£320,000 10.3% increase, subject to continued performance

Remuneration Committee annual statement 2022 continued

Remuneration for the year to 31 March 2023 continued

The Executive Directors continued

Moving the CEO's salary broadly into line with median in one step is considered by the Committee to reflect Nick Kelsall's considerable experience and tenure as CEO, effective leadership, consistently strong performance and his ongoing valued contribution to the Group. The proposed two-stage increase for James Eyre is considered appropriate in enabling the Committee to assess the second phase of the adjustment in the context of James Eyre's ongoing development and contribution in his role as CFO.

The Committee has also accepted a proposal from the CEO to voluntarily reduce his pension contribution to 8% of salary (i.e. the UK workforce average) from 1 January 2023. This follows a previous reduction in Nick Kelsall's pension contribution to 15% of salary (from that to which he had been contractually entitled and reflected his membership previously of the Group's UK defined benefit scheme), following the review of fixed pay levels in 2014 and prior to the evolving market focus on aligning executive pensions with the majority of employees. James Eyre's pension contribution was reduced from 15% to 8% of salary when he was appointed as CFO.

No changes are proposed to the annual bonus or APSP in FY 2023.

The Committee believes that, in Nick Kelsall and James Eyre, Norcros has two talented, driven and very committed Executive Directors, who continue to perform strongly and lead the delivery of the Group's strategy. We are mindful of the optics of large increases in the current environment, but believe our proposals are fair, equitable with the approach adopted for the wider workforce, and not excessive in terms of absolute salary levels or the overall remuneration opportunity.

The Board Chair

The Committee is also responsible for setting the remuneration of the Board Chair, a role to which Gary Kennedy was appointed in December 2021. In doing so, it adopts a consistent set of principles to those for executive and workforce remuneration. Therefore, the Committee recently reviewed the Board Chair's annual fee in the context of Gary's proven business leadership credentials and broad range of relevant experience, and concluded that it should be brought more into line with the median for companies of comparable scale, complexity and sector. The Committee has therefore resolved to increase the Board Chair's fee from £132,612 p.a. to £145,000 p.a., from 1 April 2022.

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 except as regards the alignment of Executive Director pension contributions with those for the workforce as a whole. As described elsewhere in this Report, the CFO's pension contribution is aligned with the average for the wider UK workforce, and the CEO has volunteered a reduction to his pension contribution to bring this in line with the UK workforce average from 1 January 2023.

Review of remuneration policy

The year ending 31 March 2023 is the final year of the three-year life of our current remuneration policy. In keeping with the requirement to put our remuneration policy to a new binding vote at the 2023 AGM, the Committee will be conducting a complete review of the policy later this year in line with a broader review of the entire workforce to ensure that the philosophy of pay and reward across the Group is consistent. I look forward to engaging with shareholders throughout this process.

Concluding remarks

On behalf of the Committee, we hope that we can count on your support for the resolution to approve this Directors' Remuneration Report at the 2022 AGM, where I will be available to answer any questions in relation to this report.

Alison Littley
Chair of the Remuneration Committee
8 June 2022

Directors' remuneration policy report

Directors' remuneration policy

This section of the report sets out the remuneration policy for Executive Directors and Non-executive Directors, which was approved by a binding shareholder vote at the 2020 AGM. The policy came into effect on that date and will remain effective for up to a three-year period ending on the date of the 2023 AGM. Minor amendments have been made to the drafting of this policy report from the version approved by shareholders in 2020 (which can be found in the 2020 Annual Report) including: (i) the description of the opportunity under Pension, to reflect the implementation of Policy during the 2023 financial year, (ii) the data used in the pay-for-performance scenarios; (iii) page references; and (iv) the section on Non-executive Director letters of appointment, to reflect changes in Board composition during the 2022 financial year.

Executive Director remuneration policy table

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

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

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

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

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

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

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

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

Component and objective	Operation	Opportunity	Performance measures
Base salary To enable the Group to attract, motivate and retain the people it needs to maximise the value of the business	Generally reviewed each year, with increases effective 1 April with reference to salary levels at other FTSE companies of broadly similar size or sector to Norcros. The Committee also considers the salary increases applying across the rest of the UK business when determining increases for Executive Directors. Base salary increases are applied in line with the outcome of the annual review.	Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. Salary increases for Executive Directors will normally not exceed those of the wider workforce over the period this policy will apply. Where increases are awarded in excess of the wider employee population, for example if there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	n/a
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.	The CEO currently receives a Company contribution of 15% of base salary and has volunteered to reduce this to 8% of salary – in line with the UK workforce average – from 1 January 2023. The CFO receives a Company contribution of 8% of salary, in line with the UK workforce average. Executive Director appointments from 1 April 2020 will receive a Company contribution in line with that available for the wider workforce in the relevant market.	n/a

Directors' remuneration policy report continued

Executive Director remuneration policy table continued

Component and objective	Operation	Opportunity	Performance measures
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
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 Deferred Bonus Plan (DBP). These options are exercisable after three years, subject to continued employment and malus (in whole or in part) during the deferral period in the event of a material misstatement in accounting records, gross misconduct, calculation error or corporate failure. Cash bonuses may be subject to clawback over the deferral period in similar circumstances as identified above. 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). Details of the measures on which the bonus will be based shall be disclosed in the relevant Annual Report on Remuneration. 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 89 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.	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 financial performance over a three-year period. Details of the measures attaching to each award cycle will be disclosed in the relevant Annual Report on Remuneration. At the start of each cycle, the Committee will determine the targets that will apply to an award.

Component and objective	Operation	Opportunity	Performance measures
Approved Performance Share Plan (APSP) (continued)	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, gross misconduct, calculation error or corporate failure.		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.
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, including for a period following cessation of employment	Executive Directors are required to retain at least 50% of any DBP or APSP awards that vest (net of tax) until they have built up a personal holding of Norcros plc shares worth a defined multiple of their salaries (of at least 100% of salary). Details of the in-post shareholding requirements that apply to the Executive Directors are set out in the Annual Report on Remuneration. From 1 April 2020, Executive Directors will additionally be required normally to maintain a holding in Norcros plc shares for a period of two years after they cease to be a Director of the Group. For the first year this shareholding guideline will be equal to the lower of a Director's actual shareholding at the time of their departure and the shareholding requirement in effect at the date of their departure, and for the second year 50% of that figure. The specific application of this shareholding guideline will be at the Committee's discretion. Only shares that are held beneficially by an Executive Director or their spouse or partner, or nil-cost options granted under the DBP 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

Directors' remuneration policy report continued

Notes to the policy table

Payments from previous awards

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

Performance measure selection and approach to target setting

The measures used in the annual bonus will be selected by the Committee to directly reinforce our medium-term growth-orientated strategy (see pages 18 and 19 for further details of the strategy; details of the measures selected for use in the bonus for the year in review and for the coming year are set out in the Annual Report on Remuneration). For the APSP, the Committee shall select measures that are transparent, objective and effective measures of performance that are in the long-term interests of all of our shareholders (further details of the APSP measures are set out in the Annual Report on Remuneration).

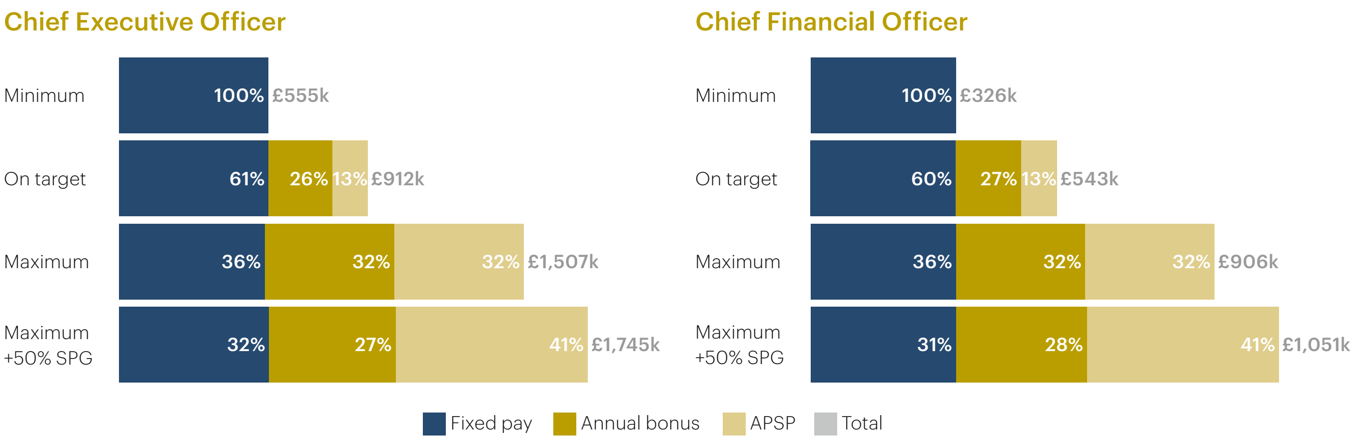
Targets applying to the annual bonus and APSP are reviewed annually, based on a number of internal and external reference points. Annual bonus targets are aligned with the annual budget agreed by the Board. Annual bonus targets are considered to be commercially sensitive but will be disclosed retrospectively in next year's Annual Report on Remuneration (see page 89 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.

Differences from remuneration policy for other employees

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

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

Performance scenario charts



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 four different performance scenarios: "Minimum", "On target", "Maximum" and "Maximum + 50% share price growth". 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 2022. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 March 2023. 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 (except the APSP value under the "Maximum + 50% share price growth (SPG)" scenario) and actual pay delivered will further be influenced by changes in factors such as the Group's share price and the value of dividends paid.

Valuation assumptions

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

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

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

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

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. Executive Director appointments from 1 April 2020 will receive a Company contribution in line with that available for the wider workforce in the relevant market.
SAYE	New appointees will be eligible to participate on identical terms to all other employees.
Annual bonus	The bonus structure described in the policy table will apply to new appointees. The maximum opportunity will be 100% of salary, pro-rated in the year of joining to reflect the proportion of that year employed. Performance measures may include strategic and operational objectives tailored to the individual in the financial year of joining. 50% of any bonus earned will be deferred into the DBP on the same terms as other Executive Directors.
APSP	New appointees will be granted annual awards under the APSP on the same terms as other Executive Directors, 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.

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

Internal promotion to the Board

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

Service contracts and policy for payment for loss of office

Executive Directors have signed rolling contracts, terminable on twelve months' notice by either the Group or the Director. The Group entered into a contract with Nick Kelsall on 1 April 2011, and with James Eyre on 1 August 2021. Copies of these contracts are available to view at the Group's registered office.

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

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

Directors' remuneration policy report continued

Service contracts and policy for payment for loss of office continued

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 James Eyre's service contract.

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

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

Reason for cessation	Calculation of vesting/payment	Timing of payment/vesting
Annual bonus		
Voluntary resignation or summary dismissal	No bonus paid.	n/a
All other circumstances	Bonuses are paid only to the extent that the associated objectives, as set at the beginning of the plan year, are met. Any such bonus would normally be paid on a pro-rata basis, taking account of the period actually worked.	At the normal payment date unless the Committee, in its absolute discretion, determines that awards should be paid out on cessation of employment.
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 otherwise. Awards that do not lapse will continue to be eligible to vest on the normal vesting date, subject to being pro-rated for time to the date of cessation of employment and performance over the complete performance period. The Committee may, in its absolute discretion, determine that awards shall vest on cessation in exceptional circumstances, subject to being pro-rated for time and performance to the date of cessation of employment. 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. Any awards in a holding period will normally remain subject to the holding requirement until the period ends.	On cessation of employment unless the Committee, in its absolute discretion, determines otherwise.

Reason for cessation	Calculation of vesting/payment	Timing of payment/vesting
APSP (continued)		
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	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. Any awards in a holding period will normally be released. 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.

Corporate governance

External appointments

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

Consideration of employment conditions elsewhere in the Group

The Group seeks to promote and maintain good relations with employees and (where relevant) their representative bodies as part of its broader employee engagement strategy. See pages 48 and 49. 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 continue to consult shareholders before making any significant changes to our remuneration policy.

Non-executive Director remuneration policy

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

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

Non-executive Director	Date of appointment	Notice period
Gary Kennedy	8 December 2021	1 month
David McKeith	24 July 2013	1 month
Alison Littley	1 May 2019	1 month

Directors' remuneration policy report continued

Non-executive Director remuneration policy continued

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

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

Approach to Non-executive Director recruitment remuneration

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

Annual report on remuneration

The following section provides details of how our policy was implemented during the year ended 31 March 2022 and will be implemented in the year ending 31 March 2023.

Remuneration Committee membership in the year ended 31 March 2022

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

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

- Alison Littley (Committee Chair);
- David McKeith;
- Gary Kennedy (from appointment on 8 December 2021); and
- Mark Allen (until he stepped down from the Board on 15 April 2021).

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 2022. We are pleased to report this review concluded that the Committee continues to operate effectively.

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

The Committee met eight times during the year. Attendance by individual members at meetings is detailed on page 68.

Main activities of the Committee during the year ended 31 March 2022

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 2021;
- setting operating profit targets for the annual bonus for the year ended 31 March 2022;
- determining the APSP outcome for the 2019 APSP awards (which would have vested in 2022 if targets had been achieved);
- calibrating EPS targets for, and granting of, 2021 APSP awards;
- reviewing developments in remuneration governance;
- reviewing and setting the fees payable to the Non-executive Board Chair;
- reviewing the pay policies and practices for the wider workforce; and
- reviewing and aligning, where appropriate, the compensation and benefits provided to senior management.

Advisers

During the year under review, the Committee sought independent advice from Ellason LLP and FIT Remuneration Consultants LLP. Both Ellason and FIT are members and signatories of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In the year to 31 March 2022, Ellason and FIT provided the following services:

	Services provided	Fees (excl. VAT) £
Ellason	Guidance on developments in remuneration governance and market trends (and implications for Norcros), remuneration benchmarking for annual review and new appointments, remuneration report drafting support and general support to the Committee throughout the year.	£13,120
FIT	Benchmarking of Directors' remuneration and remuneration policy review.	£16,180

Neither Ellason nor FIT provide other services to the Company or its Directors and the Committee is satisfied that the advice it receives is independent.

Annual report on remuneration continued

Summary of shareholder voting at the AGM

The following table shows the results of the advisory vote on the 2021 Annual Report on Remuneration at the 2021 AGM, and the binding vote on the remuneration policy at the 2020 AGM:

	Annual Report on Remuneration (2021 AGM)		Remuneration policy (2020 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	45,930,648	69.56%	51,989,106	96.04%
Against	20,097,340	30.44%	2,146,024	3.96%
Total votes cast (excluding withheld votes)	66,027,988	100.00%	54,135,130	100.00%
Votes withheld	6,000		18,388	
Total votes (including withheld votes)	66,033,988		54,153,518	

The Remuneration Committee and Board were obviously disappointed with the outcome of the voting on the Remuneration Report at the 2021 AGM. Whilst we believe our executive remuneration arrangements are fully aligned with our Directors' remuneration policy, which was approved by a significant majority of our shareholders at the 2020 AGM, we place great value on direct engagement with and feedback from our shareholders. We remain committed to maintaining an active dialogue with shareholders, to ensure the Committee remains fully informed of their views and expectations. Following the 2021 AGM, the Company engaged in a further proactive consultation process with its principal shareholders in order to understand the reasons behind the voting result. No material further comments were received from shareholders, given the extensive consultation that took place at the time of the AGM.

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 2022, together with comparative figures for the year to 31 March 2021. 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[7]		James Eyre[7]	
	2022 £	2021 £	**2022 £**	2021 £	**2022 £**	2021 £
Base salary[1]	**388,470**	358,297	**195,684**	240,647	**173,941**	—
Taxable benefits[2]	**15,939**	16,086	**9,704**	13,086	**8,469**	—
Annual bonus[3]	**388,470**	377,155	**195,684**	253,313	**173,941**	—
Long-term incentives[4]	**—**	—	**—**	—	**—**	—
Pension benefit[5]	**72,910**	60,723	**29,353**	36,097	**13,915**	—
SAYE[6]	**—**	3,320	**—**	—	**—**	—
Total fixed	**477,319**	435,106	**234,741**	289,830	**196,325**	—
Total variable	**388,470**	380,475	**195,684**	253,313	**173,941**	—
Total	**865,789**	815,581	**430,425**	543,143	**370,266**	—

1 Base salary for FY22 reflects an increase of 3% on FY21 salary. FY21 salaries reflect a 20% pay cut in the first three months of the year, due to the impact of COVID-19 to align the executive experience with that of our employees who were furloughed during the year.

2 Taxable benefits consist of car allowance (Nick Kelsall – 2022: £15,000, 2021: £15,000; Shaun Smith – 2022: £9,000, 2021: £12,000; and James Eyre – 2022: £8,000, 2021: n/a) and private medical insurance.

3 Annual bonus comprises both the cash annual bonus for performance during the year and, where applicable, the face value of the deferred bonus element on the date of deferral. Any deferred share element is deferred for three years. See "Annual bonus in respect of performance in the year ended 31 March 2022" below for further details.

4 For 2022, the APSP value of £nil reflects the value of APSP awards granted in July 2019, which will lapse in full on 25 July 2022. For 2021, the APSP value of nil for Nick Kelsall and Shaun Smith reflects the value of APSP awards granted in July 2018 and which lapsed in full on 25 July 2021.

5 In 2022, pension benefits comprised cash in lieu (Nick Kelsall – £58,270; Shaun Smith – £29,353; and James Eyre – £13,915) and amounts related to the defined benefit scheme (Nick Kelsall – £14,640). See "Total pension entitlements" on page 90 for further details. The pension benefit provided to Nick Kelsall and Shaun Smith in 2021 comprises cash in lieu (Nick Kelsall – £53,745; and Shaun Smith – £36,097) and amounts related to the defined benefit scheme (Nick Kelsall – £6,978).

6 Embedded gain on grant of Save As You Earn scheme grants made in the relevant year.

7 Figures shown for Shaun Smith relate to the period 1 April – 31 July 2021 (when he stepped down as CFO and a Board Director), and also include the value of payments made to him over the remainder of his notice period to 31 December 2021. The figures shown for James Eyre relate to the period 1 August 2021 – 31 March 2022, i.e. from his appointment as CFO and a Board Director.

Incentive outcomes for the year ended 31 March 2022 (audited information)

Annual bonus in respect of performance in the year ended 31 March 2022

The 2022 Annual Bonus Plan was based 100% on Group underlying operating profit performance for the year to 31 March 2022. The maximum annual bonus opportunity for the year was 100% of base salary for the Chief Executive Officer and for the Chief Financial Officer. Based on the Company's performance in 2022, against the stretching targets set at the start of the year, the Committee approved annual bonus payouts for the Executive Directors at maximum. Further details, including the profit targets set and actual performance, are provided below:

	Underlying profit target £m	Payout (% of max.)	2022 outturn £m	Bonus (% of max.)
Maximum	35.2	100%		
Target	32.0	50%	40.2[1]	100%
Threshold	30.4	25%		

1 Target was set on a pre-IFRS 16 basis; therefore, the 2022 outturn has been assessed on a similar basis, i.e. underlying operating profit of £40.2m pre-IFRS 16 (reported £41.8m).

In keeping with good practice, the Committee reviewed the formulaic outcome of the annual bonus in the context of business performance and the wider stakeholder experience. The Committee concluded that the formulaic outcome nevertheless reflected excellent results delivered in such challenging circumstances through exceptional leadership and the hard work of the Executive Directors and the wider senior management team. The Committee also concluded that the outcomes are aligned with the underlying performance of the Group more generally, and the experience of other stakeholders. Accordingly, no discretion has been exercised in relation to the bonus outcome for the 2022 financial year.

2019 APSP awards vesting

Effective July 2019, APSP awards of 176,240 shares were granted to Nick Kelsall, and of 118,370 shares to Shaun Smith (and which was subsequently pro-rated to reflect the period that had elapsed as at his leaving date of 31 December 2021). James Eyre was awarded a 2019 APSP award in connection with his former (non-Board) role at the same time. Vesting of these awards was based on Norcros' aggregate diluted underlying EPS over the three financial years to 31 March 2022. Based on performance over this period against the targets originally set, the Committee has determined that these awards will each lapse in full on 25 July 2022, being the end of the relevant three-year vesting period according to the APSP rules. Performance targets and actual performance against these, as determined by the Committee, are summarised in the table below:

	Aggregate underlying EPS	% vesting	Norcros' performance	Award vesting (% of APSP award)
Threshold	105.0p	25%	99.1p[1]	
Maximum	119.1p	100%		0%

1 On a pre-IFRS 16 basis in line with targets.

Scheme interests awarded in 2022 (audited information)

2021 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 2021).

	Nick Kelsall	Shaun Smith
Basis of award	50% of base salary	50% of base salary
Grant date	21 July 2021	21 July 2021
Number of nil-cost options granted	65,478	43,977
Grant-date share price (p)	288.0	288.0
Grant-date face value (£)	188,577	126,654
Normal vesting date	21 July 2024	21 July 2024
Performance conditions	None	None

James Eyre did not receive a 2021 DBP award.

Annual report on remuneration continued

Scheme interests awarded in 2022 (audited information) continued

2021 APSP

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

	Nick Kelsall	James Eyre
Basis of award	100% of base salary	100% of base salary
Grant date	21 July 2021	21 July 2021
Number of nil-cost options granted	134,885	90,594
Grant-date share price (p)	288.0	288.0
Grant-date face value (£)	388,468	260,910
Normal vesting date	21 July 2024	21 July 2024
Performance period	1 April 2021–31 March 2024	1 April 2021–31 March 2024
Performance conditions	Three-year aggregate underlying diluted EPS to 31 March 2024 Threshold: 103.0p (25% of element vesting) Maximum: 117.5p (100% of element vesting) Straight-line vesting between these points	
Holding period	21 July 2024–21 July 2026	21 July 2024–21 July 2026

Shaun Smith did not receive a 2021 APSP award.

As disclosed in last year's Report, the Committee set targets for the 2020 APSP award on the basis of 2023 financial year performance only. In keeping with its commitment to review this approach for subsequent cycles, the Committee concluded that it would be appropriate to revert to the previous approach of calibrating EPS targets on a cumulative pence basis over the three-year performance period for 2021 APSP awards.

2022 SAYE

In the year ended 31 March 2022, none of the Executive Directors entered into a savings contract for the 2021 SAYE scheme as they were already contracted under previous SAYE grants at the HMRC limits.

Total pension entitlements (audited information)

As part of their remuneration arrangements, Nick Kelsall and James Eyre (and, for the period he was employed by the Group, 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 £58,270 (2021: £53,745) with no amounts paid directly into a pension scheme (2021: £nil). Shaun Smith elected to take a taxable pension allowance of £29,353 (2021: £36,097) with no amount paid into a personal pension plan (2021: £nil). James Eyre elected to take a taxable pension allowance in connection with his role as CFO for part of the year of £13,915 (2021: £nil). In line with the Regulations, the single figure table reflects the total of these amounts, as well as the capitalised increase in accrued pension (net of inflation) under the UK defined benefit scheme, of which Nick Kelsall is a deferred member. Shaun Smith and James Eyre are not members 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	24,926	732	27,964	—	14,640	58,270	72,910
Shaun Smith	—	—	—	—	—	29,353	29,353
James Eyre	—	—	—	—	—	13,915	13,915

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 2022 and the prior year:

	Total fee	
	2022 £	2021 £
Gary Kennedy[1]	**41,500**	—
Alison Littley	**47,670**	43,700
David McKeith[2]	**100,409**	43,700
Mark Allen[3]	**16,176**	93,000

1 Gary Kennedy joined the Board on 8 December 2021.

2 David McKeith assumed the role of Board Chair on an interim basis from 15 April to 8 December 2021. During this period, Mr McKeith received the Board Chair fee on a pro-rata basis, and did not receive any additional fee for chairing the Audit and Risk Committee. Following Gary Kennedy's appointment, Mr McKeith's fees reverted to the NED fee policy in force for the year under review.

3 Mark Allen stepped down from the Board on 15 April 2021 and received fees for his one-month notice period.

Fees for 2022 reflect a 3% increase on 2021. 2021 fees reflect a 20% pay cut in the first three months of the year, due to the impact of COVID-19 to align the Board experience with that of our employees who were furloughed during that period.

Exit payments made in the year (audited information)

All payments to Shaun Smith in connection with his retirement are included in the single figure table above. The Committee agreed to treat Shaun Smith as a 'good leaver' in respect of his outstanding DBP and APSP awards. In line with our remuneration policy, DBP awards will continue to vest on the normal vesting date. APSP awards (which have been pro-rated to the date of cessation of employment of 31 December 2021) will vest on the normal vesting date subject to the achievement of the performance conditions attaching to each award. The applicable holding period will continue to apply.

Payments to past Directors (audited information)

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

External appointments in the year

No external appointments were held by the Executive Directors during the year.

Percentage change in Director remuneration

The table below shows the percentage change in Director remuneration from 2021 to 2022, compared with the percentage change in remuneration for all UK staff employed in continuing operations. A UK subset of employees (who are employed by the UK operating subsidiary of Norcros plc) was selected as a suitable comparator group for this analysis because the Directors (who are employed or engaged by Norcros plc) are based in the UK (albeit with global roles and responsibilities) and pay changes across the Group vary widely depending on local market conditions (in particular fluctuations in the exchange rate between the South African Rand and British Pound). The comparison uses a per capita figure and accordingly this reflects an average across the Group's businesses. No account is therefore taken of the impact of operational factors such as new joiners and leavers and the mix of employees.

	Salary or fees[1]	Benefits	Bonus
Executive Directors			
Nick Kelsall	8.4%	(0.9%)	3.0%
Shaun Smith	8.4%	(1.1%)	3.0%
James Eyre[2]	n/a	n/a	n/a
Non-executive Directors			
Gary Kennedy[3]	n/a	n/a	n/a
Alison Littley	8.4%	n/a	n/a
David McKeith[4]	129.8%	n/a	n/a
Mark Allen	0%	n/a	n/a
Martin Towers	n/a	n/a	n/a
Average of other employees	13.0%	4.0%	(18.8%)

1 Salary and fee figures are annualised for this comparison. Note that the % increases reflect the impact in FY21 of a temporary voluntary waiver of 20% of salary/fees for three months by Directors, to align with the experience of employees who were furloughed.

2 No year on year comparison is shown as James Eyre joined the Board during the 2022 financial year.

3 No year on year comparison is shown as Gary Kennedy joined the Board during the 2022 financial year.

4 Year on year comparison reflects the impact of Mr McKeith assuming the role of Board Chair from 15 April to 8 December 2021.

Annual report on remuneration continued

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.

	2022 £m	2021 £m	% change
Dividends (i.e. total payments made in year)	**9.1**	—	100%
Dividend per share (i.e. total dividend per share in pence in respect of year)	**10.0p**	8.2p	21.9%
Total staff costs	**65.9**	52.8	24.8%

CEO pay ratio

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) require certain companies to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table (shown in this report on page 88), to that of the total remuneration of full-time equivalent UK employees at the 25th percentile, median and 75th percentile. The required information is set out in the table below:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	**Option B**	**1:37.6**	**1:35.4**	**1:20.3**
2021	Option B	1:36.2	1:30.5	1:19.9
2020	Option B	1:29.3	1:28.8	1:16.4

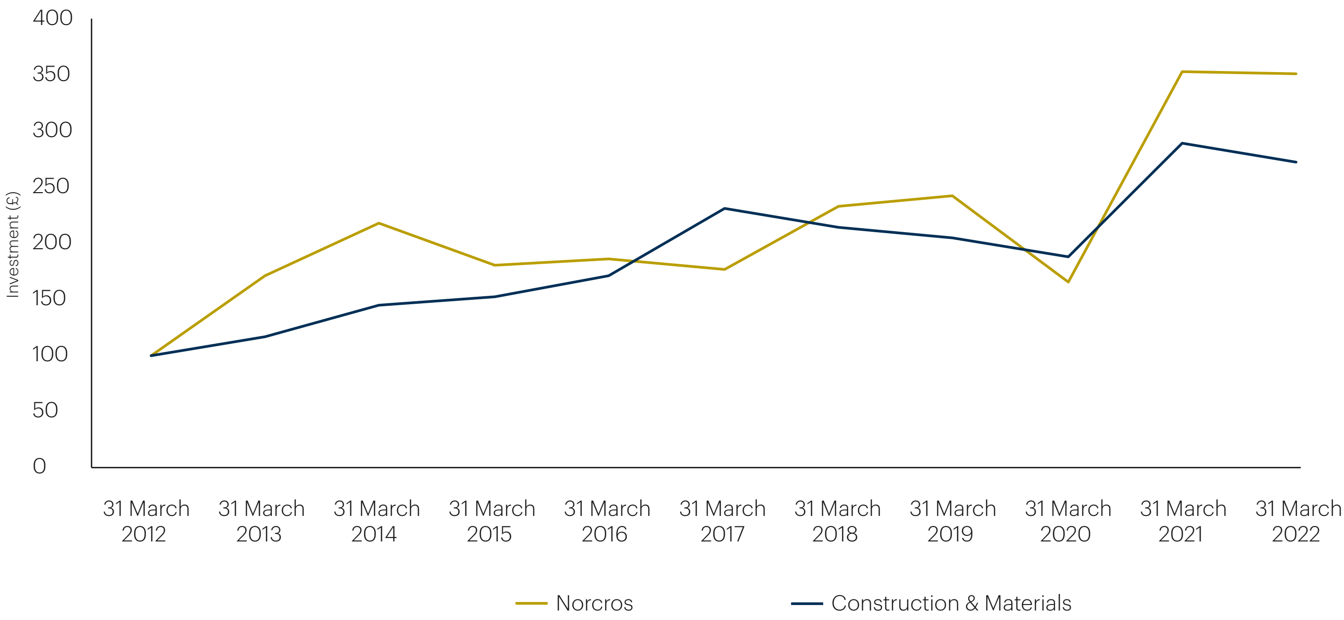
		CEO pay (£)	P25 pay (£)	P50 pay (£)	P75 pay (£)
2022	**Total remuneration**	**865,789**	**23,025**	**24,450**	**42,720**
	Base salary	**388,470**	**21,000**	**23,000**	**38,150**
2021	Total remuneration	815,581	22,505	26,772	41,080
	Base salary	358,297	22,500	26,772	40,600
2020	Total remuneration	591,514	20,173	20,543	36,009
	Base salary	377,155	19,329	19,752	35,000

The 25th percentile, median and 75th percentile figures used to determine the above ratios were selected by reference to the hourly pay figures for the Group's UK workforce, taken from its gender pay gap statistics for the relevant year and from these identifying the three employees who are at each percentile point. The full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) for those employees for the year ended 31 March 2022 was then calculated. This methodology is defined in the Regulations as Option B, which was chosen as the most appropriate methodology given the employee demographics of the Group's UK workforce. The trend year on year of pay ratios for each percentile is that the ratios have increased slightly. This is explained by a proportionately greater increase in the variable elements of the CEO's remuneration, relative to the comparators and the resulting impact of continued strong Group performance on incentive outcomes.

Performance graph and table

The following graph shows the ten-year TSR performance of the Company relative to the FTSE All-Share Construction & Materials Index. This comparator was chosen because the Company is a constituent member of this index.

Total shareholder return
(Value of £100 invested on 31 March 2012)



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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
CEO single figure of remuneration (£000)										
Incumbent	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	Nick Kelsall	**Nick Kelsall**
Total remuneration	£526,282	£917,530	£1,161,288	£928,764	£1,025,158	£971,710	£970,860	£561,776	£815,581	**£865,789**
Annual bonus (as a % of max. opportunity)	50%	54%	69%	81%	68%	50%	61%	—	100%	**100%**
APSP vesting (as a % of max. opportunity)	n/a	100%	99%	100%	100%	100%	58%	26%	—	**—**

Implementation of Executive Director remuneration policy for the year to 31 March 2023

The Remuneration Committee conducted a thorough review of Executive Directors' remuneration, effective 1 April 2022. 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. As explained more fully in the Annual Statement on Remuneration on page 77, Executive Directors' salaries were reviewed in April 2022 as part of a wider review of remuneration and on a consistent basis as the approach taken for the wider workforce.

The Committee concluded from this review that Executive Director pay levels were far below market norms, and that correctional salary adjustments should also be made to their base salaries. Therefore, for the year ending 31 March 2023, base salaries will be £476,000 p.a. for Nick Kelsall and £290,000 p.a. for James Eyre.

Pension

There is no change in the contribution percentage for James Eyre (8% of salary) for the year ending 31 March 2023. Nick Kelsall's contribution percentage will remain at 15% of salary until 31 December 2022. From 1 January 2023, Nick Kelsall has volunteered a reduction to his contribution percentage to 8% of salary, to align with the average contribution percentage for the wider UK workforce.

Benefits

There is no change in the car allowance for Executive Directors for the year ending 31 March 2023, which is £15,000 p.a. for Nick Kelsall and £12,000 p.a. for James Eyre.

Annual report on remuneration continued

Implementation of Executive Director remuneration policy for the year to 31 March 2023 continued

Annual bonus

The annual bonus opportunity for Executive Directors will remain unchanged for the 2023 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 will be disclosed in next year's Annual Report on Remuneration, subject to these no longer being considered by the Board to be commercially sensitive.

APSP

The structure of APSP awards to be made in the 2023 financial year will be unchanged from 2022. Awards with face values of 100% of salary will be granted to the Executive Directors, with vesting subject to the achievement of suitably stretching EPS targets in accordance with the remuneration policy. To the extent an award vests, vested shares will be subject to a further two-year holding period. The Committee will determine targets at the time awards are made and these targets (along with other relevant details of this grant) will be disclosed in next year's Annual Report on Remuneration.

SAYE

Nick Kelsall and James Eyre will continue to be able to participate in any SAYE contract offered to all employees, on identical terms.

Implementation of Non-executive Director remuneration policy for the year to 31 March 2023

The Committee has reviewed the Board Chair's fee and concluded to increase this to £145,000 p.a. from 1 April 2022, to reflect Gary Kennedy's proven business leadership credentials and broad range of relevant experience. The Board Chair and the Executive Directors reviewed Non-executive Director fees at the same time and concluded that it was appropriate to increase these, as set out below, to reflect the growing time commitment of the role. Accordingly, for the 2023 financial year, Non-executive Director fees will be as follows:

Non-executive Director	**Fee at 1 April 2022**	Fee from 1 April 2021	Percentage increase
Board Chair	**£145,000**	£128,750	12.6%
Non-executive Director	**£49,000**	£41,200	18.9%
Additional fee for chairing Audit and Risk or Remuneration Committees	**£7,000**	£6,180	13.3%

Executive Director shareholdings (audited information)

The table below shows the shareholding of each Executive Director and their respective shareholding requirement as at 31 March 2022:

		Options held					
	Shares owned	Vested but not exercised	Unvested and subject to performance	Unvested but not subject to performance	Shareholding guideline % of salary	% current holding	Requirement met?
Nick Kelsall	1,697,594	—	329,294	128,726	100%	1,307%	Yes
James Eyre	51,007	—	133,184	10,975	100%	58%	Building

Current shareholding is based on shares owned outright and valued using the average share price over twelve months ended 31 March 2022 of 299p.

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

Directors' share scheme interests (audited information)

Share options

	Scheme	Date of grant	Vested date	Expiration date	Exercise price	Shares under option 1 April 2021	Granted in 2022	Vested in 2022	Exercised in 2022	Lapsed in 2022	Shares under option 31 March 2022
Nick Kelsall	**DBP**	25.07.18	25.07.21	25.07.28	—	41,337	—	—	41,337	—	—
		23.07.19	23.07.22	23.07.29	—	52,273	—	—	—	—	52,273
		21.07.21	21.07.24	21.07.31	—	—	65,478	—	—	—	65,478
					Total	**93,610**	**65,478**	**—**	**41,337**	**—**	**117,751**
	APSP	25.07.18	25.07.21	25.07.28	—	170,311	—	—	—	170,311	—
		23.07.19	23.07.22	23.07.29	—	176,240	—	—	—	—	176,240
		25.11.20	25.11.23	25.11.30	—	194,409	—	—	—	—	194,409
		21.07.21	21.07.24	21.07.31	—	—	134,885	—	—	—	134,885
					Total	**540,960**	**134,885**	**—**	**—**	**170,311**	**505,534**
	SAYE	23.12.20	01.03.24	01.08.24	164p	10,975	—	—	—	—	10,975
					Total	**10,975**	**—**	**—**	**—**	**—**	**10,975**
Shaun Smith	**DBP**	25.07.18	25.07.21	25.07.28	—	27,764	—	—	27,764	—	—
		23.07.19	23.07.22	23.07.29	—	35,108	—	—	—	—	35,108
		21.07.21	21.07.24	21.07.31	—	—	43,977	—	—	—	43,977
					Total	**62,872**	**43,977**	**—**	**27,764**	**—**	**79,085**
	APSP	25.07.18	25.07.21	25.07.28	—	114,388	—	—	—	114,388	—
		23.07.19	23.07.22	23.07.29	—	118,370	—	—	—	—	118,370
		25.11.20	25.11.23	25.11.30	—	130,573	—	—	—	—	130,573
					Total	**363,331**	**—**	**—**	**—**	**114,388**	**248,943**
	SAYE	13.12.19	01.03.23	31.08.23	208p	8,674	—	—	—	—	8,674
					Total	**8,674**	**—**	**—**	**—**	**—**	**8,674**
James Eyre	**APSP**	23.07.19	23.07.22	23.07.29	—	38,609	—	—	—	—	38,609
		25.11.20	25.11.23	25.11.30	—	42,590	—	—	—	—	42,590
		21.07.21	21.07.24	21.07.31	—	—	90,594	—	—	—	90,594
					Total	**81,199**	**90,594**	**—**	**—**	**—**	**171,793**
	SAYE	23.12.20	01.03.24	01.08.24	164p	10,975	—	—	—	—	10,975
					Total	**10,975**	**—**	**—**	**—**	**—**	**10,975**

		Three-year aggregate EPS targets		March 2023 EPS[1]	Three-year aggregate EPS targets
Performance	% vesting	25.07.18 award	23.07.19 award	25.11.20 award	21.07.21 award
Threshold	25%	96.1p	105.0p	28.2p	103.0p
Maximum	100%	109.7p	119.1p	37.5p	117.5p

1 Based on outcome of final year (year to 31 March 2023).

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 2022 was 4.8% for the all-share schemes limit and 2.6% for executive schemes.

Annual report on remuneration continued

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

Director	31 March 2022 Ordinary shares	31 March 2021 Ordinary shares
Nick Kelsall	**1,697,594**	1,675,686
James Eyre	**51,007**	n/a
Gary Kennedy	**43,121**	—
David McKeith	**17,941**	17,941
Alison Littley	**—**	—

This report was approved by the Board of Directors on 8 June 2022 and signed on its behalf by:

Alison Littley
Chair of the Remuneration Committee
8 June 2022

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2022.

Principal activities

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

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

Results and dividends

The information that fulfils the requirements of the Business Review, which is incorporated in the Directors' Report by reference, including the review of the Group's business and future prospects, is included in the Chair's Statement, the Chief Executive Officer's Statement and the Strategic Report on pages 2 to 62. Key performance indicators are shown on page 20.

The Directors recommend a final dividend for the year ended 31 March 2022 of 6.9p (2021: 8.2p). This follows the decision to pay an interim dividend earlier in the year of 3.1p (2021: £nil).

Directors' and officers' liability insurance and indemnities

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

Purchase of own shares

In 2007 the Company formed the Norcros Employee Benefit Trust (the Trust). The purpose of the Trust is to meet part of the Company's liabilities under the Company's share schemes. The Trust acquired 69,101 shares during the year (2021: 132,551). At the Company's 2021 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 8,088,700 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 146 to 152.

Employees/fostering business relations

Details of the Group's engagement with, and policies towards, its employees are contained on pages 48 and 49. Details of how the Group fosters good business relations with its suppliers and other business partners are contained on pages 60 to 62. All these details form part of the Directors' Report and are incorporated into it by cross-reference.

Directors

Biographical details of the present Directors are set out on pages 64 and 65 and on the Company's website: www.norcros.com. The Directors who served during the year and to the date of this report are set out below:

Director	Role
Gary Kennedy	Chair (appointed 8 December 2021)
David McKeith	Non-executive Director (Acting Chair from 16 April 2021 to 7 December 2021)
Alison Littley	Non-executive Director
Nick Kelsall	Chief Executive Officer
James Eyre	Chief Financial Officer (appointed 1 August 2021)
Shaun Smith	Chief Financial Officer (until 31 July 2021)

The interests of the Directors in the shares of the Company at 31 March 2022 and 31 March 2021 are shown on page 96.

Substantial shareholdings

As at 7 June 2022 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
Premier Miton Group	9.07
Canaccord Genuity Group Inc	8.85
J O Hambro Capital Management Ltd	8.82
FIL Ltd	6.81
SVM Asset Management	5.14
Allianz Global Investors GmbH	4.56
M&G plc	4.34

Energy and greenhouse gas emissions reporting

The Board has included emissions data in the ESG section in order to meet the Company's obligation under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 to disclose the Group's worldwide emissions of the "greenhouse gases" (GHGs) attributable to human activity measured in tonnes of carbon dioxide equivalent.

Directors' report continued

Energy and greenhouse gas emissions reporting continued

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. Also reported are the figures for aggregate energy consumed by the Group, expressed in kWh. 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 use as our chosen intensity measure the ratio of total emissions (measured in tonnes of CO_2e) to the total revenue of the Group (£396.3m). This ratio is chosen because it enables us on a consistent basis year on year to compare energy use relative to the overall level of business activity in revenue terms.

The Group recognises that its Scope 1 and 2 GHG emissions only reflect a proportion of our total carbon footprint across the value chain. A more holistic approach to reducing our indirect impacts will be required to deliver the scale of reductions demanded by the climate science, and we keep the embodied carbon impacts of the materials we use and of our logistics supply chain under review.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency Scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2018. We use the best information available to us, such as invoice data or measured energy usage. Where no more suitable data sources are available, we have used, where practicable, estimates based on the appropriate information that is available to the Group.

Political donations

There were no political donations (2021: £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 66 to 69. 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 36 to 40 in the Strategic Report, the Board considers it appropriate to prepare the financial statements on the going concern basis, as explained in note 1 to the financial statements.

Financial risk management

The Group's operations expose it to a variety of financial risks. Details of the risks faced by the Group are provided in note 21 to the financial statements.

Takeover directive

The Company has only one class of shares, being ordinary shares, which have equal voting rights. The holdings of individual Directors are disclosed on page 96.

There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company, except for the banking facilities dated 7 March 2022 in respect of the £130.0m unsecured revolving credit facility and the £70.0m accordion facility which contain mandatory prepayment provisions on a change of control.

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

Statement of disclosure of information to auditor

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

(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 BDO LLP as auditor to the Company will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will take place at 11.00 am on 19 July 2022 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 146 to 152 of this document. The Directors recommend that all shareholders vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares, and consider that they are in the best interests of the Company and the shareholders as a whole.

By order of the Board

RH Collins

Richard Collins
Company Secretary
8 June 2022

Statement of Directors' responsibilities

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Nick Kelsall
Chief Executive Officer
8 June 2022

James Eyre
Chief Financial Officer

Financial statements

Annual General Meeting

Triton: Triton's new Push Button Bar Diverter mixer shower is designed to offer enhanced functionality with a contemporary finish, delivering the best of both worlds for design conscious home owners. It enables the user to switch quickly between handset and fixed overhead rainfall accompanied by thermostatic temperature control and a handy storage shelf to add to the overall look.

Independent auditor's report

to the members of Norcros plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Norcros plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated and parent company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the shareholders on 30 July 2020 to audit the financial statements for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ended 31 March 2021 to 31 March 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Directors' conclusions with respect to the disclosures provided around going concern and viability;
- We challenged the rationale for the assumptions utilised in the forecasts, using our knowledge of the business, the sector and wider commentary available from competitors and peers;
- We considered the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis;
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;
- We assessed the facility and covenant headroom calculations, and reperformed sensitivities on management's base case and stressed case scenarios; and
- We reviewed the wording of the going concern disclosures, and assessed its consistency with the directors' assessment of going concern, including underlying management forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report continued

to the members of Norcros plc

Overview

Coverage	94% (2021: 91%) of Group profit before tax 85% (2021: 84%) of Group revenue 88% (2021: 87%) of Group total assets		
Key audit matters		**2022**	2021
	Pension scheme assumptions	✓	✓
	Going Concern, specifically due to Covid-19	✗	✓
	Going Concern is no longer considered to be a key audit matter in the current year, given the general easing of Covid-19 restrictions in the key geographies in which the group operates.		
Materiality	Group financial statements as a whole £1.6m (2021: £1.24m) based on 5% of the current year (2021: 5% on three year average basis) Profit before tax adjusted for certain non-underlying items, including acquisition costs and exceptional items.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our Group audit scope focused on the Group's principal operating locations, being those in the UK, Ireland and South Africa. In the UK and Ireland, Norcros operates under seven separate divisions: Triton, Merlyn, Vado, Johnson Tiles, Croydex, Abode and Norcros Adhesives. In South Africa there are four divisions: Johnson Tiles South Africa, TAL, House of Plumbing and Tile Africa.

Consistent with the group's operations, we scoped our audit at a divisional level. In the UK, full scope audits were performed by the Group engagement team on the significant components, Triton, Vado, Johnson Tiles, and the Parent Company.

The four South African divisions together with the Merlyn division, whose finance team is based in Ireland, were considered to be significant components and were subject to full scope audits by BDO member firms in South Africa and Ireland respectively.

The remaining components of the Group were considered not-significant and these components were principally subject to analytical review procedures by the Group engagement team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

The Responsible Individual and senior members of the Group audit team were involved at all stages of the audit process, directing the planning and risk assessment work.

Detailed Group instructions were sent to the component auditors, which included the principal areas to be covered by the audits, materiality levels, significant risks, fraud risks and other significant auditing and accounting matters, and further set out the information to be reported to the Group audit team.

The UK engagement team attended planning calls with both the South African and Irish teams where the scope of their work was discussed, as well as attending planning calls with divisional management. The UK engagement team reviewed the working papers of the overseas teams and attended meetings with the overseas teams and the respective divisional management teams following completion of the work.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

An overview of the scope of our audit continued

Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Pension Scheme Assumptions Refer to Note 1 – summary of significant accounting policies, key sources of estimation uncertainty and critical judgements in applying the group's accounting policies and also to Note 24.	The group has a defined benefit pension plan with a net scheme asset of £19.6m (2021 net scheme liability: £18.3m). We consider there to be a significant risk concerning the appropriateness of the actuarial assumptions applied in calculating the group's defined benefit pension scheme liability of £368.3m (2021: £416.1m) as shown in Note 24. The valuation of the group's pension scheme liability was performed by management's external actuary and involves significant judgement from the directors and the actuary in the choice of discount rate used and in the key sources of estimation uncertainty, in particular in relation to the inflation assumptions and mortality rates, as described in the group's accounting policies.	We obtained the report from management's actuary used in valuing the scheme's liabilities, from which we assessed the appropriateness of the assumptions underpinning the valuation of the scheme liabilities. Specifically, we challenged the discount rate, inflation and mortality assumptions applied in the calculation by using our auditor engaged pension experts to benchmark the assumptions applied against comparable third-party data and assessed the appropriateness of the assumptions in the context of the group's own position. Key observations: Based on our audit work, we considered the assumptions used in the calculation of the pension liability were within an acceptable range.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group		Parent Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Materiality	1.60	1.24	0.48	0.37
Basis for determining materiality	5% of Profit before tax adjusted for certain non-underlying items, including acquisition costs and exceptional items.	5% of three year average of Profit before tax adjusted for certain non-underlying items, including acquisition costs, impairment and exceptional items	Set based on 30% of Group materiality.	Set based on 30% of Group materiality.
Rationale for the benchmark applied	We considered that using this basis for determining materiality was most appropriate based on the underlying trading performance of the Group, eliminating non-recurring items and in the interests of the users of the financial statements. We did not use a three-year average profit before tax figure in the current year as profits had stabilised and therefore using a three year average was not deemed appropriate.	We considered that using this basis for determining materiality was most appropriate as this provided a consistent year on year basis for determining materiality based on the underlying trading performance of the Group, but eliminating non-recurring items. It also reflects the interests of the users of the financial statements. A three year average was used given the fluctuating level of profit before tax from the impact of Covid-19 during the period.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.

Independent auditor's report continued

to the members of Norcros plc

Our application of materiality continued

	Group		Parent Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Performance materiality	1.1	0.80	0.34	0.24
Basis for determining performance materiality	70% of materiality This has increased from 65% in 2021 to 70%, given this is our second year as auditor and we therefore can reflect on the experience of the prior year when setting this benchmark.	65% of materiality This was considered appropriate given this was the first year that we acted as auditor of the group.	70% of materiality This has increased from 65% in 2021 to 70%, given this is our second year as auditor and we therefore can reflect on the experience of the prior year when setting this benchmark.	65% of materiality This was considered appropriate given this was the first year that we acted as auditor of the group.

Parent Company statutory materiality

We set materiality for the statutory audit of the Parent Company at £3.58m which represents 3% of Net Assets. Net assets was determined as the most appropriate measure on which to base materiality for the statutory audit of the Parent Company financial statements as the principal activity of the company is that of a holding company. We further applied performance materiality levels of 70% of the statutory materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Component materiality

We set materiality for each component of the Group based on a percentage of between 30% and 48% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.48m to £0.77m. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £48,000 (2021: £25,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2022 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 98; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 41
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 71; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 36; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 73; and • The section describing the work of the audit committee set out on page 72

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	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 the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued

to the members of Norcros plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group and the sectors in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, international accounting standards, the UK Companies Act 2006, the Listing Rules and the UK Corporate Governance Code; and industry related such as compliance with health and safety legislation, employment law and taxation legislation. We communicated relevant laws and regulations to all team members, including component audit teams, to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, revenue being recognised in the correct period around the year end and management bias in accounting estimates.

Our audit procedures included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- Discussions with management and the Directors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of Board meetings throughout the period to corroborate our enquiries and to identify any other matters not already disclosed by management and the Directors; and
- Agreeing the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Group's defined benefit pension scheme liabilities (see key audit matter above) and customer rebate, incentive and promotional support accruals;
- Testing a sample of revenue transactions around the year end to supporting documentation (including invoice and proof of delivery) for all significant components to assess if the revenue had been recorded in the correct period;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Harding

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom
8 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

Year ended 31 March 2022

	Notes	2022 £m	2021 £m
Continuing operations			
Revenue	2	**396.3**	324.2
Underlying operating profit		**41.8**	33.8
IAS 19R administrative expenses	24	**(1.7)**	(1.4)
Acquisition related costs	5	**(4.8)**	(3.7)
Exceptional operating items	5	**0.9**	(3.8)
Operating profit		**36.2**	24.9
Finance costs	6	**(2.8)**	(5.4)
IAS 19R finance cost	24	**(0.4)**	(1.0)
Profit before taxation		**33.0**	18.5
Taxation	7	**(7.3)**	(3.5)
Profit for the year attributable to equity holders of the Company		**25.7**	15.0
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From profit for the year	9	**31.8p**	18.6p
Diluted earnings per share:			
From profit for the year	9	**31.2p**	18.6p
Weighted average number of shares for basic earnings per share (millions)	9	**80.9**	80.6
Alternative performance measures			
Underlying profit before taxation (£m)	8	**39.3**	30.6
Underlying earnings (£m)	8	**31.5**	25.1
Basic underlying earnings per share	9	**38.9p**	31.2p
Diluted underlying earnings per share	9	**38.2p**	31.1p

Consolidated statement of comprehensive income

Year ended 31 March 2022

	Notes	**2022 £m**	2021 £m
Profit for the year		**25.7**	15.0
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the Income Statement			
Actuarial gains on retirement benefit obligations	24	**27.5**	24.1
Items that may be subsequently reclassified to the Income Statement			
Cash flow hedges – fair value gain/(loss) in year	21	**3.0**	(1.5)
Foreign currency translation of foreign operations		**3.6**	5.3
Other comprehensive income for the year		**34.1**	27.9
Total comprehensive income for the year attributable to equity holders of the Company		**59.8**	42.9

Items in this statement are disclosed net of tax.

Consolidated balance sheet

At 31 March 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Goodwill	11	**61.2**	60.8
Intangible assets	12	**29.1**	32.8
Property, plant and equipment	13	**29.0**	28.0
Pension scheme asset	24	**19.6**	—
Right of use assets	14	**19.9**	19.6
		158.8	141.2
Current assets			
Inventories	15	**100.6**	78.1
Trade and other receivables	16	**71.1**	64.6
Derivative financial instruments	21	**1.6**	—
Cash and cash equivalents	17	**27.4**	28.3
		200.7	171.0
Current liabilities			
Trade and other payables	18	**(102.4)**	(95.4)
Lease liabilities	19	**(5.7)**	(5.4)
Current tax liabilities		**(2.7)**	(1.0)
Derivative financial instruments	21	**—**	(2.3)
		(110.8)	(104.1)
Net current assets		**89.9**	66.9
Total assets less current liabilities		**248.7**	208.1
Non-current liabilities			
Financial liabilities – borrowings	20	**(18.8)**	(17.8)
Pension scheme liability	24	**—**	(18.3)
Lease liabilities	19	**(18.3)**	(18.8)
Deferred tax liabilities	22	**(9.4)**	(0.5)
Other non-current liabilities	26	**(0.3)**	(0.3)
Provisions	23	**(1.6)**	(4.0)
		(48.4)	(59.7)
Net assets		**200.3**	148.4
Financed by:			
Share capital	25	**8.1**	8.1
Share premium		**30.3**	30.2
Retained earnings and other reserves		**161.9**	110.1
Total equity		**200.3**	148.4

The financial statements of Norcros plc, registered number 3691883, on pages 107 to 139, were authorised for issue on 8 June 2022 and signed on behalf of the Board by:

Nick Kelsall
Chief Executive Officer

James Eyre
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 March 2022

	Notes	2022 £m	2021 £m
Cash generated from operations	27	**23.6**	60.0
Income taxes paid		**(6.5)**	(3.5)
Interest paid		**(2.5)**	(3.2)
Net cash generated from operating activities		**14.6**	53.3
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(5.4)**	(2.8)
Net cash used in investing activities		**(5.4)**	(2.8)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**0.1**	0.3
Principal element of lease payments		**(4.7)**	(4.3)
Drawdown of borrowings		**25.0**	—
Repayment of borrowings		**(23.0)**	(66.0)
Dividends paid to the Company's shareholders	28	**(9.1)**	—
Net cash used in financing activities		**(11.7)**	(70.0)
Net decrease in cash at bank and in hand and bank overdrafts		**(2.5)**	(19.5)
Cash at bank and in hand and bank overdrafts at the beginning of the year		**28.3**	47.2
Exchange movements on cash and bank overdrafts		**1.6**	0.6
Cash at bank and in hand and bank overdrafts at the end of the year		**27.4**	28.3

Consolidated statement of changes in equity

Year ended 31 March 2022

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2020	8.1	29.9	(0.4)	—	(21.7)	88.5	104.4
Comprehensive income:							
Profit for the year	—	—	—	—	—	15.0	15.0
Other comprehensive (expense)/income:							
Actuarial gain on retirement benefit obligations	—	—	—	—	—	24.1	24.1
Fair value loss on cash flow hedges	—	—	—	(1.5)	—	—	(1.5)
Foreign currency translation adjustments	—	—	—	—	5.3	—	5.3
Total other comprehensive (expense)/income for the year	—	—	—	(1.5)	5.3	24.1	27.9
Transactions with owners:							
Shares issued	—	0.3	—	—	—	—	0.3
Dividends paid	—	—	—	—	—	—	—
Settlement of share option schemes	—	—	0.3	—	—	(0.5)	(0.2)
Value of employee services	—	—	—	—	—	1.0	1.0
At 31 March 2021	8.1	30.2	(0.1)	(1.5)	(16.4)	128.1	148.4
Comprehensive income:							
Profit for the year	—	—	—	—	—	25.7	25.7
Other comprehensive income:							
Actuarial gain on retirement benefit obligations	—	—	—	—	—	27.5	27.5
Fair value gain on cash flow hedges	—	—	—	3.0	—	—	3.0
Foreign currency translation adjustments	—	—	—	—	3.6	—	3.6
Total other comprehensive income for the year	—	—	—	3.0	3.6	27.5	34.1
Transactions with owners:							
Shares issued	—	0.1	—	—	—	—	0.1
Dividends paid	—	—	—	—	—	(9.1)	(9.1)
Value of employee services	—	—	—	—	—	1.1	1.1
At 31 March 2022	**8.1**	**30.3**	**(0.1)**	**1.5**	**(12.8)**	**173.3**	**200.3**

Notes to the Group accounts

Year ended 31 March 2022

1. Group accounting policies

General information

Norcros plc (the Company), and its subsidiaries (together the Group), designs, manufactures and distributes a range of high quality and innovative bathroom and kitchen products mainly in the UK and South Africa.

The Company is incorporated in the UK as a public company limited by shares and registered in England and Wales. The shares of the Company are listed on the premium segment of the London Stock Exchange market of listed securities. The address of its registered office is Ladyfield House, Station Road, Wilmslow SK9 1BU, UK. The Company is domiciled in the UK.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at their fair value. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements from this date. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are detailed in the section on critical estimates on page 113. Although these estimates are based on management's best knowledge of amounts, events or actions, actual results may differ from expectations.

Accounting reference date

UK company law permits a company to draw up financial statements to a date seven days either side of its accounting reference date. For operational reasons the Company has in the current financial year adopted an accounting period of 52 weeks, and as a result of this, the exact year-end date was 3 April 2022. All references to the financial year therefore relate to the 52 weeks commencing on 5 April 2021. In the previous year the accounting period was 52 weeks, beginning on 6 April 2020 and ending on 4 April 2021.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Group's business activities and the principal risks and uncertainties including current macroeconomic factors in the context of the current operating environment. The Group, in acknowledging its TCFD requirements, has also considered climate risks in the financial statements.

A going concern financial assessment was developed on a bottom-up basis by taking the output of the annual budgeting process built up by individual businesses and then subjected to review and challenge by the Board. The acquisition of Grant Westfield was also reflected in the assessment. The financial model was then stress tested by modelling the most extreme but plausible scenario, that being further national lockdowns as a result of a resurgent COVID-19 pandemic. This has been based on the actual impact of the COVID-19 pandemic on the Group, which at its peak saw a revenue reduction of 25% on the prior year over a six-month period. The scenario also incorporates management actions the Group has at its disposal including a number of cash conservation and cost reduction measures including capital expenditure reductions, dividend decreases and restructuring activities.

The Group continues to exhibit sufficient and prudent levels of liquidity headroom against our key banking financial covenants during the twelve-month period under assessment. Reverse stress testing has also been applied to the financial model, which represents a further decline in sales compared with the reasonable worst case. Such a scenario, and the sequence of events which could lead to it, is considered to be implausible and remote.

As a result of this detailed assessment, the Board has concluded that the Company is able to meet its obligations when they fall due for a period of at least twelve months from the date of this report. For this reason, the Company continues to adopt the going concern basis for preparing the Group financial statements. In forming this view, the Board has also concluded that no material uncertainty exists in its use of the going concern basis of preparation.

Summary of significant accounting policies

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

We are not aware of any new, amended or forthcoming accounting standards that will have a material impact on the financial statements of the Group in the current year or future years.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of in the year are included in the consolidated financial statements from the date on which the Group has the ability to exercise control and are no longer consolidated from the date that control ceases. Costs related to the acquisition or disposal are not included in underlying operating profit.

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

1. Group accounting policies continued

Summary of significant accounting policies continued

Basis of consolidation continued

Subsidiaries continued

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

Key sources of estimation uncertainty and critical judgements in applying the Group's accounting policies

The Group's accounting policies have been set by management and approved by the Audit and Risk Committee. The application of these accounting policies to specific scenarios requires estimates and judgements to be made concerning the future. Under IFRS, estimates or judgements are considered critical where they involve a significant risk that may cause a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used. Once identified, critical estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is:

- retirement benefit obligations – accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future inflation assumptions applied in the calculation of scheme liabilities, which are set out in note 24, represent a key source of estimation uncertainty for the Group.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with above) and have been identified as being particularly complex or involve subjective assessments:

- acquired intangible fixed assets – intangible assets can only be recognised as part of a business combination where the intangible asset is separable from goodwill, can be reliably measured and is expected to generate future economic benefits. Judgement is required to assess whether these criteria are met and also to subsequently determine the appropriate assumptions which are used to place a value on the intangible asset. Had different assumptions been applied, the valuation of acquired intangible assets could have differed from the amount ultimately recognised. Judgement is also needed to determine the useful economic lives of intangible assets and if a different period had been determined this could have resulted in amortisation charges differing from those actually recognised;
- retirement benefit obligations – accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The choice of discount rate and mortality assumptions applied in the calculation of scheme liabilities is a key judgement in applying the Group's accounting policy. Details of the accounting policies applied in respect of retirement benefit schemes are set out in note 24;
- defined benefit pension scheme surplus – management has concluded that the Group has an unconditional right to a refund from the UK defined benefit pension scheme once the liabilities have been discharged and that the trustees of the scheme do not have the unilateral right to wind up the scheme. Therefore the asset is not restricted and no additional liability was recognised. See note 24 for further details of the scheme; and
- customer rebate, incentive and promotional support accruals – a number of the Group's customers are offered rebates, incentives and promotional support in order to encourage trade and cement strong relationships. Accounting for such arrangements involves judgement as agreement periods typically run for a number of months or years and may involve assumptions around volumes of product purchased or sold into the future. However, where applicable, accrual calculations are underpinned by signed contracts and there has historically been a strong correlation between the amounts accrued in respect of a particular period and the amounts subsequently paid.

Revenue recognition

The Group derives revenue predominantly from the sale of goods to customers. Revenue from the sale of goods is recognised when control of the goods has been transferred to the buyer. Control transfers when the customer has the ability to direct the use of and substantially obtain all of the benefits of the goods. This is generally on receipt of goods by the customer.

The Group also derives revenue from services provided alongside the supply of goods, mainly installation services, which are recognised over time and are calculated using the "input method" by reference to regular surveys of the work performed.

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the amounts receivable for goods supplied or services provided, stated net of discounts, returns, rebates and value-added taxes. Accumulated experience is used to estimate and provide for rebates, discounts and expected returns using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. An accrual is made at each Balance Sheet date as a deduction from revenue to reflect management's best estimate of amounts to be paid in respect of arrangements in place with customers regarding rebates, discounts and expected returns.

Notes to the Group accounts continued

Year ended 31 March 2022

1. Group accounting policies continued

Summary of significant accounting policies continued

Revenue recognition continued

Incremental costs of fulfilling a contract, such as testing costs, are capitalised in "Trade and other receivables" if the cost has been incurred and are amortised over the life of the contract if the period over which the Group obtains benefit from is over twelve months. Contract related support costs are accrued in "Trade and other payables" if the trigger for payment has been met. Both types of cost are recorded in the Income Statement against underlying operating profit.

Segmental reporting

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

Goodwill

Goodwill is recognised as an asset and reviewed for impairment at least annually or whenever there is an indicator of impairment. Goodwill is carried at cost less amortisation charged prior to the Group's transition to IFRS less accumulated impairment losses. Any impairment is recognised in the period in which it is identified and is never reversed.

Intangible assets

Acquired intangible assets comprise customer relationships, brands, trade names and patents recognised as separately identifiable assets on acquisition as well as product certification costs and development costs which meet the criteria for capitalisation (as explained below in the accounting policy for research and development costs). They are valued at cost less accumulated amortisation, with amortisation being charged on a straight-line basis.

The estimated useful lives of Group assets are as follows:

Customer relationships	8–15 years
Brands, trade name and patents	8–15 years
Development costs	5 years
Product certification costs	5 years

Impairment of long-life assets

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

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

Property, plant and equipment

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

The estimated useful lives of Group assets are as follows:

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

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

Investment property

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and, where applicable, labour and overheads that have been incurred in bringing the inventories to their present location and condition. 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.

1. Group accounting policies continued

Summary of significant accounting policies continued

Taxation continued

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.

Provisions

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

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

Property provisions – where the Group has vacated a property but is committed to a leasing arrangement, a provision is made to cover unavoidable costs including dilapidation costs net of any expected future sub-lease income.

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

Employee benefits

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

(a) Pension obligations

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

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

The liability recognised in the Consolidated Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Surpluses are only recognised to the extent that they are recoverable.

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

Past service costs are recognised immediately in income.

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

(b) Other post-employment obligations

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

(c) Termination benefits

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

(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.

Notes to the Group accounts continued

Year ended 31 March 2022

1. Group accounting policies continued

Summary of significant accounting policies continued

Exceptional items

Exceptional items are disclosed separately in accordance with the requirements of IAS 1, 'Presentation of financial statements'. They include profits and losses on disposal of non-current assets outside the normal course of business, restructuring costs and large or significant one-off items which in management's judgement need to be disclosed to enable the user to obtain a proper understanding of the Group's financial performance.

IAS 19R administrative expenses

The administrative expenses incurred by the Trustee in connection with managing the Group's pension schemes are recognised in the Consolidated Income Statement. These costs are excluded from underlying operating profit.

Acquisition related costs

Acquisition related costs include deferred remuneration, amortisation of acquired intangibles and professional advisory fees. These costs are excluded from underlying operating profit.

Financial assets and liabilities

Borrowings

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

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

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and to fluctuations in interest rates. The Group uses derivative financial instruments (solely foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group designates net positions and hedge documentation is prepared in accordance with IFRS 9.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value at the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income, and any ineffective portion is recognised immediately in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held at call with banks and bank overdrafts. Cash and cash equivalents are offset against overdrafts and borrowings only when there is a legally enforceable right to do so and there is a clear intention to undertake settlement of such overdrafts or borrowings held with the same counterparty within a short timeframe after the year end.

Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional.

The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method, less appropriate allowances for estimated credit losses (provision for impairment). The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the length of time overdue. An estimate is made of the expected credit loss based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The maximum exposure at the end of the reporting period is the carrying amount of these receivables.

Trade payables

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

1. Group accounting policies continued

Summary of significant accounting policies continued

Fair value estimation

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

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

Research and development

Expenditure on research is charged against profits for the year in which it is incurred. Development costs are capitalised once the technical feasibility of a project has been established and a business plan, which demonstrates how the project will generate future economic benefits, has been approved. Development costs are amortised on a straight-line basis over their expected useful lives from the point at which the asset is capable of operating in the manner intended by management.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, or when paid if earlier.

Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in Sterling, which is the functional and presentational currency of the parent entity.

Transactions and balances

Monetary assets and liabilities expressed in currencies other than the functional currency are translated at rates applicable at the year end and trading results of overseas subsidiaries at average rates for the year. Exchange gains and losses of a trading nature are dealt with in arriving at operating profit.

Translation of overseas net assets

Exchange gains and losses arising on the retranslation of overseas net assets and results are taken directly to reserves.

Share capital

Issued share capital is recorded in the Balance Sheet at nominal value with any premium at the date of issue being credited to the share premium account.

Treasury shares

The cost of the purchase of own shares is taken directly to reserves and is included in the treasury reserve.

Hedging reserve

The hedging reserve represents the accumulated movements in the Group's derivative financial instruments that have been designated as hedging instruments. Amounts are transferred in and out of the reserve on the revaluation, or realisation, of identified hedging instruments.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Balance Sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

Share-based payments are settled through the Norcros Group Employee Benefit Trust that holds shares in Norcros Group plc that have either been purchased on the market or issued by the Company and satisfies awards made under various employee incentive schemes. The shareholding of the Group Employee Benefit Trust is consolidated within the consolidated accounts of the Group.

Government assistance

As a result of the COVID-19 pandemic, the Group benefited from £4.3m of government assistance programmes relating to employee job retention costs in the prior year. Government assistance received related to employee job retention and was presented net against the applicable staff costs within cost of sales and overheads in the Income Statement.

Notes to the Group accounts continued

Year ended 31 March 2022

1. Group accounting policies continued

Summary of significant accounting policies continued

Leases

Recognition

At the date of commencement, the Group assesses whether a contract is or contains a lease by judging whether the contract is in relation to a specified asset and to what extent the Group obtains substantially all the economic benefits from, and has the right to direct the use of, that asset.

The Group recognises a right of use (ROU) asset and a lease liability at the commencement of the lease.

Short-term and low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for leases where the total lease term is less than or equal to twelve months, or for leases of assets with a value less than £5,000. The payments for such leases are recognised in the Income Statement within cost of sales or administrative expenses on a straight-line basis over the lease term and presented within cash generated from operations in the cash flow statement.

Non-lease components

Fees for components such as property taxes, maintenance, repairs and other services, which are either variable or transfer benefits separate to the Group's right to use the asset, are separated from lease components based on their relative stand-alone selling price. These components are expensed in the Income Statement as incurred.

Lease liabilities

Lease liabilities are initially measured at the present value of future lease payments at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, or where this cannot be readily determined, the lessee's incremental borrowing rate. Lease payments include the following payments due within the non-cancellable term of the lease, as well as the term of any extension options where these are considered reasonably certain to be exercised:

- fixed payments;
- variable payments that depend on an index or rate; and
- the exercise price of purchase or termination options if it is considered reasonably certain these will be exercised.

Subsequent to the commencement date, the lease liability is measured at the initial value, plus an interest charge determined using the incremental borrowing rate, less lease payments already made such as deposits. The interest expense is recorded in finance costs in the Income Statement. The liability is re-measured when future lease payments change, when the exercise of extension or termination options becomes reasonably certain, or when the lease is modified.

Payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities in the cash flow statement. The interest element is recognised in net cash generated from operations.

Right of use assets

The ROU asset is initially measured at cost, being the value of the lease liability, plus the value of any lease payments made at or before the commencement date, initial direct costs and the cost of any restoration obligations, less any incentives received. The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is adjusted for any re-measurement of the lease liability. The ROU asset is subject to testing for impairment where there are any impairment indicators.

IFRS 16, 'COVID-19 related rent concessions'

During the prior year the IASB published an amendment to IFRS 16, 'COVID-19 related rent concessions', amending the standard to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification, effective for annual reporting periods beginning on or after 1 June 2020. The Group applied the COVID-19 related rent concessions practical expedient and accounted for the concessions as though they were variable lease payments.

2. Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker (being the Board) assesses performance and allocates resources based on geography and accordingly segments have been determined on this basis. Corporate costs are allocated to segments on the basis of external turnover. Finance income and costs are not split between the segments.

Year ended 31 March 2022

	UK £m	South Africa £m	Group £m
Revenue	**256.7**	**139.6**	**396.3**
Underlying operating profit	**30.9**	**10.9**	**41.8**
IAS 19R administrative expenses	**(1.7)**	**—**	**(1.7)**
Acquisition related costs	**(4.6)**	**(0.2)**	**(4.8)**
Exceptional operating items	**0.9**	**—**	**0.9**
Operating profit	**25.5**	**10.7**	**36.2**
Finance costs			**(3.2)**
Profit before taxation			**33.0**
Taxation			**(7.3)**
Profit for the year			**25.7**
Net cash			**8.6**
Segmental assets	**252.9**	**106.6**	**359.5**
Segmental liabilities	**(116.9)**	**(42.3)**	**(159.2)**
Additions to property, plant and equipment	**2.9**	**2.4**	**5.3**
Depreciation and amortisation	**8.0**	**5.0**	**13.0**

Year ended 31 March 2021

	UK £m	South Africa £m	Group £m
Revenue	220.2	104.0	324.2
Underlying operating profit	26.9	6.9	33.8
IAS 19R administrative expenses	(1.4)	—	(1.4)
Acquisition related costs	(3.5)	(0.2)	(3.7)
Exceptional operating items	(3.6)	(0.2)	(3.8)
Operating profit	18.4	6.5	24.9
Finance costs (net)			(6.4)
Profit before taxation			18.5
Taxation			(3.5)
Profit for the year			15.0
Net cash			10.5
Segmental assets	221.4	90.8	312.2
Segmental liabilities	(125.6)	(38.2)	(163.8)
Additions to property, plant and equipment	1.6	0.9	2.5
Depreciation and amortisation	8.5	4.6	13.1

Notes to the Group accounts continued

Year ended 31 March 2022

2. Segmental reporting continued

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

	2022 £m	2021 £m
UK	**222.4**	189.4
Africa	**141.9**	105.8
Rest of World	**32.0**	29.0
	396.3	324.2

No one customer had revenue over 10% of total Group revenue (2021: none).

Reported revenue within the South African segment contains £3.9m (2021: £2.6m) of revenue from services performed which have been recognised over time and within the UK segment contains £0.3m (2021: £0.4m) of extended warranty revenue that has been recognised over time.

3. Operating profit

Operating profit is derived after deducting cost of sales of £255.5m (2021: £205.8m), distribution costs of £28.3m (2021: £21.3m) and administrative expenses, inclusive of exceptional and acquisition related costs, of £76.3m (2021: £72.2m).

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

	2022 £m	2021 £m
Staff costs (see note 4)	**65.9**	52.8
Depreciation of property, plant and equipment (all owned assets)	**5.1**	5.2
Amortisation of intangible assets	**3.8**	3.9
Depreciation of right of use assets	**4.1**	4.0
Operating lease rentals payable for short-term and low-value leases:		
– plant and machinery	**0.7**	1.2
– other	**0.4**	0.6
Research and development expenditure	**4.8**	3.6

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:

	2022 £m	2021 £m
Audit of the Parent Company and consolidated financial statements	**0.1**	0.1
Audit of the Company's subsidiaries	**0.3**	0.3
	0.4	0.4

4. Employees

	2022 £m	2021 £m
Staff costs including Directors' remuneration:		
– wages and salaries	**57.6**	50.3
– social security costs	**3.5**	2.8
– share-based payments (see note 10)	**1.1**	1.0
Pension costs:		
– defined contribution (see note 24)	**3.7**	3.0
	65.9	57.1
Furlough payments received	**—**	(4.3)
Total staff costs	**65.9**	52.8

Government income related to job retention assistance in the prior year is presented in the above table.

	2022 Number	2021 Number
Average monthly numbers employed:		
– UK	**1,002**	983
– overseas	**1,194**	1,072
	2,196	2,055

Full details of Directors' remuneration may be found in the Remuneration Report on pages 87 to 96.

5. Acquisition related costs and exceptional operating items

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

Acquisition related costs	2022 £m	2021 £m
Intangible asset amortisation[1]	**3.7**	3.7
Advisory fees[2]	**1.1**	—
	4.8	3.7

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

2 Professional advisory fees incurred in connection with the Group's business combination activities.

Exceptional operating items	2022 £m	2021 £m
COVID-19 related restructuring[1]	**—**	3.8
Release of UK property provision[2]	**(0.9)**	—
	(0.9)	3.8

1 Exceptional costs of £3.8m were incurred in the prior year in relation to COVID-19 related restructuring programmes across the Group as a result of the impact of COVID-19 on the economies we trade in.

2 The UK property provision related to the only remaining surplus and legacy onerous property lease at Groundwell, Swindon. In the year, the Group reached agreement with the landlord to exit the lease early. A cash settlement payment of £1.3m including dilapidation obligations was made in the period. The remaining £0.9m of the related provision has been released as an exceptional operating item.

6. Finance costs

	2022 £m	2021 £m
Interest payable on bank borrowings	**0.8**	1.5
Interest on lease liabilities	**1.7**	1.7
Movement on fair value of derivative financial instruments	**—**	2.0
Property lease discount	**0.1**	—
Amortisation of costs of raising debt finance	**0.2**	0.2
Finance costs	**2.8**	5.4

7. Taxation

Taxation comprises:

	2022 £m	2021 £m
Current		
UK taxation	**3.6**	0.4
Overseas taxation	**4.7**	3.7
Prior year adjustment	**(0.1)**	(0.2)
Total current taxation	**8.2**	3.9
Deferred		
Origination and reversal of temporary differences	**(0.9)**	(0.4)
Total tax charge	**7.3**	3.5

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:

	2022 £m	2021 £m
Profit before tax	**33.0**	18.5
Tax calculated at domestic tax rates applicable to profits in the respective countries	**6.8**	3.4
Tax effects of:		
– adjustments in respect of prior years	**(0.1)**	(0.2)
– expenses not deductible for tax purposes	**0.4**	0.3
– tax rate differences	**0.2**	—
Total tax charge	**7.3**	3.5

The weighted average applicable tax rate was 20.6% (2021: 18.4%); the increase relates to the increased proportional profits in South Africa and the UK relative to Ireland. The standard rate of corporation tax in the UK is 19% (2021: 19%), in South Africa 28% (2021: 28%) and in Ireland 12.5% (2021: 12.5%).

Taxation on items taken directly to equity was a debit of £9.2m relating to deferred tax on pensions (see note 22) and a debit of £0.6m of deferred tax in relation to foreign exchange cash flow hedges.

Notes to the Group accounts continued

Year ended 31 March 2022

8. Alternative performance measures

The Group makes use of a number of alternative performance measures to assess business performance and provide additional useful information to shareholders. Such alternative performance measures should not be viewed as a replacement of, or superior to, those defined by Generally Accepted Accounting Principles (GAAP). Definitions of alternative performance measures used by the Group and, where relevant, reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures are provided below.

The alternative performance measures used by the Group are:

Measure	Definition
Underlying operating profit	Operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items.
Underlying profit before taxation	Profit before taxation before IAS 19R administrative expenses, acquisition related costs, exceptional operating items, amortisation of costs of raising finance, net movement on fair value of derivative financial instruments, discounting of property lease provisions and finance costs relating to pension schemes.
Underlying taxation	Taxation on underlying profit before tax.
Underlying earnings	Underlying profit before tax less underlying taxation.
Underlying capital employed	Capital employed on a pre-IFRS 16 basis 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 on a pre-IFRS 16 basis expressed as a percentage of the average of opening and closing underlying capital employed.
Basic underlying earnings per share	Underlying earnings divided by the weighted average number of shares for basic earnings per share.
Diluted underlying earnings per share	Underlying earnings divided by the weighted average number of shares for diluted earnings per share.
Underlying EBITDA	Underlying EBITDA is derived from underlying operating profit before depreciation and amortisation excluding the impact of IFRS 16 in line with our banking covenants.
Underlying operating cash flow	Cash generated from continuing operations before cash outflows from exceptional items and acquisition related costs and pension fund deficit recovery contributions.
Underlying net (debt)/cash	Underlying net (debt)/cash is the net of cash, capitalised costs of raising finance and total borrowings. IFRS 16 lease commitments are not included in line with our banking covenants.
Pro-forma underlying EBITDA	An annualised underlying EBITDA figure used for the purpose of calculating banking covenant ratios.
Pro-forma leverage	Net debt expressed as a ratio of pro-forma underlying EBITDA.

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

Consolidated Income Statement

(a) Underlying profit before taxation and underlying earnings

	2022 £m	2021 £m
Profit before taxation	**33.0**	18.5
Adjusted for:		
– IAS 19R administrative expenses	**1.7**	1.4
– acquisition related costs (see note 5)	**4.8**	3.7
– exceptional operating items (see note 5)	**(0.9)**	3.8
– amortisation of costs of raising finance	**0.2**	0.2
– net movement on fair value of derivative financial instruments	**—**	2.0
– property lease discount	**0.1**	—
– IAS 19R finance cost	**0.4**	1.0
Underlying profit before taxation	**39.3**	30.6
Taxation attributable to underlying profit before taxation	**(7.8)**	(5.5)
Underlying earnings	**31.5**	25.1

8. Alternative performance measures continued

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

Consolidated Income Statement continued

(b) Underlying operating profit and EBITDA (pre-IFRS 16)

	2022 £m	2021 £m
Operating profit	**36.2**	24.9
Adjusted for:		
– IAS 19R administrative expenses	**1.7**	1.4
– acquisition related costs	**4.8**	3.7
– exceptional operating items (see note 5)	**(0.9)**	3.8
Underlying operating profit	**41.8**	33.8
– depreciation and amortisation (owned assets)	**5.2**	5.4
– depreciation of leased assets	**4.1**	4.0
– lease costs	**(5.7)**	(5.3)
Underlying EBITDA (pre-IFRS 16)	**45.4**	37.9

Consolidated Cash Flow Statement

(a) Underlying operating cash flow

	2022 £m	2021 £m
Cash generated from operations (see note 27)	**23.6**	60.0
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see note 27)	**1.7**	2.5
– pension fund deficit recovery contributions (see note 27)	**3.3**	3.3
Underlying operating cash flow	**28.6**	65.8

Consolidated Balance Sheet

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

	2022 £m	2021 £m
Net assets	**200.3**	148.4
Adjusted for:		
– pension scheme (asset)/liability (net of associated tax)	**(14.7)**	14.8
– right of use assets (IFRS 16)	**(19.9)**	(19.6)
– lease liabilities (IFRS 16)	**24.0**	24.2
– onerous lease provision (IFRS 16)	**—**	(0.8)
– cash and cash equivalents	**(27.4)**	(28.3)
– financial liabilities – borrowings	**18.8**	17.8
	181.1	156.5
Foreign exchange adjustment	**(1.7)**	0.8
Underlying capital employed	**179.4**	157.3
Average underlying capital employed	**168.3**	178.9
Underlying operating profit (pre-IFRS 16)	**40.2**	32.5
Underlying return on capital employed	**23.9%**	18.2%

9. Earnings per share

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

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. At 31 March 2022 the potential dilutive ordinary shares amounted to 1,504,604 (2021: 201,781) as calculated in accordance with IAS 33.

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

	2022 £m	2021 £m
Profit for the year	**25.7**	15.0

	2022 Number	2021 Number
Weighted average number of shares for basic earnings per share	**80,887,240**	80,575,242
Share options	**1,504,604**	201,781
Weighted average number of shares for diluted earnings per share	**82,391,844**	80,777,023

	2022	2021
Basic earnings per share:		
From profit for the year	**31.8p**	18.6p
Diluted earnings per share:		
From profit for the year	**31.2p**	18.6p

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.

	2022 £m	2021 £m
Underlying earnings (see note 8)	**31.5**	25.1

	2022	2021
Basic underlying earnings per share	**38.9p**	31.2p
Diluted underlying earnings per share	**38.2p**	31.1p

10. Share-based payments

	Exercise price per share	Weighted average share price at date of exercise	1 April 2021	Granted	Exercised	Lapsed	31 March 2022	Date from which exercisable	Expiry date
Approved Performance Share Plan 2017 (APSP)	299p	173p	6,959	—	(1,488)	(3,370)	**2,101**	16.11.20	16.11.27
Approved Performance Share Plan 2018 (APSP)	Nil	173p	777,403	—	—	(777,403)	**—**	25.07.21	25.07.28
Approved Performance Share Plan 2019 (APSP)	Nil	—	819,084	—	—	(9,744)	**809,340**	23.07.22	23.07.29
Approved Performance Share Plan 2020 (APSP)	Nil	—	970,695	—	—	(18,247)	**952,448**	25.11.23	25.11.30
Approved Performance Share Plan 2021 (APSP)	Nil	—	—	705,555	—	(5,972)	**699,583**	20.07.24	20.07.30
Deferred Bonus Plan 2018 (DBP)	Nil	—	69,101	—	(69,101)	—	**—**	25.07.21	25.07.28
Deferred Bonus Plan 2019 (DBP)	Nil	—	87,381	—	—	—	**87,381**	23.07.22	23.07.29
Deferred Bonus Plan 2021 (DBP)	Nil	—	—	109,455	—	—	**109,455**	25.11.23	25.11.30
Save As You Earn Scheme (10) (SAYE)	160p	227p	73,299	—	(64,277)	(9,022)	**—**	01.03.21	31.08.21
Save As You Earn Scheme (11) (SAYE)	201p	—	73,872	—	(41,417)	(1,254)	**31,201**	01.03.22	31.08.22
Save As You Earn Scheme (12) (SAYE)	208p	—	187,871	—	(4,216)	(50,889)	**132,766**	01.03.23	31.08.23
Save As You Earn Scheme (13) (SAYE)	164p	—	687,421	—	(1,219)	(62,399)	**623,803**	01.03.24	31.08.24
Save As You Earn Scheme (14) (SAYE)	266p	—	—	173,385	—	(6,766)	**166,619**	01.03.25	31.08.25

Details of the terms of the APSP, DBP and SAYE schemes 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 based on the Group's estimate of shares that will eventually vest. A charge of £1.1m was recognised in respect of share options in the year (2021: £1.0m) including £0.4m (2021: £0.4m) in respect of the Directors' share options. The highest paid Director's share options accounted for £0.2m (2021: £0.2m) of the charge. The Group uses a Black-Scholes pricing model to determine the annual charge for its share-based payments. The assumptions used in this model for each share-based payment are as follows:

	SAYE (10)	SAYE (11)	SAYE (12)	SAYE (13)	SAYE (14)
Date of grant	14.12.17	14.12.18	13.12.19	23.12.20	20.12.21
Initial exercise price	160p	201p	208p	164p	266p
Number of shares granted initially	345,599	120,220	306,649	692,908	173,385
Expected volatility	35.1%	30.0%	31.0%	42.2%	44.5%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.9%	0.9%	0.3%	1.3%	1.9%
Expected dividend yield	4.0%	4.1%	4.0%	3.8%	2.8%

	APSP 2017	APSP 2018	APSP 2019	APSP 2020	APSP 2021
Date of grant	16.11.17	25.07.18	23.07.19	25.11.20	21.07.21
Initial exercise price	Nil	Nil	Nil	Nil	Nil
Number of shares granted initially	1,083,055	861,023	861,447	970,695	700,458
Expected volatility	35.1%	30.0%	31.0%	42.2%	44.5%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.9%	0.9%	0.9%	1.3%	1.9%
Expected dividend yield	4.0%	4.1%	4.0%	3.8%	2.8%

	DBP 2018	DBP 2019	DBP 2021
Date of grant	25.07.18	23.07.19	21.07.21
Initial exercise price	Nil	Nil	Nil
Number of shares granted initially	69,101	87,381	109,455
Expected volatility	30.0%	31.0%	44.5%
Expected option life	3 years	3 years	3 years
Risk free rate	0.9%	0.9%	1.9%
Expected dividend yield	4.1%	4.0%	2.8%

The share price at 31 March 2022 was 258p. The average price during the year was 299p. Expected volatility is the Company's three-year historical share price volatility.

11. Goodwill

	2022 £m	2021 £m
At 1 April	**60.8**	60.1
Additions	**—**	—
Exchange differences	**0.4**	0.7
At 31 March	**61.2**	60.8

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

	2022 £m	2021 £m
Croydex	**7.8**	7.8
Abode	**0.8**	0.8
Triton Showers	**19.1**	19.1
Merlyn	**25.5**	25.5
Tile Africa	**3.0**	2.8
House of Plumbing	**5.0**	4.8
	61.2	60.8

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.

11. Goodwill continued

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

- cash flows before income taxes are based on approved budgets and management projections for the first five years;
- long-term growth rates of 2.0% (2021: 2.0%) for Croydex, Abode, Merlyn and Triton Showers and 4.0% (2021: 4.0%) for Tile Africa and House of Plumbing applied to the period beyond which detailed budgets and forecasts do not exist, based on macroeconomic projections for the geographies in which the entities operate; and
- pre-tax discount rates of 11.4% (2021: 11.0%) in the UK and 16.8% (2021: 16.7%) in South Africa based upon the risk free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities and investing in the Group's specific sectors and regions.

Management has applied sensitivities to the key assumptions, including discount rates and growth rates, and believes that there are no reasonably possible scenarios which would result in an impairment of goodwill.

12. Intangible assets

	Customer relationships £m	Brands, trade names and patents £m	Development costs £m	Product certification costs £m	Total £m
Cost					
At 1 April 2020	38.3	10.1	0.6	0.2	49.2
Exchange differences	0.3	—	—	—	0.3
At 31 March 2021	38.6	10.1	0.6	0.2	49.5
Exchange differences	0.1	—	—	—	0.1
At 31 March 2022	**38.7**	**10.1**	**0.6**	**0.2**	**49.6**
Accumulated amortisation					
At 1 April 2020	8.4	3.8	0.5	0.1	12.8
Charge for the year	2.9	0.8	0.1	0.1	3.9
At 31 March 2021	11.3	4.6	0.6	0.2	16.7
Charge for the year	2.9	0.9	—	—	3.8
At 31 March 2022	**14.2**	**5.5**	**0.6**	**0.2**	**20.5**
Net book amount at 31 March 2021	27.3	5.5	—	—	32.8
Net book amount at 31 March 2022	**24.5**	**4.6**	**—**	**—**	**29.1**

The amortisation charge for intangibles generated on acquisition is £3.7m (2021: £3.7m) for the year and is included in the acquisition related costs in the Consolidated Income Statement. The £0.1m (2021: £0.2m) amortisation charge for internally generated or acquired intangibles is included in the Consolidated Income Statement.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2020	34.8	91.1	125.9
Exchange differences	1.0	3.3	4.3
Additions	0.1	2.4	2.5
Reclassification	(2.6)	3.3	0.7
Disposals	(0.1)	(2.3)	(2.4)
At 31 March 2021	33.2	97.8	131.0
Exchange differences	0.5	1.5	2.0
Additions	0.3	5.0	5.3
Disposals	—	(1.4)	(1.4)
At 31 March 2022	**34.0**	**102.9**	**136.9**
Accumulated depreciation			
At 1 April 2020	21.7	75.2	96.9
Exchange differences	0.3	2.3	2.6
Charge for the year	0.6	4.6	5.2
Reclassification	(1.6)	2.3	0.7
Disposals	(0.1)	(2.3)	(2.4)
At 31 March 2021	20.9	82.1	103.0
Exchange differences	0.1	1.1	1.2
Charge for the year	0.6	4.5	5.1
Disposals	—	(1.4)	(1.4)
At 31 March 2022	**21.6**	**86.3**	**107.9**
Net book amount at 31 March 2021	12.3	15.7	28.0
Net book amount at 31 March 2022	**12.4**	**16.6**	**29.0**

Plant and equipment include motor vehicles, computer equipment, and plant and machinery.

During the prior year historical assets were reclassified from plant and equipment to land and buildings at £nil net book value.

14. Right of use asset

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2020	21.7	4.6	26.3
Exchange differences	1.4	0.1	1.5
Additions	0.3	0.7	1.0
Modifications	0.6	—	0.6
Disposals	(0.1)	(0.5)	(0.6)
At 31 March 2021	23.9	4.9	28.8
Exchange differences	0.9	0.1	1.0
Additions	1.9	1.2	3.1
Modifications	0.9	—	0.9
Disposals	(0.2)	(0.3)	(0.5)
At 31 March 2022	**27.4**	**5.9**	**33.3**
Accumulated depreciation			
At 1 April 2020	3.3	2.4	5.7
Exchange differences	(0.1)	0.1	—
Charge for the year	3.0	1.0	4.0
Disposals	(0.1)	(0.4)	(0.5)
At 31 March 2021	6.1	3.1	9.2
Exchange differences	0.3	0.1	0.4
Charge for the year	3.3	0.8	4.1
Disposals	(0.1)	(0.2)	(0.3)
At 31 March 2022	**9.6**	**3.8**	**13.4**
Net book amount at 31 March 2021	17.8	1.8	19.6
Net book amount at 31 March 2022	**17.8**	**2.1**	**19.9**

Notes to the Group accounts continued

Year ended 31 March 2022

15. Inventories

	2022 £m	2021 £m
Raw materials and consumables	**12.6**	12.9
Work in progress	**0.8**	0.7
Finished goods	**87.2**	64.5
	100.6	78.1

Provisions held against inventories totalled £9.1m (2021: £5.9m).

The cost of inventories recognised as an expense within cost of sales in the Income Statement amounted to £218.6m (2021: £173.0m).

During the year the Group charged £3.6m (2021: £1.9m) of inventory write-downs to the Income Statement within cost of sales.

16. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	**68.1**	61.3
Less: impairment loss allowance	**(1.2)**	(0.9)
Trade receivables – net	**66.9**	60.4
Other receivables	**0.9**	1.6
Prepayments and accrued income	**3.3**	2.6
	71.1	64.6

All trade and other receivables are current. The net carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values.

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

	2022 £m	2021 £m
Sterling	**53.1**	49.7
South African Rand	**16.4**	14.2
Euro	**1.6**	0.7
	71.1	64.6

Impairment of trade receivables

31 March 2022	**Not yet due £m**	**0–1 month overdue £m**	**1–2 months overdue £m**	**2–3 months overdue £m**	**>3 months overdue £m**	**Total £m**
Expected credit loss rate	**0.2%**	**2.4%**	**8.3%**	**10.0%**	**23.5%**	**1.8%**
Gross trade receivables	**58.4**	**4.1**	**1.2**	**1.0**	**3.4**	**68.1**
Loss allowance	**0.1**	**0.1**	**0.1**	**0.1**	**0.8**	**1.2**

31 March 2021	Not yet due £m	0–1 month overdue £m	1–2 months overdue £m	2–3 months overdue £m	>3 months overdue £m	Total £m
Expected credit loss rate	0.2%	1.7%	6.7%	50%	22%	1.5%
Gross trade receivables	51.4	5.9	1.5	0.2	2.3	61.3
Loss allowance	0.1	0.1	0.1	0.1	0.5	0.9

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

	2022 £m	2021 £m
At the beginning of the year	**0.9**	0.9
Provision for receivables impairment	**0.3**	0.5
Receivables written off during the year as uncollectable	**(0.1)**	(0.5)
Exchange differences	**0.1**	—
At the end of the year	**1.2**	0.9

17. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	**27.4**	28.3

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

18. Trade and other payables

	2022 £m	2021 £m
Trade payables	**56.6**	49.5
Other tax and social security payables	**5.0**	7.7
Other payables	**1.9**	1.8
Accruals and deferred income	**38.9**	36.4
	102.4	95.4

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

19. Lease liabilities

Lease liabilities recognised on the adoption of IFRS 16.

	Land and buildings £m	Plant and equipment £m	Total £m
Fair value			
At 1 April 2021	21.3	2.9	24.2
Exchange differences	0.7	—	0.7
Additions	1.9	1.2	3.1
Modifications	0.9	—	0.9
Disposals	(0.1)	(0.1)	(0.2)
Interest charge	1.6	0.1	1.7
Gross lease payments	(5.0)	(1.4)	(6.4)
At 31 March 2022	**21.3**	**2.7**	**24.0**

Lease liabilities are split into £5.7m (2021: £5.4m) payable in less than one year and £18.3m (2021: £18.8m) payable after one year.

20. Financial liabilities – borrowings

	2022 £m	2021 £m
Non-current		
Bank borrowings (unsecured):		
– bank loans	**20.0**	18.0
– less: costs of raising finance	**(1.2)**	(0.2)
Total borrowings	**18.8**	17.8

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

The repayment terms of borrowings are as follows:

	2022 £m	2021 £m
Not later than one year	**—**	—
After more than one year:		
– between one and two years	**—**	18.0
– between two and five years	**20.0**	—
– costs of raising finance	**(1.2)**	(0.2)
Total borrowings	**18.8**	17.8

Financial statements

Notes to the Group accounts continued

Year ended 31 March 2022

20. Financial liabilities – borrowings continued

Capital risk management

The Group increased the amount of its committed banking facilities to £130m (plus a £70m uncommitted accordion) shortly before the year end. The maturity date is October 2025 with two one-year extension options.

This facility provides the Group with a sound financial structure for the medium term and, by reference to the £130m facility available at year end, with £133.4m of headroom being available at 31 March 2022 (2021: £124.7m), after taking into account net debt and ancillary facilities in use of £4.0m (2021: £5.6m) and overseas cash. The Group has been in compliance with all banking covenants (leverage and interest cover covenants) during the year.

Interest rate profile

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

	2022 %	2021 %
Bank loans	**1.9**	1.7
Overdraft	**1.9**	1.7

At 31 March 2022 the bank loans carried interest based on SONIA plus a margin of 1.9% (2021: LIBOR plus 1.7%). Overdrafts carry interest at SONIA plus a margin of 1.9% (2021: LIBOR plus 1.7%).

Net cash

The Group's net cash is calculated as follows:

	2022 £m	2021 £m
Cash and cash equivalents	**27.4**	28.3
Total borrowings	**(18.8)**	(17.8)
	8.6	10.5

Currency profile of net debt

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

	2022 £m	2021 £m
Sterling	**(15.4)**	(5.9)
Euro	**0.4**	0.4
US Dollar	**1.4**	—
South African Rand	**20.1**	15.2
Chinese Renminbi	**2.1**	0.8
	8.6	10.5

21. Financial instruments

During the year the Group held financial instruments relating to the risks of the Group's operations.

Financial risk management

The Group's operations expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and energy price risk); credit risk; and liquidity risk. The Group actively seeks to limit the adverse effects of these risks on the financial performance of the Group.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily the US Dollar, the Euro, the Renminbi and the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The foreign currency risk associated with anticipated sales and purchase transactions is hedged out up to twelve months on a rolling basis. Basis adjustments are made to the initial carrying amounts of inventories when the inventories are initially recorded.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount and life) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates. This means that there is an economic relationship between the hedging instrument (the foreign exchange forward derivatives) and the hedged item (highly probable forecast sales and purchases in foreign currency).

21. Financial instruments continued

Currency risk continued

The notional value of the hedging instrument (the derivative) is consistent with the designated value of the underlying exposure. Therefore hedge ratio is 1:1 in all cases. However, potential future rebalancing can be performed if needed.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. Other sources of ineffectiveness arising from these hedging relationships are changes in the settlement date or amount. However, the Group reviews all hedges on every reporting date to ensure their effectiveness.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group has the ability to secure a substantial proportion of its bank loans at fixed rates via interest rate swaps. However, due to the current low level of debt and historically low UK SONIA rates, the Group has decided not to take out any such swaps at the present time. This position is regularly reassessed.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. Each Group business is responsible for managing and analysing the credit risk of potential customers prior to offering credit terms and on an ongoing basis and uses independent ratings agencies, past trading experience and other factors in order to assess the credit quality of the customer. Additionally, the Group maintains a credit insurance policy for all its operations which covers a substantial portion of the Group's trade debtors. For banks and financial institutions only independently rated parties with a strong rating are accepted.

Liquidity risk

The Group's banking facilities are designed to ensure there are sufficient funds available for current operations and the Group's further development plans. Cash flow forecasting is performed by the Group's businesses on a rolling basis and is monitored centrally to ensure that sufficient cash is available to meet operational needs while maintaining an appropriate level of headroom on undrawn committed borrowing facilities. At 31 March 2022 the facility had £133.4m of headroom (2021: £124.7m) after taking account of ancillary facilities and overseas cash. The maturity date of the facility is October 2025.

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).

Financial liabilities

The table below analyses the value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date.

	Not later than a year £m	Later than one year but not later than two years £m	Later than two years but not later than five years £m	Later than five years £m	Total £m
Borrowings[1]	0.3	18.2	—	—	18.5
Lease liabilities[2]	5.4	4.8	11.5	8.9	30.6
Trade and other payables	95.4	—	—	—	95.4
At 31 March 2021	101.1	23.0	11.5	8.9	144.5
Borrowings[1]	0.4	0.4	20.7	—	21.5
Lease liabilities[2]	5.7	5.2	11.9	8.1	30.9
Trade and other payables	102.4	—	—	—	102.4
At 31 March 2022	**108.5**	**5.6**	**32.6**	**8.1**	**154.8**

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

2 Lease liabilities are on an undiscounted basis.

Notes to the Group accounts continued

Year ended 31 March 2022

21. Financial instruments continued

Derivative foreign currency contracts

The following table details the foreign currency forward contracts outstanding at the end of the reporting year.

	Carrying amount £m	Notional amount £m	Loss recognised in Income Statement £m	Change in fair value taken to hedge reserve £m
As at 31 March 2021:				
Liabilities	2.3	70.8	(2.0)	2.3
As at 31 March 2022:				
Assets	**1.6**	**66.3**	**—**	**3.9**

As at 31 March 2022, the aggregate amount of gains under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to these anticipated future purchase transactions is a gain of £1.6m (2021: loss £2.3m). It is anticipated that the purchases will take place during the twelve months of the financial year ended 31 March 2022 at which time the amount deferred in equity will be removed from equity and included in the carrying amount of the inventories which are expected to be sold within twelve months of purchase.

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Hedging reserve £m
Fair value	
At 1 April 2021	(1.5)
Effective portion of changes in fair value	3.9
Amount transferred to inventories	(0.3)
Tax effect	(0.6)
At 31 March 2022	**1.5**

Sensitivity analysis

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

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

As the Group has borrowings of £20.0m, 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 or weakening of Sterling across all currencies would lead to a circa £3.2m decrease or increase in net assets respectively.

The Group's profits and losses are exposed to both translational and transactional risk of fluctuations in foreign currency risk. The Group seeks to mitigate the majority of its transactional risk using forward foreign exchange contracts and product pricing. Taking into account the unmitigated translational impact, a 5% strengthening or weakening in Sterling against all other currencies would result in an increase or decrease in reported profits of circa £0.5m respectively.

22. Deferred tax

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

Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax account is as shown below.

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Intangible £m	Other £m	Total £m
At 1 April 2020	0.4	9.2	(6.4)	1.5	4.7
(Charged)/credited to the Consolidated Income Statement	(0.2)	(0.1)	0.7	0.1	0.5
Charged to other comprehensive income	—	(5.6)	—	—	(5.6)
Exchange differences	(0.1)	—	—	—	(0.1)
At 31 March 2021	0.1	3.5	(5.7)	1.6	(0.5)
(Charged)/credited to the Consolidated Income Statement	(0.2)	0.8	(0.7)	1.0	0.9
Charged to other comprehensive income	—	(9.2)	—	(0.6)	(9.8)
Exchange differences	—	—	—	—	—
At 31 March 2022	**(0.1)**	**(4.9)**	**(6.4)**	**2.0**	**(9.4)**

	2022 £m	2021 £m
Deferred tax assets:		
– to be recovered after more than twelve months	**1.6**	4.2
– to be recovered within twelve months	**0.4**	1.0
	2.0	5.2
Deferred tax liabilities:		
– to be charged after more than twelve months	**(11.0)**	(5.0)
– to be charged within twelve months	**(0.4)**	(0.7)
	(11.4)	(5.7)
Deferred tax liabilities (net)	**(9.4)**	(0.5)

Other deferred tax assets relate to share-based payment expenses, provisions and other timing differences.

At the Balance Sheet date the Group has recognised £nil (2021: £nil) in respect of tax losses. No deferred tax asset has been recognised in respect of £6.7m (2021: £6.7m) of UK tax losses as whilst the losses are considered to have no date of expiry, the Company does not believe that utilisation of these losses is probable.

In the year, an increase to the UK corporation tax rate from 19% to 25% from 1 April 2023 was enacted and so deferred tax assets and liabilities have been grossed up accordingly.

23. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	Total £m
At 1 April 2020	1.0	0.1	2.1	3.2
Charged to the Income Statement	0.1	2.4	—	2.5
Other movement	—	—	0.5	0.5
Utilisation	(0.1)	(1.6)	(0.5)	(2.2)
At 31 March 2021	1.0	0.9	2.1	4.0
Credited to the Income Statement	—	—	(0.9)	(0.9)
Property lease discount	—	—	0.1	0.1
Utilisation	(0.1)	(0.2)	(1.3)	(1.6)
At 31 March 2022	**0.9**	**0.7**	**—**	**1.6**

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

The restructuring provision relates to COVID-19 restructuring liabilities that are due to be settled within two years.

Notes to the Group accounts continued

Year ended 31 March 2022

24. Retirement benefit obligations

(a) Pension costs

Norcros Security Plan

The Norcros Security Plan (the Plan), the principal UK pension scheme of the Group's UK subsidiaries, is funded by a separate trust fund which operates under UK trust law and is a separate legal entity from the Company. The Plan is governed by a Trustee company, which has a board currently composed of three employer representatives and three member representatives. The Trustee is required by law to act in the best interests of the Plan members and is responsible for setting policies together with the Company.

It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits. Norcros plc itself has no employees other than the Directors and so has no liabilities in respect of these pension schemes. The scheme closed to new members and future accrual with effect from 1 April 2013, though active members retain a salary link. This means that employed members of the Plan who were building up benefits at the date of closure to accrual will receive a pension based on their service to 1 April 2013 but using their final pensionable salary at the point they leave employment or retire from the Plan. As a result of the closure a new defined contribution pension scheme was implemented to replace the Plan from the same date.

The weighted average duration of the defined benefit obligation is approximately 15 years (2021: 15 years) and can be attributed to the scheme members as follows:

	2022	2021
Employee members	2%	3%
Deferred members	28%	29%
Pensioner members	70%	68%
Total	100%	100%

The Plan assets do not include any investments in the Company or any property or other assets utilised by the Company.

The Plan is funded by the Company based on a separate actuarial valuation for funding purposes for which the assumptions may differ from those below. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustee and the Company.

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

In line with the previous agreement the Group made deficit recovery contributions of £3.3m (2021: £3.3m) into its UK defined benefit pension scheme during the year to 31 March 2022.

Risks

The Plan exposes the Company to a number of actuarial risks which may result in a material change in the net scheme deficit and potentially result in an increase in cash contributions in later years and higher charges being recognised in future Income Statements. Given the long-term time horizon of the scheme's cash flows this may result in volatility in the valuation of the net scheme deficit from year to year. The main risks are set out below:

Mortality risk – the assumptions used by the Group allow for improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Plan and consequently an increase in scheme liabilities. The Group regularly reviews the mortality assumptions to minimise the risk of using an inappropriate assumption.

Interest rate risk – a reduction in corporate bond yields would result in a lower discount rate being used to value the scheme liabilities and consequently result in an increase in scheme liabilities. Additionally, an increase in inflation would increase the scheme liabilities as the majority of the pension payments increase in line with inflation, although there are a number of caps in place to ensure that the impact of high inflation is minimised. To mitigate some of the investment volatility a proportion of the scheme assets are held in liability-driven investments which involve hedging some of the Plan's exposure to changes in interest rates and inflation by investing in assets that match the sensitivity of its liabilities. This means that if interest rates or inflation expectations change, assets and liabilities rise or fall together, and the funding level of the Plan should be less volatile.

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

Defined contribution pension schemes

Contributions made to these schemes amounted to £3.7m (2021: £3.0m).

24. Retirement benefit obligations continued

(b) IAS 19R, 'Employee benefits'

Norcros Security Plan

The valuation used for IAS 19R disclosures has been based on the most recent actuarial valuation at 31 March 2021 and updated by Isio (formerly 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 2022. Scheme assets are stated at their market value at 31 March 2022.

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

	2022 Projected unit	2021 Projected unit
Discount rate	**2.75%**	2.05%
Inflation rate (RPI)	**3.70%**	3.25%
Inflation rate (CPI)	**2.90%**	2.35%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	**3.55%**	3.17%
Salary increases	**3.15%**	2.60%

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

	2022	2021
Life expectancy at age 65:		
Current pensioners – males	**19.7**	19.9
Current pensioners – females	**22.3**	22.4
Future pensioners – males (currently aged 45)	**20.6**	20.8
Future pensioners – females (currently aged 45)	**23.4**	23.5

Members are assumed to take a 25% (2021: 25%) cash commutation sum on retirement.

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

	2022 £m	2021 £m
Included in operating profit:		
IAS 19R pension administration expenses	**1.7**	1.4
Past service costs	**—**	—
IAS 19R finance cost	**0.4**	1.0
Total amounts recognised in the Income Statement	**2.1**	2.4

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

	Value at 31 March 2022 £m	Value at 31 March 2021 £m
Equities	**99.6**	93.6
Absolute return funds	**25.3**	24.1
Bonds	**109.7**	127.2
High yield	**73.6**	72.2
Liability-driven investments	**70.1**	74.4
Cash and gilts	**9.6**	6.3
Total fair value of scheme assets	**387.9**	397.8
Present value of scheme liabilities	**(368.3)**	(416.1)
Pension asset/(deficit)	**19.6**	(18.3)

Notes to the Group accounts continued

Year ended 31 March 2022

24. Retirement benefit obligations continued

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

Norcros Security Plan continued

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

The fair value of the scheme assets analysed by asset category and subdivided between those assets that have a quoted market price in an active market and those that do not (such as investment funds) are as follows:

	Value at 31 March 2022			Value at 31 March 2021		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	—	99.6	99.6	—	93.6	93.6
Absolute return funds	18.7	6.6	25.3	18.0	6.1	24.1
Bonds	—	109.7	109.7	—	127.2	127.2
High yield	—	73.6	73.6	—	72.2	72.2
Liability-driven investments	—	70.1	70.1	—	74.4	74.4
Cash and gilts	9.6	—	9.6	6.3	—	6.3
Total fair value of scheme assets	28.3	359.6	387.9	24.3	373.5	397.8

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:

	2022 £m	2021 £m
Deficit at the beginning of the year	(18.3)	(48.9)
Employer contributions – deficit recovery	3.3	3.3
IAS 19R pension administration expenses	(1.7)	(1.4)
IAS 19R finance cost	(0.4)	(1.0)
Actuarial gains	36.7	29.7
Asset/(deficit) at the end of the year	19.6	(18.3)

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

	2022 £m	2021 £m
Opening fair value of scheme assets	397.8	361.9
Employer contributions – deficit recovery	3.3	3.3
Interest income	7.9	7.8
Benefits paid	(23.5)	(23.2)
Actuarial gains on scheme assets	4.1	49.4
IAS 19R pension administration expenses	(1.7)	(1.4)
Closing fair value of scheme assets	387.9	397.8

24. Retirement benefit obligations continued

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

Norcros Security Plan continued

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

	2022 £m	2021 £m
Opening scheme liabilities	**(416.1)**	(410.8)
Interest cost	**(8.3)**	(8.8)
Actuarial gains/(losses) arising from changes in financial assumptions	**15.3**	(35.3)
Actuarial gains arising from changes in demographic assumptions	**11.6**	15.6
Actuarial gains arising from experience adjustment	**5.7**	—
Benefits paid	**23.5**	23.2
Closing fair value of scheme liabilities	**(368.3)**	(416.1)

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

	2022 £m	2021 £m
Actuarial gains	**36.7**	29.7
Deferred tax	**(9.2)**	(5.6)
	27.5	24.1

(viii) Sensitivities

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

	Impact on scheme obligations	
Assumption	2022 £m	2021 £m
Discount rate – 0.1% decrease	**4.0**	5.0
Inflation rate (RPI and CPI)[1] – 0.1% increase	**3.0**	4.0
Increase in life expectancy by one year	**17.0**	19.0

1 This includes the impact on salary increase and deferred and in payment pension increase assumptions.

The above sensitivities are applied to adjust the defined benefit obligation at the end of the year. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide an approximation as to the sensitivity of the assumptions shown.

No changes have been made to the method and assumptions used in this analysis from those used in the previous year.

25. Called up share capital

	2022 £m	2021 £m
Issued and fully paid		
2022: 81,052,426 (2021: 80,855,464) ordinary shares of 10p each	**8.1**	8.1

During the year, the Company issued 196,962 10p ordinary shares in order to satisfy vesting of options under the Company's Approved Performance Share Plan, Deferred Bonus Plan and SAYE schemes resulting in share premium of £0.1m.

26. Other non-current liabilities

	2022 £m	2021 £m
Other non-current liabilities	**0.3**	0.3
	0.3	0.3

Other non-current liabilities relate to post-retirement healthcare liabilities in our South African business.

Notes to the Group accounts continued

Year ended 31 March 2022

27. Consolidated Cash Flow Statement

(a) Cash generated from operations

The analysis of cash generated from operations is given below:

	2022 £m	2021 £m
Profit before taxation	**33.0**	18.5
Adjustments for:		
– IAS 19R administrative expenses included in the Income Statement	**1.7**	1.4
– acquisition related costs included in the Income Statement	**4.8**	3.7
– exceptional items included in the Income Statement	**(0.9)**	3.8
– finance costs included in the Income Statement	**2.8**	5.4
– IAS 19R finance cost included in the Income Statement	**0.4**	1.0
– cash flows from exceptional items	**(1.7)**	(2.5)
– settlement of share options	**—**	(0.2)
– depreciation of property, plant and equipment	**5.1**	5.2
– underlying amortisation	**0.1**	0.2
– depreciation of right of use asset	**4.1**	4.0
– pension fund deficit recovery contributions	**(3.3)**	(3.3)
– IFRS 2 charges	**1.1**	1.0
Operating cash flows before movement in working capital	**47.2**	38.2
Changes in working capital:		
– (increase)/decrease in inventories	**(22.7)**	3.8
– increase in trade and other receivables	**(5.1)**	(5.0)
– increase in trade and other payables	**4.2**	23.0
Cash generated from operations	**23.6**	60.0

(b) Outflow related to exceptional items

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

(c) Analysis of underlying net cash/(debt)

	Cash £m	Current borrowings £m	Non-current borrowings £m	Underlying net (debt)/cash £m	Lease liabilities £m	Net debt £m
At 1 April 2020	47.3	(0.1)	(83.6)	(36.4)	(25.1)	(61.5)
Cash flow	(19.6)	0.1	66.0	46.5	6.0	52.5
Non-cash finance costs	—	—	(0.2)	(0.2)	(1.7)	(1.9)
Other non-cash movements	—	—	—	—	(1.6)	(1.6)
Exchange movement	0.6	—	—	0.6	(1.8)	(1.2)
At 31 March 2021	28.3	—	(17.8)	10.5	(24.2)	(13.7)
Cash flow	(2.5)	—	(2.0)	(4.5)	6.4	1.9
Non-cash finance costs	—	—	1.0	1.0	(1.7)	(0.7)
Other non-cash movements	—	—	—	—	(3.8)	(3.8)
Exchange movement	1.6	—	—	1.6	(0.7)	0.9
At 31 March 2022	**27.4**	**—**	**(18.8)**	**8.6**	**(24.0)**	**(15.4)**

Non-cash finance costs relate to the movement in the costs of raising debt finance in the year.

28. Dividends

A final dividend in respect of the year ended 31 March 2021 of £6.6m (8.2p per 10p ordinary share) was paid on 30 July 2021 and an interim dividend of £2.5m (3.1p per 10p ordinary share) was paid on 11 January 2022. A final dividend in respect of the year ended 31 March 2022 of £6.2m (6.9p per 10p ordinary share) is to be proposed at the Annual General Meeting on 19 July 2022. These financial statements do not reflect this dividend.

29. Capital commitments

	2022 £m	2021 £m
Contracts placed for future capital expenditure not provided in the financial statements	**0.3**	0.3

30. Related party transactions

The Group considers its Directors to be the key management personnel. Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group are set out in the Remuneration Report on pages 87 to 96.

31. Post balance sheet event

On 31 May 2022 the Group acquired Granfit Holdings Limited and subsidiaries, a market leading designer, manufacturer and supplier of waterproof bathroom panels in the UK. As part of the acquisition of 100% of the share capital of Granfit Holdings Limited, provisional net assets of £10m were acquired for consideration of £80m with an additional potential earnout of up to £12m based on certain performance criteria. The acquisition was funded through an equity placing and utilisation of the Group's banking facilities. At the date of approval of these financial statements, due to the proximity of the acquisition to the reporting date, a fair value exercise has not yet been completed, and so these values remain provisional.

Parent Company balance sheet

At 31 March 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Investments	3	**177.3**	177.3
Deferred tax assets	4	**0.7**	0.4
		178.0	177.7
Current liabilities			
Trade and other payables	5	**(39.8)**	(30.3)
Net current liabilities		**(39.8)**	(30.3)
Total assets less current liabilities		**138.2**	147.4
Non-current liabilities			
Financial liabilities – borrowings	6	**(18.8)**	(17.8)
Net assets		**119.4**	129.6
Financed by:			
Share capital	7	**8.1**	8.1
Share premium account		**30.3**	30.2
Treasury reserve		**(0.1)**	(0.1)
Retained earnings before loss for the financial year		**83.4**	94.1
Loss for the financial year		**(2.3)**	(2.7)
Total shareholders' funds		**119.4**	129.6

The financial statements of Norcros plc, registered number 3691883, on pages 140 to 145 were authorised for issue on 8 June 2022 and signed on behalf of the Board by:

Nick Kelsall
Chief Executive Officer

James Eyre
Chief Financial Officer

Parent Company statement of changes in equity

Year ended 31 March 2022

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Retained earnings £m	Total equity £m
At 1 April 2020	8.1	29.9	(0.4)	93.6	131.2
Comprehensive expense:					
Loss for the year	—	—	—	(2.7)	(2.7)
Total comprehensive expense for the year	—	—	—	(2.7)	(2.7)
Transactions with owners:					
Shares issued	—	0.3	—	—	0.3
Equity-settled share options	—	—	0.3	(0.5)	(0.2)
Value of employee services	—	—	—	1.0	1.0
At 31 March 2021	8.1	30.2	(0.1)	91.4	129.6
Comprehensive expense:					
Loss for the year	—	—	—	(2.3)	(2.3)
Total comprehensive expense for the year	—	—	—	(2.3)	(2.3)
Transactions with owners:					
Shares issued	—	0.1	—	—	0.1
Dividends paid	—	—	—	(9.1)	(9.1)
Equity-settled share options	—	—	—	—	—
Value of employee services	—	—	—	1.1	1.1
At 31 March 2022	**8.1**	**30.3**	**(0.1)**	**81.1**	**119.4**

Notes to the Parent Company accounts

Year ended 31 March 2022

1. Statement of accounting policies

General information

Norcros plc (the Company) is the ultimate holding company of the Norcros Group, which designs, manufactures and distributes a range of high quality and innovative bathroom and kitchen products mainly in the UK and South Africa.

The Company is incorporated in the UK as a public company limited by shares and registered in England and Wales. The shares of the Company are listed on the London Stock Exchange market of listed securities. The address of its registered office is Ladyfield House, Station Road, Wilmslow SK9 1BU, UK.

Accounting reference date

UK company law permits a company to draw up financial statements to a date seven days either side of its accounting reference date. For operational reasons the Company has in the current financial year adopted an accounting period of 52 weeks, and as a result of this, the exact year-end date was 3 April 2022. All references to the financial year therefore relate to the 52 weeks commencing on 5 April 2021. In the previous year the accounting period was 52 weeks long, beginning on 6 April 2020 and ending on 4 April 2021.

Basis of preparation

Norcros plc is a qualifying entity able to apply FRS 101, 'Reduced disclosure framework'. The separate financial statements of the Company have been prepared in accordance with FRS 101, on the going concern basis and under the historical cost convention modified for fair values, and in accordance with the Companies Act 2006 and with applicable accounting standards.

These financial statements and accompanying notes have been prepared in accordance with the reduced disclosure framework for all periods presented. A separate profit and loss account dealing with the results of the Company has not been presented as permitted by Section 408(3) of the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 111 (cash flow statement information); and
  - 134–136 (capital management disclosures);
- IFRS 7, 'Financial instruments: disclosures';
- IAS 7, 'Statement of cash flows';
- IAS 8, 'Accounting policies, changes in accounting estimates and errors' – impact of future accounting standards;
- IAS 24 (paragraph 17), 'Related party disclosures' – key management compensation; and
- IAS 24, 'Related party disclosures' – the requirement to disclose related party transactions between two or more members of a group.

As the Group financial statements include the equivalent disclosures, the Company has taken the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2, 'Share-based payments', in respect of Group equity-settled share-based payments; and
- certain disclosures required by IFRS 13, 'Fair value measurement', and disclosures required by IFRS 7, 'Financial instruments: disclosures'.

Critical estimates and judgements

The Directors believe that there are no critical accounting estimates relating to these financial statements.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Investments in subsidiaries

Investments held as fixed assets are stated at cost, less any provision for impairment. The Directors believe the carrying value of investments is supported by their underlying assets and cash flow projections derived from detailed budgets and forecasts. Dividends received from investments are included within turnover and recognised on receipt of the dividend.

Foreign currency transactions

Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at rates applicable at the year end. Exchange gains and losses are dealt with in arriving at operating profit.

Taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the Balance Sheet date that give rise to an obligation to pay more taxation in the future or a right to pay less taxation in the future. An asset is recognised only when the transfer of economic benefits is more likely than not to occur.

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.

1. Statement of accounting policies continued

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 (2021: £3,000) and staff costs relating to two employees (2021: two) are borne by one of the Company's subsidiaries, without recharge.

Further information about the Directors' remuneration may be found in the Annual Report on Remuneration on pages 87 to 96.

3. Investments

	Shares in subsidiaries £m
At 1 April 2021 and 31 March 2022	**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:

	2022 £m	2021 £m
Deferred tax asset	**0.7**	0.4

The analysis of the deferred tax asset is as follows:

	2022 £m	2021 £m
Other timing differences	**0.7**	0.4

	2022 £m	2021 £m
To be recovered after more than twelve months	**—**	—
To be recovered within twelve months	**0.7**	0.4
	0.7	0.4

The full potential asset for deferred tax is as follows:

	2022 £m	2021 £m
Other timing differences	**0.7**	0.4
Tax losses	**4.5**	4.5
	5.2	4.9

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.

Notes to the Parent Company accounts continued

Year ended 31 March 2022

5. Trade and other payables

	2022 £m	2021 £m
Accruals	**2.2**	0.6
Amounts owed to Group undertakings	**37.6**	29.7
	39.8	30.3

6. Financial liabilities – borrowings

	2022 £m	2021 £m
Loans and bank overdrafts	**20.0**	18.0
Costs of raising finance	**(1.2)**	(0.2)
	18.8	17.8
Repayable after more than one year:		
– between one and two years	**—**	18.0
– between two and five years	**20.0**	—
– costs of raising finance	**(1.2)**	(0.2)
	18.8	17.8

The Group increased the amount of its committed banking facilities to £130m (plus a £70m uncommitted accordion) shortly before the year end. The maturity date is October 2025 with two one-year extension options.

The Group has been in compliance with all banking covenants during the year.

7. Called up share capital

	2022 £m	2021 £m
Issued and fully paid		
2022: 81,052,426 (2021: 80,855,464) ordinary shares of 10p each	**8.1**	8.1

During the year, the Company issued 196,962 10p ordinary shares in order to satisfy vesting of options under the Company's Approved Performance Share Plan, Deferred Bonus Plan and SAYE schemes resulting in share premium of £0.1m.

8. Dividends

A final dividend in respect of the year ended 31 March 2021 of £6.6m (8.2p per 10p ordinary share) was paid on 30 July 2021 and an interim dividend of £2.5m (3.1p per 10p ordinary share) was paid on 11 January 2022. A final dividend in respect of the year ended 31 March 2022 of £6.1m (6.9p per 10p ordinary share) is to be proposed at the Annual General Meeting on 19 July 2022. These financial statements do not reflect this 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
Eurobath International Ltd	England	As above
H & R Johnson (Overseas) Ltd	England	As above
H & R Johnson Tiles Ltd	England	As above
Lincolnshire Properties (Norfolk Street) Ltd	England	As above
Merlyn Industries UK Ltd	England	As above
Metlex Industries Ltd	England	As above
Norcros (Trustees) Ltd	England	As above
Norcros Adhesives Ltd	England	As above
Norcros Developments Ltd	England	As above
Norcros Estates Ltd	England	As above
Norcros Group Trusteeships Ltd	England	As above
Norcros Industry (International) Ltd	England	As above
Norcros Securities Ltd	England	As above
Norcros Services Ltd	England	As above
Plumbex UK Ltd	England	As above
Samuel Booth and Company Ltd	England	As above
Stonechester (Stoke) Ltd	England	As above
Taps Direct Ltd	England	As above
Triton Industry Ltd	England	As above
Triton plc	England	As above
UBM Pension Trust Ltd	England	As above
Vado UK Ltd	England	As above
Cronors Insurance Ltd	Guernsey	Dorey Court, Admiral Park, St. Peter Port GY1 2HT, Guernsey
Merlyn Industries Ltd	Ireland	Merlyn House, Purcellsinch Industrial Estate, Dublin Road, Kilkenny, Ireland
Christa 271 (Pty) Ltd	Namibia	3rd Floor, 344 Independence Avenue, Windhoek, Namibia
Tile Africa Windhoek Property (Pty) Ltd	Namibia	15 van Zyl Street, Suiderhof, Windhoek, Namibia
Ceracon (Pty) Ltd	South Africa	4 Porcelain Road, Olifantsfontein 1665, South Africa
General Adhesives (Pty) Ltd	South Africa	As above
Johnson Tiles Pty Ltd	South Africa	As above
Lesatsi Trading (Pty) Ltd	South Africa	As above
Norcros SA (Pty) Ltd	South Africa	As above
TAL (Pty) Ltd	South Africa	As above
Talcor Properties (Pty) Ltd	South Africa	As above
Tile Adhesives (Pty) Ltd	South Africa	As above
Tile Africa Group (Pty) Ltd	South Africa	As above
Triton SA (Pty) Ltd	South Africa	As above
RAP Plumbing Supplies (Pty) Ltd	South Africa	As above
Norcros Middle East Building Materials Trading LLC	UAE	Warehouse No. 5, St. No. 4, Umm Ramool, Marrakesh Road, P.O. Box 393937, Dubai, UAE

Financial statements

Notice of Annual General Meeting

Norcros plc (**"Company"**)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to consult your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent professional adviser who is authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent professional adviser.

If you sell or otherwise transfer, or have sold or other otherwise transferred, all of your shares in the Company, please send this document and the form of proxy (if you have a form of proxy) to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee, save that you should not send such documents in or into any jurisdiction in which to do so would constitute a violation of that jurisdiction's relevant laws or regulations.

If you sell or otherwise transfer, or have sold or other otherwise transferred, only part of your holding of shares in the Company, you should retain this document and the form of proxy (if you have a form of proxy) and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Notice is given that the 2022 Annual General Meeting of the Company ("**AGM**") will be held at 11.00 am on 19 July 2022 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.

ATTENDANCE

As at the date of publication of this notice, UK Government advice and related public health guidance has been relaxed, allowing us to hold an in-person annual general meeting for the first time in two years. The health and wellbeing of our shareholders remains of paramount importance to us and, therefore, we may be required to change the arrangements for the AGM if there are any changes in such advice and guidance. In the event that it is necessary or desirable to make any changes to the arrangements for the AGM, we will seek to give shareholders as much notice as possible. Details of any changes to those arrangements will be made available on the "AGM 2022" section of the Company's website (www.norcros.com) and, where appropriate, announced via a Regulatory Information Service.

We strongly encourage shareholders to register your proxy votes in advance of the AGM and to appoint the Chair as their proxy, to ensure that, if the arrangements for the AGM change and they or their proxy (other than the Chair) are unable to physically attend the AGM, they can still vote and be represented at the AGM. Details of how to complete and submit your proxy votes are set out below.

RESOLUTIONS

The following resolutions will be proposed at the meeting. Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions and resolutions 12 to 15 (inclusive) will be proposed as special resolutions.

1. To receive the audited accounts and the Auditor's and Directors' Reports for the year ended 31 March 2022.
2. To declare a final dividend of 6.9 pence per ordinary share for the year ended 31 March 2022.
3. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 March 2022 set out in the Annual Report and Accounts for the year ended 31 March 2022.
4. To elect Gary Kennedy as a Director.
5. To re-elect Alison Littley as a Director.
6. To re-elect David McKeith as a Director.
7. To re-elect Nick Kelsall as a Director.
8. To elect James Eyre as a Director.
9. To re-appoint BDO LLP as auditor of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts are laid.
10. To authorise the Audit and Risk Committee of the Board of Directors to agree the remuneration of the auditor of the Company.
11. That the Directors be and are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that:
    (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under such authority are shares with an aggregate nominal value of £5,943,526.60 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) such authority shall expire at the close of business on 19 October 2023 or, if earlier, at the conclusion of the Company's next annual general meeting;
    (c) before such expiry, the Company may make any offer or agreement which would or might require such shares to be allotted or Allotment Rights to be granted after such expiry and the Directors may allot shares or grant Allotment Rights under any such offer or agreement as if such authority had not expired; and
    (d) all existing authorities vested in the Directors to allot such shares or to grant Allotment Rights that remain unexercised are revoked.

RESOLUTIONS continued

12 That, subject to the passing of resolution 11 in the notice of this meeting (the "Notice"), the Directors be and are empowered pursuant to Sections 570 and 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560(1) of that Act) for cash, pursuant to the authority conferred on them by resolution 11 in the Notice or by way of a sale of treasury shares, as if Section 561 of that Act did not apply to any such allotment or sale, provided that such power is limited to:

(a) the allotment or sale of such 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 in the Company on the register on any fixed record date in proportion to their holdings of such ordinary shares (and, if applicable, to the holders of any other class of equity security in the Company 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 regulations or requirements of any regulatory body or any stock exchange; and

(b) the allotment or sale of such equity securities (other than pursuant to paragraph (a) above) up to an aggregate nominal value of £445,764.50 (representing approximately 5% of the issued share capital of the Company),

and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by resolution 11 in the Notice, save that, before the expiry of such power, the Company may make any offer or agreement which would or might require such equity securities to be allotted or sold after such expiry and the Directors may allot or sell such equity securities under any such offer or agreement as if such power had not expired.

13. That, subject to the passing of resolution 11 in the notice of this meeting (the "Notice") and, in addition to the power contained in resolution 12 set out in the Notice, the Directors be and are empowered pursuant to Sections 570 and 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560(1) of that Act) for cash, pursuant to the authority conferred on them by resolution 11 in the Notice or by way of sale of treasury shares, as if Section 561 of that Act did not apply to any such allotment or sale, provided that such power is:

(a) limited to the allotment or sale of such equity securities up to an aggregate nominal value of £445,764.50; and

(b) used only for the purposes of financing (or refinancing, if the power is to be exercised within six months after the date of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the Notice,

and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by resolution 11 in the Notice save that, before the expiry of such power, the Company may make any offer or agreement which would or might require such equity securities to be allotted or sold after such expiry and the Directors may allot or sell such equity securities under any such offer or agreement as if such power had not expired.

14. That the Company be and is generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693(4) of that Act) of ordinary shares in its capital provided that:

(a) the maximum aggregate number of such shares that may be acquired under this authority is 8,915,290;

(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;

(d) such authority shall expire at the close of business on 19 October 2023 or, if earlier, at the conclusion of the Company's next annual general meeting; and

(e) before such expiry, the Company may enter into a contract to purchase such shares which would or might require a purchase to be completed after such expiry and the Company may purchase such shares pursuant to any such contract as if such authority had not expired.

15. That any general meeting of the Company that is not an annual general meeting may be convened by not less than 14 clear days' notice.

By order of the Board

Richard Collins
Company Secretary
8 June 2022

Registered office:
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

Registered in England and Wales company number 3691883

Explanatory notes

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. A proxy need not be a member.
2. The right of a member to attend and vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by 11.00 am on 15 July 2022 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.
3. A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with Section 323 of the Companies Act 2006. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment.
4. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.

   A member can appoint a proxy by:

   - logging onto http://www.signalshares.com and submitting a proxy appointment online by following the instructions. A member who has not previously done so will first need to register to use this facility (using the Investor Code detailed on the member's share certificate or otherwise available from the Company's registrar, Link Group); or
   - submitting (if the member is a CREST member) a proxy appointment electronically by using the CREST voting service (in accordance with the notes below).

   A member who would prefer a paper form of proxy may request one from the Company's registrar by calling the helpline number below. A paper proxy appointment form must be completed in accordance with the instructions that accompany it and must be delivered (together with any power of attorney or other authority under which it is signed, or a copy certified by a notary or in some other way approved by the Board) to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

   All proxy appointments must be received by no later than 11.00 am on 15 July 2022 to be valid. The Company's registrar, Link Group, can be contacted on 0371 664 0300 if calling from the UK, or +44 (0) 371 664 0300 if calling from outside of the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. The lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
5. Any person to whom this Notice is sent who is currently nominated by a member of the Company to enjoy information rights under Section 146 of the Companies Act 2006 (a "nominated person"), may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
6. Voting on all resolutions will be conducted by way of a poll, rather than a show of hands. This is a more transparent method of voting as members' votes are counted according to the number of ordinary shares held. As soon as practicable following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against, together with the number of votes actively withheld in respect of, each of the resolutions will be announced via a Regulatory Information Service and will also be placed on the "AGM 2022" section of the Company's website (www.norcros.com).
7. As at 7 June 2022 (being the latest practicable date prior to the printing of the Annual Report and Accounts 2022), (i) the Company's issued share capital consisted of 89,152,900 ordinary shares carrying one vote each and (ii) the total voting rights in the Company were 89,152,900.
8. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with Section 319A of the Companies Act 2006, and subject to some exceptions, the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at the "AGM 2022" section of the Company's website (www.norcros.com). A member may not use any electronic address provided by the Company in the Annual Report and Accounts 2022 or in any accompanying document or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.
9. It is possible that, pursuant to members' requests made in accordance with Section 527 of the Companies Act 2006, the Company will be required to publish on a website a statement in accordance with Section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the Company's latest audited accounts. The Company cannot require the member(s) 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

10. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in the CREST voting service section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a CREST proxy appointment instruction) must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & International Limited (Euroclear) and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Link Group (ID RA10), as the Company's issuer's agent, by 11.00 am on 15 July 2022. After this time, any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) Link Group is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should take into account the provisions of the CREST Manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances, the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid.
11. The Company takes all reasonable precautions to ensure that no malicious software or computer viruses (all such things being referred to here as "Malware") 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 suitable Malware checking procedures prior to opening or use. Any electronic communication received by the Company or Link Group (including the lodgement of an electronic proxy appointment) which is believed to or is found to contain any Malware will not be accepted.
12. Copies of Directors' service contracts and letters of appointment will be available for inspection at the registered office of the Company during normal business hours each business day and at the place of the meeting for at least 15 minutes prior to and during the meeting. In addition, an electronic copy of any such document is available by request from a member to the Company Secretary (email: info@norcros.com).
13. Information regarding this meeting, including information required by Section 311A of the Companies Act 2006, is available on the "AGM 2022" section of the Company's website (www.norcros.com). **SHAREHOLDERS ARE ENCOURAGED TO REGULARLY REVIEW THE "AGM 2022" SECTION OF THE COMPANY WEBSITE IN CASE OF ANY CHANGES TO THE ARRANGEMENTS REGARDING THE MEETING.**

Fair Processing Notice

Norcros will only process your information for the purpose of managing AGM voting and analysis of voting patterns (not how individuals cast their votes). This data will only be retained for 14 months before being deleted. For more information on how we look after your personal data please see our Privacy Policy at www.norcros.com.

Explanatory notes continued

The 2022 Annual General Meeting of the Company will take place at 11.00 am on 19 July 2022 at The Mere Golf Resort & Spa, Chester Road, Mere, Knutsford, Cheshire WA16 6LJ. The Directors recommend all shareholders to vote in favour of all of the resolutions to be proposed, as the Directors intend to do so in respect of their own shares (save in respect of any matters in which they are interested), and consider that they are in the best interests of the Company and the shareholders as a whole.

Explanatory notes in relation to the resolutions appear below. For the purposes of these notes, reference to 7 June 2022 in relation to the Company's issued share capital is a reference to the latest practicable date prior to the publication of the Company's annual report and accounts for the financial year ended 31 March 2022 ("Annual Report and Accounts 2022").

Resolution 1

Report and accounts

For each financial year, the Directors are required to present the audited accounts, the Auditor's Report and the Directors' Report to shareholders at a general meeting. In line with best practice, shareholders are invited to vote on the receipt of the Annual Report and Accounts 2022.

Resolution 2

Dividend

The payment of the final dividend requires approval of shareholders in general meeting. A final dividend can only be declared by the shareholders in general meeting and cannot exceed the amount recommended by the Directors. The Directors have recommended a final dividend for the year ended 31 March 2022 of 6.9 pence per ordinary share. If the meeting approves resolution 2, the final dividend of 6.9 pence per ordinary share will be paid on 29 July 2022 to ordinary shareholders who are on the register of members at the close of business on 24 June 2022.

Resolution 3

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 2022. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

The Directors' Remuneration Report is set out in full on pages 76 to 96 of the Annual Report and Accounts 2022. For the purposes of this resolution, the Directors' Remuneration Report does not include the Directors' Remuneration Policy which is set out on pages 79 to 86.

Resolutions 4 to 8

Election and re-election of Directors

Resolutions 4 to 8 relate to the retirement and re-election of the Company's Directors. The Company's Articles of Association require a Director who has been appointed by the Board of Directors to retire at the annual general meeting next following his or her appointment. Gary Kennedy and James Eyre were appointed as Directors by the Board of Directors with effect from 8 December 2021 and 1 August 2021 respectively. Consequently, each of them will retire from office at the Annual General Meeting and intends to stand for election by the shareholders for the first time.

The Company's Articles of Association also require certain Directors to retire from office at intervals, and that at each annual general meeting one-third of eligible Directors must retire from office by rotation. Notwithstanding the provisions of the Articles of Association, the Board has determined that each of the remaining Directors shall also retire from office at the 2022 Annual General Meeting in line with best practice recommendations of the UK Corporate Governance Code. Each of the remaining Directors intends to stand for re-election by the shareholders.

The Board confirms that, following formal performance evaluation of all of the Directors, each of the Directors standing for election or re-election continues to be an effective and valuable member of the Board, to make a positive contribution and to demonstrate commitment to his or her role (including making sufficient time available for Board and committee meetings and other duties). The Board believes that the considerable and wide-ranging experience of the Directors will continue to be invaluable to the Company. The Board is satisfied that each Non-executive Director standing for re-election is independent (as defined in the UK Corporate Governance Code). As is more fully explained on page 66 of the Annual Report and Accounts 2022, the Board notes that David McKeith will cease to be regarded as independent on the ninth anniversary of his appointment as a Director. Therefore, if re-elected at the 2022 Annual General Meeting, Mr McKeith will not seek re-election at the 2023 Annual General Meeting. Brief biographical details of all of the Directors standing for election or re-election can be found on pages 64 and 65 of the Annual Report and Accounts 2022.

Resolutions 9 and 10

Appointment and remuneration of auditor

The Company is required to appoint an auditor at each general meeting at which accounts are laid, to hold office until the end of the next such meeting. The Audit and Risk Committee has reviewed BDO LLP's performance as auditor of the Company during the year and has recommended to the Board that it be re-appointed. The Audit and Risk Committee also confirmed to the Board that its recommendation was free from third-party influence and that no restrictive contractual provisions had been imposed on the Company limiting its choice of auditor. BDO LLP has indicated that it is willing to continue as the Company's auditor for another year. Accordingly, the Directors propose the re-appointment of BDO LLP. Resolution 9 therefore proposes that BDO LLP be re-appointed as the Company's auditor to hold office with effect from the end of the meeting until the end of the next general meeting at which accounts are laid. Resolution 10 follows best practice in giving authority to the Audit and Risk Committee to agree the remuneration of the Company's auditor.

Resolution 11

Authority to allot shares

Most listed companies renew their directors' authority to issue shares at each annual general meeting. Such an authority was granted by the Company's shareholders last year and is due to expire at the conclusion of the 2022 Annual General Meeting. In accordance with best practice, this resolution seeks to renew the Directors' authority to allot shares.

Resolution 11, if passed, will renew the Directors' authority to allot shares in the capital of the Company up to a maximum aggregate nominal value of £5,943,526.60. This represents approximately two-thirds of the Company's issued ordinary share capital as at 7 June 2022 and is within the limits prescribed by The Investment Association. Of this amount, ordinary shares up to an aggregate nominal value of £2,971,763.80 (which represents approximately one-third of the Company's issued ordinary share capital as at 7 June 2022) can only be allotted pursuant to a rights issue.

As at 7 June 2022, the Company did not hold any shares in the Company in treasury. The renewed authority will, if passed, remain in force until the close of business on 19 October 2023 or, if earlier, the conclusion of the Company's next annual general meeting.

Except for the allotment and issue of shares where necessary to satisfy the exercise of share options already granted by the Company, the Directors have no present intention of exercising this authority. The purpose of giving the Directors this authority is to maintain the Company's flexibility to take advantage of any appropriate opportunities that may arise.

Resolutions 12 and 13

Disapplication of pre-emption rights

The Directors are currently empowered, subject to certain limitations, to issue shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That power will expire at the conclusion of the 2022 Annual General Meeting and, in accordance with best practice, resolutions 12 and 13 (which will be proposed as special resolutions) seek to renew the Directors' power to disapply pre-emption rights as referenced below and in line with the Statement of Principles published by The Pre-Emption Group in March 2015.

Other than in connection with a rights issue or other similar pre-emptive issue, the power contained in resolution 12 will be limited to ordinary shares up to a maximum aggregate nominal value of £445,764.50. This amount equates to approximately 5% of the issued ordinary share capital of the Company as at 7 June 2022.

In line with the Pre-Emption Group's Statement of Principles, the Directors are also seeking (at resolution 13) a power to issue up to an additional 5% of the Company's issued ordinary share capital for cash without pre-emption rights applying. In accordance with those Principles, the Company will only allot shares up to a maximum aggregate nominal value of £445,764.50 (representing 5% of the issued ordinary share capital of the Company as at 7 June 2022) on a non-pre-emptive basis under this power where that allotment is in connection with an acquisition or specified capital investment (within the meaning given in the Statement of Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

This renewed authority will, if passed, remain in force until the close of business on 19 October 2023 or, if earlier, the conclusion of the Company's next annual general meeting.

In accordance with the Statement of Principles (which is supported by The Investment Association and the Pensions and Lifetime Savings Association), the Board confirms its intention that no more than 7.5% of the Company's issued share capital will be issued for cash on a non-pre-emptive basis during any rolling three-year period, without prior consultation with shareholders. This limit excludes any ordinary shares issued pursuant to a general disapplication of pre-emption rights in connection with an acquisition or specified capital investment.

Resolution 14

Authority to purchase own shares

This resolution, which will be proposed as a special resolution, is to give the Company the flexibility to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to an aggregate maximum of 8,915,290 ordinary shares which represents approximately 10% of the Company's issued ordinary share capital as at 7 June 2022 and sets minimum and maximum prices. The renewed authority will, if passed, remain in force until the close of business on 19 October 2023 or, if earlier, the conclusion of the Company's next annual general meeting.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares, but will keep the matter under review, taking into account other investment opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would promote the success of the Company and be in the best interests of its shareholders generally. To the extent that any shares so purchased are held in treasury (see below), earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. If any shares are purchased, they will be either cancelled or held in treasury. Any such decision will be made by the Directors at the time of purchase on the basis of the shareholders' best interests. Shares held in treasury can be cancelled, sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes. Any shares held in treasury would not be eligible to vote nor would any dividend be paid on any such shares. If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares, then such shares would be immediately cancelled, in which event the number of ordinary shares in issue would be reduced.

The Directors believe that it is desirable for the Company to have this choice. Holding the repurchased shares as treasury shares gives the Company the ability to re-issue them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base.

Explanatory notes continued

Resolution 14 continued

Authority to purchase own shares continued

As at 7 June 2022, there were options over approximately 3,600,000 ordinary shares in the capital of the Company, which represent approximately 4.04% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent approximately 4.49% of the Company's issued ordinary share capital. As at 7 June 2022, the Company did not hold any shares in treasury.

Resolution 15

Notice of general meetings

This special resolution is required to preserve the ability of the Company to convene general meetings (other than annual general meetings) on not less than 14 clear days' notice, rather than on not less than the 21 days' notice which would otherwise be required. In order to do so, the Company's shareholders must approve the calling of such meetings on shorter notice. Resolution 15 seeks such approval.

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

The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

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