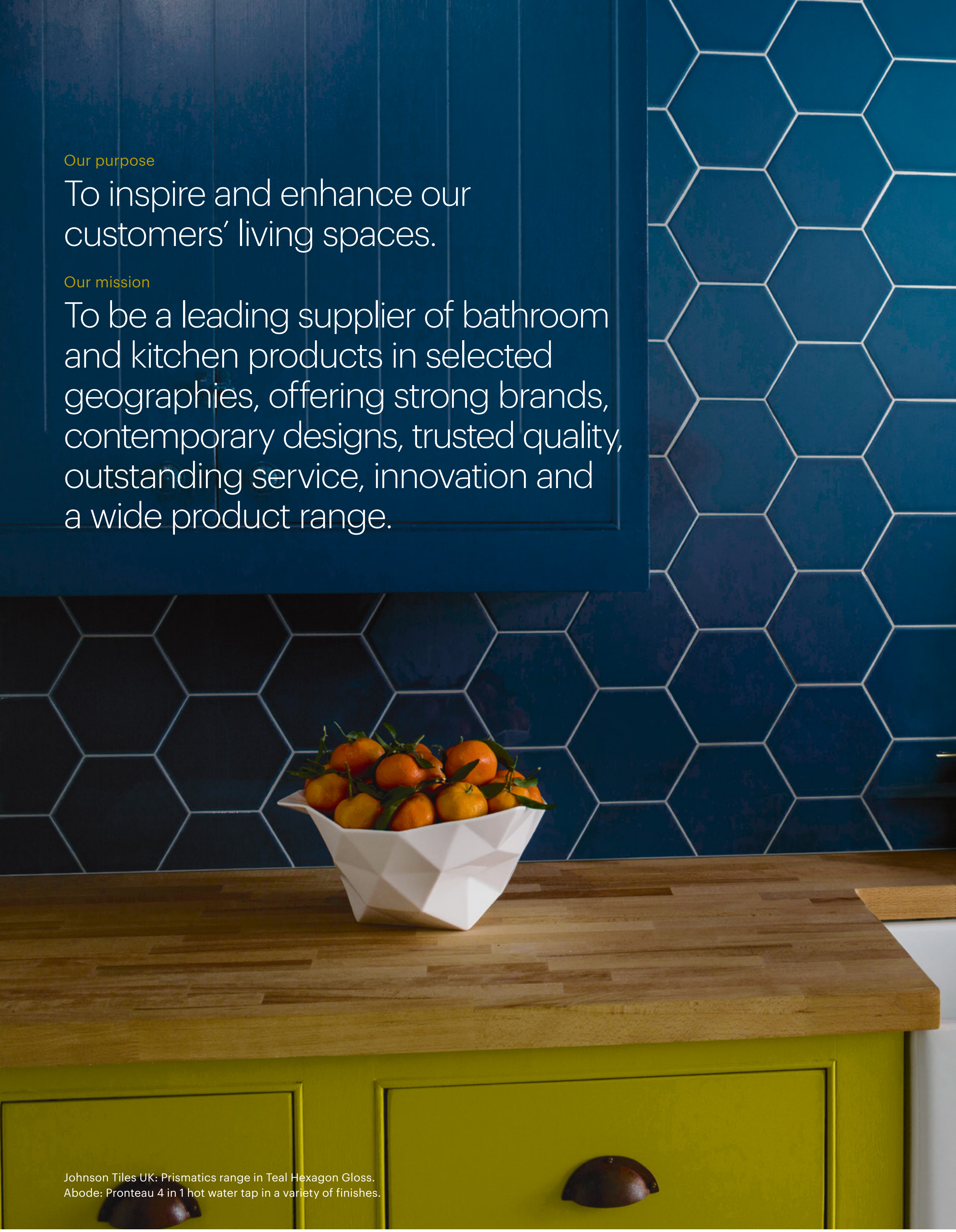
Norcros plc Annual Report and Accounts 2021

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.

Johnson Tiles UK: Prismatics range in Teal Hexagon Gloss.
Abode: Pronteau 4 in 1 hot water tap in a variety of finishes.

UK portfolio

TRITON MERLYN VADO Croydex abode JOHNSON·TILES norcros ADHESIVES

Strategic report

Corporate governance

Financial statements

South African portfolio

TILEAFRICA — OUR HOME IS YOUR HOME

JOHNSON·TILES — Tile Artisans Since 1901

tal

House of Plumbing — Plumbing · Civils · Mining · Engineering

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

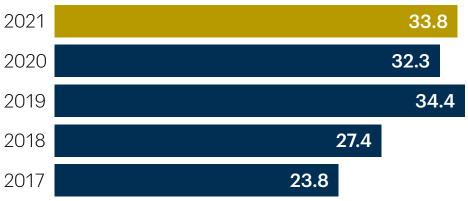
Strategic report

Abode: Pronteau 4 in 1 hot water tap collection, a range of taps catering for every water need in the kitchen. At 98° Pronteau delivers hot and fresh filtered water, in a structured and controlled way.

Very strong recovery from a period of unprecedented uncertainty.

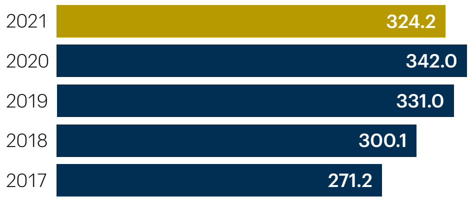
Underlying operating profit £m

£33.8m +4.6%



Total revenue £m

£324.2m +0.7%[1]



1 On a like for like constant currency basis.

Year to 31 March 2021 highlights

- Very strong recovery from a period of unprecedented uncertainty with second half revenue growth of 19.5% on a constant currency like for like basis
- Full year revenue of £324.2m (2020: £342.0m), 0.7% higher than prior year on a constant currency like for like basis
- Underlying operating profit[2] of £33.8m, 4.6% higher than prior year (2020: £32.3m)
- Operating profit of £24.9m (2020: £17.8m)
- Strong cash generation in the year of £46.9m has significantly strengthened the Balance Sheet with underlying net cash[2] of £10.5m (2020: net debt of £36.4m)
- Underlying ROCE[2] above strategic target rate at 18.2% (2020: 16.4%)
- Diluted underlying EPS[2] of 31.1p, 10.3% higher than prior year (2020: 28.2p)
- Reinstatement of dividend at 8.2p for the year (2020: 3.1p)

Current trading

- Strong trading momentum has continued into April and May 2021 with Group revenue ahead of the comparable period in 2019 by approximately 23%

Key messages

- The Board expresses its thanks to our employees for their commitment and contribution in ensuring a safe workplace and to the strong outperformance
- Our performance on all fronts is a testament to our business model and our employees
- The Group has delivered revenue, profit and cash generation growth on prior year whilst operating within the constraints and disruption of the unprecedented COVID-19 pandemic
- UK – an extremely resilient performance with second half revenue growth of 15.2% on prior year on a like for like basis as we benefited from our brands' leading market positions and superior customer service
- SA – a strong recovery with second half revenue increasing by 29.2% against prior year on a constant currency like for like basis driven by strong retail renovation demand, increased commercial housebuilder activity and an improved export performance
- We remain confident that the Group's focused strategy, highly experienced management teams and market leading brands, supply chain and outstanding customer service will continue to drive outperformance in the current financial year

Strategic vision remains valid

- £600m revenue target – timescale extended to 2025 from 2023 reflecting COVID-19 disruption
- 50% of revenues derived from overseas markets
- Sustainable ROCE of >15%

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

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

Read more about our UK businesses on pages 20 to 25

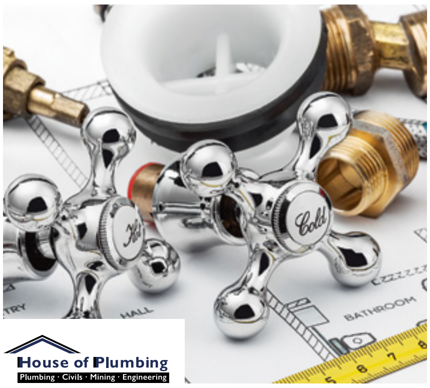
SOUTH AFRICA

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 26 to 28

Investment case

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

Strong track record

- Organic revenue growth enhanced by acquisitions
- UK profit growth and South Africa turnaround
- Strong return on capital
- Track record of progressive growth

Resilient performance and strong Balance Sheet

- Resilient business model that generated revenue, profit growth and cash generation despite COVID-19 disruption
- Strong Balance Sheet with net cash position of £10.5m (2020: net debt of £36.4m)
- Pension net deficit significantly lower at £18.3m (2020: £48.9m) as asset values recovered during the year

Well positioned for future growth

- Portfolio of complementary market leading businesses with strong brands
- Proven experienced management teams and committed workforce
- UK strategic focus on attractive trade, specification and independent segments
- SA integrated business model able to respond quickly to market conditions
- Balanced, diversified and compelling business model winning share in fragmented markets
- Increased opportunities to take further market share in fragmented markets

Clear strategic focus

- Significant potential to broaden product portfolio and consolidate fragmented markets in our selected geographies
- Focus on attractive sub-market segments and channels with an existing excellent platform to implement consolidation strategy
- Continued new product development (NPD) driving organic market share growth
- Proven track record of execution, integration and strong post-acquisition performance with clearly defined acquisition criteria
- Group collaborative approach to enhance synergies

Our markets continue to provide excellent growth opportunities.

Key market drivers

UK and South Africa market demand is dependent on:

- New building activity
- Repair, Maintenance & Investment (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 both for 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 the 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.

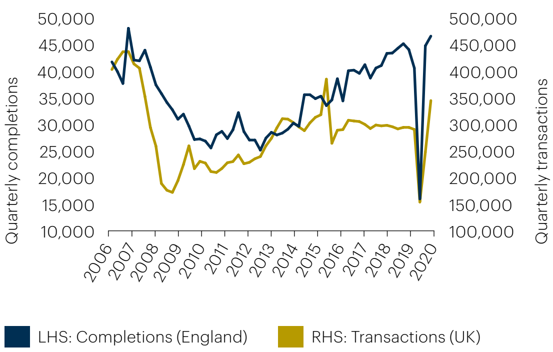
TAL: liquid marble epoxy flooring using TAL Epoxyseal FLR100, a high performance, high build, solvent free epoxy flooring coating. Top layer is coated with TAL Crystalclear with a pearl grey metallic pigment to create a sense of movement and sheen to a hard-wearing floor.

UK

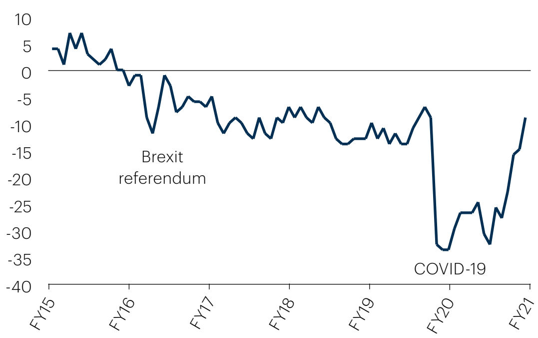
Large fragmented market
Significant consolidation opportunity

- 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
- Post-COVID-19 – further opportunity to grow market share

Quarterly housing completions and transactions
Sources: GOV.UK and HMRC Q1 2021



UK GfK consumer confidence
Source: GfK – May 2021

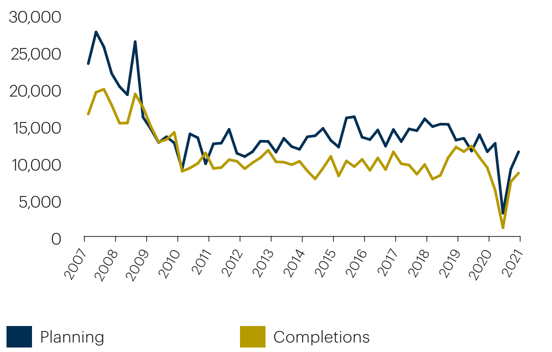


SOUTH AFRICA

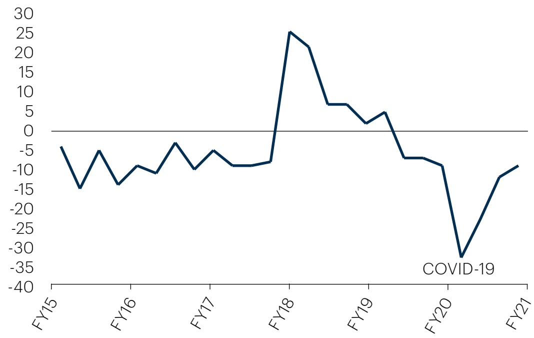
Medium-term potential
Market leading positions

- 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
- Post-COVID-19 – further opportunity to grow market share

Quarterly – dwellings completed and plans passed
Source: SA Stats March 2021



FNB/BER consumer confidence index
Source: FNB/BER – Q1 2021



1 MSP = Manufacturer's Selling Price.

Market outperformance in the most unpredictable trading environment.

David McKeith
Acting Board Chair

Norcros has recovered very strongly from a period of unprecedented global disruption and uncertainty caused by the COVID-19 pandemic."

Overview

Norcros has recovered very strongly from a period of unprecedented global disruption and uncertainty caused by the COVID-19 pandemic. The resilience of the Group's business model and strategy is proving to be highly effective; this was particularly evident in the last financial year as we outperformed the market in the most unpredictable trading environment we have ever experienced.

Group revenue for the year was £324.2m (2020: £342.0m), 5.2% lower than the prior year on a reported basis, 1.2% lower on a constant currency basis and 0.7% higher on a constant currency like for like basis after adjusting the prior year for period pro-rating (53 weeks versus 52).

Underlying operating profit was £33.8m (2020: £32.3m), 4.6% ahead of the prior year reflecting the strong recovery following the significant impact of COVID-19 in the first quarter.

The Group finished the year with net cash of £10.5m (2020: net debt of £36.4m), a significant achievement and a result of the management team's relentless focus on cost and working capital management throughout the year.

COVID-19

The unprecedented COVID-19 pandemic has had a significant impact on our results for the year, especially in the first quarter, where Group revenue was 58% of the prior year on a constant currency like for like basis as the lockdowns in our two main markets significantly reduced the demand for our products due to the closure of the majority of our customers. During this time, we mothballed our facilities, safeguarding our employees, customers and suppliers, whilst continuing to operate our businesses effectively with a skeleton staff working predominantly from their homes.

As the lockdowns in our main markets eased at the end of the first quarter, the Group's trading recovered strongly with second half revenue at 120% of the prior year on a constant currency like for like basis. This recovery reflected the strength of the Group's market leading positions, and the rapid adaptation of our operating facilities, supply chains and commercial sales channels in response to the safe and effective working environments and modified working procedures and processes required by COVID-19.

Strategy

Notwithstanding the recent challenges of COVID-19, our focused growth strategy remains valid and relevant. Our targets to grow Group revenue to £600m with 50% derived outside of the UK 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 previous timescale of 2023 will be extended to 2025 reflecting the COVID-19 disruption. The Group's very strong recovery in the second half of 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 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 year, the further strengthening of the Balance Sheet and the current outlook, the Board believes that now is the right time to reinstate the dividend and has therefore taken the decision to recommend a final (and total) dividend of 8.2p per share for the year (2020: 3.1p). This is equivalent to a dividend cover of 3.8 times, consistent with the year ended 31 March 2019. The Group will now continue with its previous progressive albeit prudent 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.

Pension scheme

The net deficit relating to our UK defined benefit pension scheme (as calculated under IAS 19R) has reduced to £18.3m at 31 March 2021 from £48.9m at 31 March 2020, primarily as a result of the recovery from the initial COVID-19 impact on financial markets and asset valuations in particular.

We remain confident that our pension obligations continue to be appropriately funded and well managed. The Company recognises that the pension scheme is a key stakeholder and in recognition of this, and despite all of the necessary actions taken to conserve cash during the year, met in full its obligations and paid £3.3m into the scheme in the year in accordance with the agreement made with the Trustee in June 2019 based on the triennial valuation dated 1 April 2018. The next triennial valuation dated 31 March 2021 is currently underway. The Company and the Trustee continue to work constructively together.

COVID-19 related support and restructuring actions

The unprecedented COVID-19 pandemic has had a significant impact on the level of economic activity in our main markets, particularly in the first quarter, and disrupted our business operations. In response to this, the Group claimed £5m of government assistance from the Coronavirus Job Retention Scheme (CJRS) in the UK and equivalent schemes in Ireland and South Africa to protect as many jobs as long as possible and avoid large scale redundancies. Notwithstanding, the Group had to implement several restructuring programmes to further reduce its cost base resulting in a reduction in employee numbers of approximately 200, incurring £2.4m of costs, of which £2.0m are cash costs, with £1.6m being paid in the year, and £0.4m are non-cash costs. Consequently, the Group has repaid £0.7m of the CJRS in respect of employees who were made redundant. In light of the continued COVID-19 uncertainty in the Middle East the Group decided to close the Norcros Adhesives Middle East operations which resulted in a further £1.4m of restructuring costs consisting of £0.3m of cash costs and £1.1m of non-cash costs.

Environmental, social and governance (ESG)

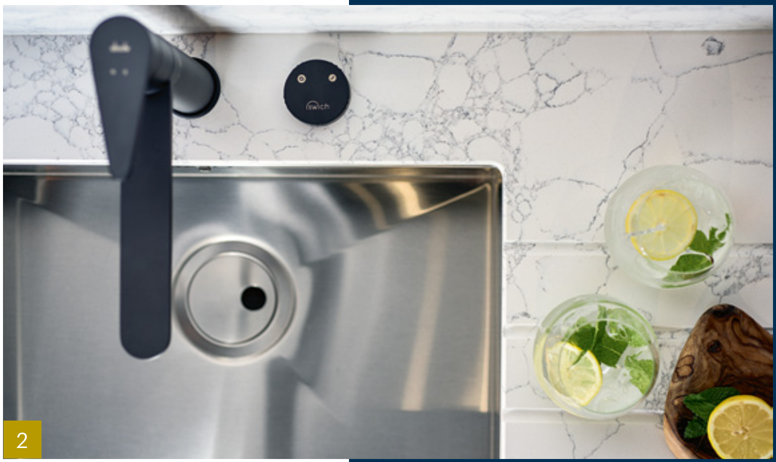
The Board is committed to high standards of corporate responsibility, employee engagement and sustainability and continues to prioritise a number of activities that look to reduce the Group's impact on the environment and support the communities in which we operate. During the year the Board has reaffirmed its ESG principles and defined a set of building blocks which underpin a new ESG reporting framework designed to improve our ESG performance. Our environmental strategy has continued to develop during the year with a number of initiatives including Triton's pledge to be "net carbon zero by the end of 2025", Johnson Tiles UK's progress on recycling and being "plastic free" and Abode's innovative new "Swich water filter diverter" product. The Board continues to focus on employee engagement and charitable contributions in our local communities. Further details on our ESG progress can be found on pages 40 to 45.

Board changes

During the year, Martin Towers completed his term as Chair in July 2020 and was succeeded by Mark Allen. Unfortunately, due to his other business commitments, Mark tendered his resignation and left the Board in April 2021. We wish Mark well in his other current and future directorships. Having served on the Board for eight years as a non-executive director, I have been appointed acting Board Chair until the Group appoints a new Non-Executive Director as Board Chair. A search is underway.

Shaun Smith has notified the Board of his wish to retire in order to pursue a non-executive director career, which has been accepted and the terms and timeframe agreed. Shaun will step down as Chief Financial Officer at the end of July 2021 and therefore will not be seeking re-election at our AGM.


1



2

1 Abode: Pronteau 4 in 1 hot water tap offering 98° hot and fresh filtered water in a structured and controlled way, available in seven styles and up to five finishes.

2 Abode: Swich water filter diverter transforms any tap, new or old, into a filtered water tap enabling households to live more sustainably by reducing their use of plastic water bottles. Winner of the One Small Step Award for Sustainability from Ideal Home Awards.

Chair's statement continued

Board changes continued

The Board thanks Shaun for his valued contribution since joining Norcros in 2016. A thorough recruitment process for a successor was undertaken, which has resulted in James Eyre, our current Corporate Development and Strategy Director, being appointed to the Board as Chief Financial Officer with effect from 1 August 2021. James 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 N M Rothschild prior to joining Norcros. Shaun will remain employed by the Company until his retirement at the end of December 2021 to ensure a smooth and effective handover.

Governance

As acting Board 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 49 to 81.

People

The Board's first priority throughout the COVID-19 pandemic has been ensuring the safety and wellbeing of our employees and their families. The Board expresses its thanks to our employees for their commitment and contribution in ensuring a safe workplace and to the strong outperformance achieved by the business in this unprecedented year.

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.

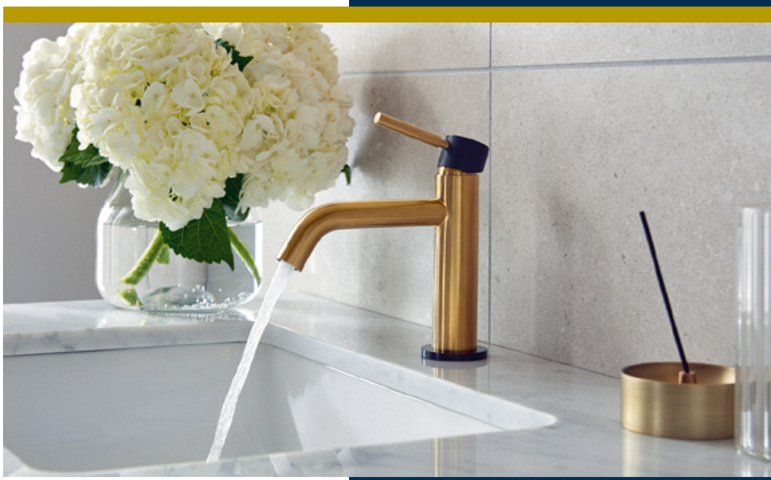
Summary

Our businesses adapted swiftly to the initial impacts of the COVID-19 pandemic to ensure that they could operate safely and cost effectively in the first half of the year. Our strong brands, leading market positions and superior customer service, supported by good stock availability, enabled us to capitalise on the strong rebound in trading in our main markets to grow revenues and market share in the second half.

The Group has successfully navigated an unprecedented period of uncertainty and trading disruption. The actions taken to adapt to the COVID-19 environment together with our leading brands, customer service and stock availability have enabled us to take full benefit of the market recovery, increasing like for like revenue and underlying operating profit on prior year and ending the year in a net cash position. These results have highlighted the effectiveness and resilience of our Group strategy, business model and employees.

Market conditions are likely to remain uncertain and challenging albeit the Board is confident that the Group's highly experienced management teams, resilient business model, increased financial strength and focused growth strategy will continue to drive outperformance leading to further progress against our strategic objectives in the year ahead.

David McKeith
Acting Board Chair
9 June 2021



Vado, the new Knurled X Fusion from the Individual portfolio is an exclusive collection of two-tone basin mixers and shower valve options to provide individuality into any bathroom with a fusion of colour and intricate textured accent.

Our performance on all fronts is a testament to our business model.

Nick Kelsall
Chief Executive Officer

"

Our management teams and employees have successfully navigated the most turbulent trading environment in recent memory."

Overview

Norcros has ended the year reporting constant currency like for like revenue growth, underlying operating profit growth and a net cash position after having successfully navigated the most turbulent trading environment in recent memory.

The unprecedented COVID-19 pandemic led to national lockdowns in the first quarter in our two main markets, significantly reducing the demand for our products during which time we mothballed our facilities, operating our businesses effectively with a skeleton staff working predominantly from their homes where possible. Since the first lockdowns have eased, the resilience and flexibility of our business model including our well-established supply chains and experienced management teams enabled the business to take full benefit from the upturn in repair, maintenance and improvement activity, and rapidly return to growth and increase our market share.

Group revenue at £324.2m (2020: £342.0m) decreased by 5.2% on a reported basis, by 1.2% on a constant currency basis, and increased 0.7% on a constant currency like for like basis after adjusting the prior year for period pro-rating (53 weeks versus 52). First quarter revenue was 58% of prior year on a constant currency like for like basis due to the prevalent national lockdowns and closure of our facilities. As our businesses re-opened second quarter revenue recovered to 97% of prior year on a constant currency like for like basis, leaving the first half 17.3% lower than the prior year on a similar basis. Revenue in the second half was 19.5% higher than prior year on a constant currency like for like basis as the market recovery strengthened further driven by improved RMI and home renovation activity and our market share gains.

Group underlying operating profit for the year increased by 4.6% to £33.8m (2020: £32.3m) reflecting the significant profit impact of the COVID-19 disruption in the first quarter partially offset by £4.3m of government job retention support and the strong recovery in trading in the second half of the year.

Revenue in the UK was £220.2m for the year (2020: £225.4m), 2.3% lower than the prior year on a reported basis and 0.4% lower on a like for like basis. Revenue was significantly impacted in the first quarter, down 37.6% on prior year on a like for like basis, due to the impacts of the COVID-19 pandemic associated lockdowns and facility closures. Revenue recovered in the second quarter and was 3.5% higher than prior year on a like for like basis as our businesses benefited from an uplift in RMI activity leading to strong growth in the retail and online channels. During the second half revenue grew further, 15.2% higher than prior year on a like for like basis as we benefited from our brand leading market positions, broad distribution channels, supply chain infrastructure and stock availability, enabling us to capitalise on the strong rebound in demand and to grow our market share further.

In the UK, Triton and Merlyn performed very strongly in terms of revenue, operating profit and cash generation and gained further market share. Triton, the UK's market leader in showers, recorded revenue 14.3% higher than the prior year on a like for like basis having quickly adapted to the changes in both supply and demand conditions ensuring product availability and maintaining superior customer service levels. Merlyn, the UK and Ireland's no. 1 supplier of shower enclosures and trays, grew revenue by 3.8% on the prior year on a like for like basis as it continued to enhance its market leading position in the UK through its quality product offering and customer centric service.

Chief Executive Officer's statement continued

Overview continued

Further to the COVID-19 impact on demand, our UK businesses saw significant disruption to global logistics networks in part related to Brexit, but more significantly a result of global sea freight container shortages with containers being stuck in UK and other ports globally resulting in container shortages in Asia. This had a significant impact on product delivery times and freight costs in the final quarter. Brexit related disruptions and cost impacts had been well planned for by our businesses and to date have not significantly impacted our trading. We remain vigilant on the progress of the EU–UK separation and continue to manage the risks associated with any new or amended regulations or changes in duty regimes as they arise.

UK underlying operating profit for the year was £26.9m (2020: £24.4m), largely reflecting the strong recovery in the second quarter, continued revenue growth in the second half of the year and £3.5m of coronavirus job retention support from the UK and Irish governments. The underlying operating margin for the year was 12.2% (2020: 10.8%).

Revenue in South Africa increased by 3.2% on prior year on a constant currency like for like basis, though lower by 10.8% on a Sterling reported basis, to £104.0m (2020: £116.6m). The first quarter performance was materially impacted by the COVID-19 related nationwide lockdown and associated closure of our facilities, with resultant revenue at 50% of the prior year on a constant currency like for like basis. Our businesses recovered strongly in the second quarter as our operations re-opened and lockdowns ended with revenue at 106.2% of the prior year on a constant currency like for like basis, benefiting from the timely re-opening of our facilities in a COVID-19 safe and secure manner ahead of many of our competitors, an improved export performance and excellent supply chain management. These management actions enabled the businesses to grow revenue further in the second half, increasing 29.2% against prior year on a constant currency like for like basis, as volumes reflected strong retail renovation demand and increased commercial housebuilder activity.

Tile Africa, our leading retailer of wall and floor tiles, sanitaryware and bathroom fittings, grew annual revenue by 11.8% on a constant currency like for like basis driven by higher retail demand from increased renovation activity in the market and significantly improved operating disciplines and superior stock availability.

South African underlying operating profit for the year was £6.9m (2020: £7.9m), largely reflecting the translational effect of the weaker Rand, the impact of COVID-19 on first quarter trading, partially offset by the receipt of £0.8m of coronavirus job retention support from the South African Government, and the recovery in revenue in the second half.

Robust Balance Sheet and financial position

The Group has a strong Balance Sheet with net cash of £10.5m (2020: net debt of £36.4m). This is a significant improvement on prior year and reflected a strong cash performance from effective cost and working capital management, with underlying operating cash flow of £65.8m (2020: £38.4m) in the period.

The Group is in a strong financial position and has access to a £120m committed RCF financing facility, maturing in November 2022, plus a £30m accordion facility.

Strategy remains valid – timescale extended due to COVID-19

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. As was the case in the prior year, execution of the strategy in the current year has been significantly disrupted by the impact of COVID-19. Notwithstanding, we have performed strongly against these targets as detailed below:

- Group revenue in the current year decreased by 5.2% to £324.2m (2020: £342.0m; 2023 target: £600m) although on a constant currency like for like basis revenue was 0.7% higher.
- On a Sterling reported basis, reported Group revenue derived outside of the UK was 41.6% (2020: 43.1%), and in constant currency terms, from when the targets were set, 45.6% (2020: 44.8%).
- Group underlying return on capital employed was 18.2% on a pre-IFRS 16 basis (2020: 16.4%) and strongly exceeded our strategic target of 15%.

The Group's very strong recovery from the COVID-19 pandemic in the second half of the year continues to demonstrate the resilience of our business model and the effectiveness of our strategy. In light of the COVID-19 disruption over the year and the prior financial year, the timing of the delivery of our strategic revenue targets have been reassessed in the context of the economic conditions in our main trading markets as they adapt to the post-COVID-19 environment. As a result, the timescale has been extended to 2025. We believe this is a sensible and achievable timescale given no further significant deterioration in the COVID-19 pandemic.

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 any acquisition 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, was, as expected, lower at 28% (2020: 33%) mainly due to the COVID-19 related disruption to supply chains and the temporary closure of retail showrooms during the year. Our vitality rates are market leading and are expected to increase this year as our new product launches are accelerated back closer to pre-COVID-19 levels.

Summary and outlook

The Group has outperformed expectations, recovering very strongly from a period of unprecedented disruption and uncertainty. Our performance on all fronts is a testament to our business model and our employees, particularly against the backdrop of challenging markets as demand adjusts to the impact of the pandemic and Brexit. It is particularly pleasing to see how well our businesses both in the UK and South Africa responded, taking advantage of the growth opportunities in the repair, maintenance and improvement segments and continuing to gain market share, benefiting from their leading brands, supply chain infrastructure and stock availability.

We remain committed to our strategic targets."

Whilst the COVID-19 pandemic has resulted in some short-term disruption against our strategic growth targets we remain committed to these targets and are more convinced that many opportunities to leverage our market positions and knowledge of the sector will emerge in the medium term.

Market conditions are likely to remain uncertain and challenging for some time yet. Whilst the recovery has been strong, especially in residential markets in the UK, the full impact of the crisis is difficult to ascertain at this stage given the current disruption in our supply chain, increases in freight and input costs and the implementation of price recovery measures and an expected normalisation of consumer spending patterns. The South African economy has also recovered strongly despite limited and stretched government resources, although commercial activity has only just started to recover to prior year levels. Whilst improved infrastructure investment is high on the list of the South African Government's economic growth priorities, the impact of new COVID-19 variants and a slower vaccination rollout programme will continue to create uncertainty.

We have ended the year strongly, outperforming our expectations and the markets in which we operate in recording revenue[1], profit and cash generation growth on prior year whilst operating within the constraints and disruption of the unprecedented COVID-19 pandemic. Pleasingly, this strong trading momentum has continued into April and May with Group revenue ahead of the comparable period in 2019 by approximately 23%.

The Group is in a strong financial position and is also stronger relative to our competitors than pre-COVID-19. Accordingly, the Board remains confident that the Group's focused strategy, highly experienced management teams and market leading brands, supply chain and customer service will continue to drive outperformance in the current financial year.

Nick Kelsall
Chief Executive Officer
9 June 2021

1 On a constant currency like for like basis.

Johnson Tiles UK: Galloway, inspired by parquet flooring, features three colours – Oak, Birch and Walnut. Four framed designs are available in Cross, Maise, Basketweave and Chevron, with a slim format plank also on offer together with co-ordinated skirtings.

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 & entrepreneurial culture and de-centralised operating model
- Strong cultural values aligned to our "Norcros DNA"

Products

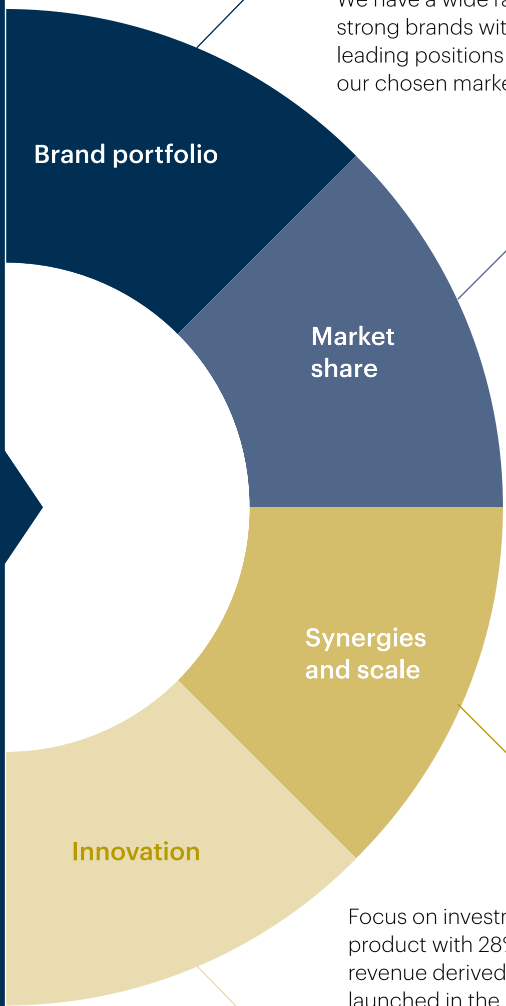
- Strong brands, contemporary designs, trusted quality, innovation and a wide product range
- Continuous NPD programme driving organic market share growth

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.

Focus on investment in new product with 28% of 2021 revenue derived from products launched in the last 3 years.

What makes us different – our Norcros DNA

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.

- **Leading market positions and brands**
  Our brands and products hold market leading positions or have a significant share of the markets we operate in.
- **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.
- **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.
- **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.
- **Experienced management team**
  Our management team has considerable years of experience of successfully operating in our markets and segments. Our response to COVID-19 reinforced this.

The value we create

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

Shareholders
- Strong track record of revenue growth
- Strong financial position with robust cash-generative business
- Return on capital employed maintained above strategic target
- Clear and focused strategy with strong pipeline of growth opportunities

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 2,100 employees around the world
- Focus on training and development
- Experienced, devolved management teams and well-established local trading relationships
- Empowering culture to enable our people to meet their aspirations

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

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[1]

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 Timeline extended from 2023 because of COVID-19.

1

Focused strategy

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

Progress in 2021

- COVID-19 understandably impacted our progress in the current year. Notwithstanding this, our business recovered strongly with second half revenue growth of 19.5% on a constant currency like for like basis
- Underlying operating profits increased by 4.6% from £32.3m to £33.8m
- Ended the year with strong Balance Sheet with net cash of £10.5m (2020: net debt of £36.4m)
- Underlying ROCE achieved of 18.2% (2020: 16.4%) ahead of strategic target of 15%

Priorities for 2022

- Continue to move towards being "one-stop shop for bathrooms" in our selected markets
- Capitalise on market consolidation acquisition opportunities enhanced by COVID-19 challenges and underpinned by our Balance Sheet capacity

2

Organic growth

Maintain investment in our strong brands and new product development programmes

Progress in 2021

- Market share growth during the year particularly in Triton, Merlyn and Tile Africa
- Comprehensive launch of a number of new product lines in year (see regional business reviews for details)
- New Product Vitality Index at 28% (revenue % from products launched in last 3 years) – maintained at high level (2020: 33%) notwithstanding COVID-19 lockdown impact and subsequent supply chain challenges

Priorities for 2022

- Further investment in new product launches as showroom activity recovers
- Continued investment in marketing programmes including digital imagery and new product innovation

3
Group synergies
Leverage revenue synergies within our portfolio of complementary businesses

Progress in 2021
- Specification channel group continues to drive growth through shared knowledge
- Group co-operation on management of shipping container disruption and related cost increases
- Number of new product initiatives including:
  - Triton designed boiler for Abode "Pronteau" tap
  - Merlyn designed and sourced product for our shower enclosure launch in South African Tile Africa stores

Priorities for 2022
- Continued progress in specification channel and product development synergies
- Focus on development of further supply chain and sourcing synergies

4
Acquisitions
Target acquisitions in selected geographies and complementary product markets with attractive returns on capital

Progress in 2021
- COVID-19 impacted progress in current year with no new acquisitions

Priorities for 2022
- Market consolidation opportunities enhanced by COVID-19 challenges
- Acquisition pipeline is substantial and active discussions ongoing

5
High standards
Continue to ensure high standards of corporate governance and responsibility

Progress in 2021
- Group continued to operate to the highest standards in all aspects of governance and risk management
- Improvement in risk management process to include risk appetite assessment

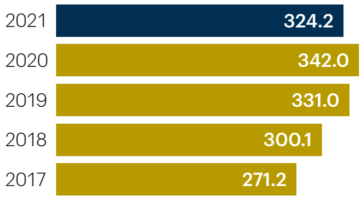
Priorities for 2022
- Group-wide ESG initiative to further develop our core ESG values and strategy building upon existing divisional ESG activities

Measuring our progress.

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

Total revenue £m

£324.2m -5.2%



Definition Reported Group revenue for the year.

Performance Total revenue for the year decreased by 5.2% on a reported basis, by 1.2% on a constant currency basis, and increased 0.7% on a constant currency like for like basis after adjusting the prior year for period pro-rating (53 weeks versus 52).

Group revenue outside the UK %

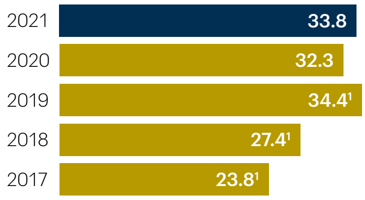
41.6% -1.5%

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

Performance Group revenue outside the UK has decreased in the year to 41.6%, reflecting the impact of Sterling strengthening relative to the Rand. In constant currency terms from when the targets were set we are more closely in line with the strategic target (of 50%) at 45.6% (2020: 44.8%), the growth on prior year reflecting the higher constant currency growth in SA over the UK in the year.

Underlying operating profit £m

£33.8m +4.6%



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 £1.5m (+4.6%). This reflected the first quarter disruptions in revenue from COVID-19 offset by £4.3m of government job retention grants across our geographies and the strong trading recovery in the second half of the year.

1 On a pre-IFRS 16 basis.

Underlying return on capital employed %

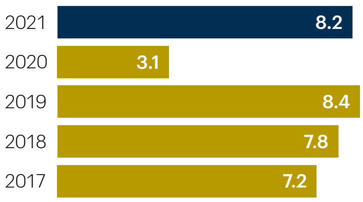
18.2% +180bps

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 4.6% growth in underlying operating profit and reduced capital employed relating to working capital efficiencies gained this year and prior year COVID-19 related impairments.

Dividend per share p

8.2p +165%

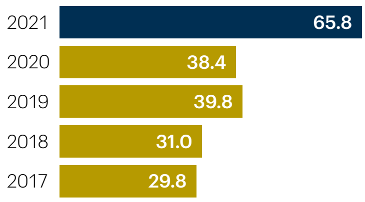


Definition The total of the interim dividend and the proposed final dividend for the financial year.

Performance No final dividend for the year ended 31 March 2020 was paid reflecting the need to conserve cash given the uncertainties associated with the COVID-19 pandemic. Based on the improved trading performance in the second half of the year the Board recommends a final dividend of 8.2p per share continuing our previous progressive albeit prudent dividend policy.

Underlying operating cash flow £m

£65.8m +71.4%



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

Performance Underlying operating cash generation increased to £65.8m principally reflecting a strong trading performance and reduced working capital.

Very strong recovery from a period of unprecedented uncertainty.

	2021 £m	2020 £m
Revenue	**324.2**	342.0
Operating profit	**24.9**	17.8
IAS 19R administrative expenses	**1.4**	1.5
Acquisition related costs	**3.7**	4.0
Exceptional operating items	**3.8**	9.0
Underlying operating profit	**33.8**	32.3

	2021 £m	2020 £m
Revenue – UK	**220.2**	225.4
Revenue – South Africa	**104.0**	116.6
Revenue – Group	**324.2**	342.0
Underlying operating profit – UK	**26.9**	24.4
Underlying operating profit – South Africa	**6.9**	7.9
Underlying operating profit – Group	**33.8**	32.3
Underlying operating profit margin – UK	**12.2%**	10.8%
Underlying operating profit margin – South Africa	**6.6%**	6.8%
Underlying operating profit margin – Group	**10.4%**	9.4%

	2021 £m	2020 £m
Underlying operating profit	**33.8**	32.3
Depreciation of right of use assets	**4.0**	4.5
Lease costs	**(5.3)**	(5.0)
Depreciation and underlying amortisation (owned assets)	**5.4**	6.8
Underlying EBITDA	**37.9**	38.6
Net working capital movement	**21.8**	(4.8)
Share-based payments	**1.0**	0.1
Operating profit impact of IFRS 16	**1.3**	0.5
Depreciation of right of use assets	**4.0**	4.5
Cash settlement of share options	**(0.2)**	(0.5)
Underlying operating cash flow	**65.8**	38.4

	2021	2020
Basic underlying earnings per share	**31.2p**	28.4p
Diluted underlying earnings per share	**31.1p**	28.2p

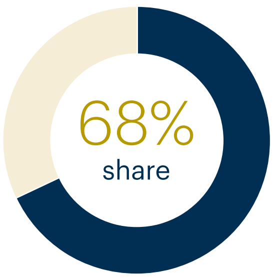
Extremely resilient performance.

During the second half revenue grew 15.2% on prior year on a like for like basis as we benefited from our brands' leading market positions and superior customer service.

Highlights 2021

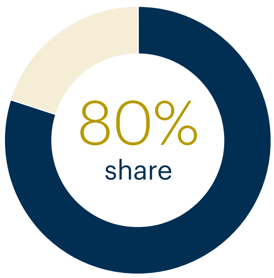
Share of Group revenue

£220.2m



Share of Group underlying operating profit

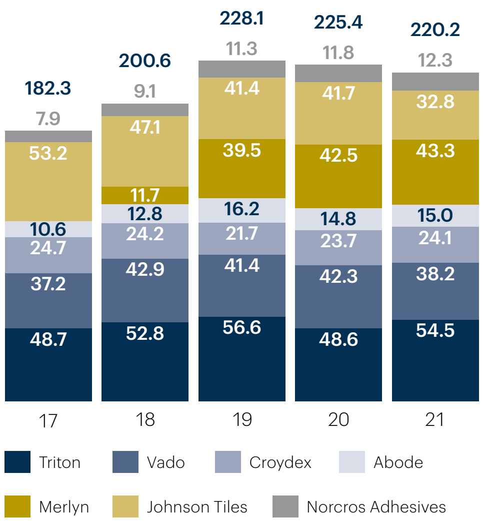
£26.9m



UK revenue £m

£220.2m

-0.4%[1]



1 On a like for like basis.

UK

In the UK, full year revenue was 2.3% lower than the prior year on a reported basis and 0.4% lower on a like for like basis at £220.2m (2020: £225.4m). Revenue was significantly impacted in the first quarter due to the impact of the COVID-19 pandemic and associated lockdowns. Revenue in April 2020 was 35.0% of prior year revenue, which over the quarter recovered to 62.4% of prior year on a like for like basis. Revenue further recovered in the second quarter and was 3.5% higher than prior year on a like for like basis as our businesses benefited from an uplift in RMI activity leading to strong growth in retail and online channels. During the second half, revenue grew further ahead with a 15.2% increase on prior year on a like for like basis as we benefited from our brands' leading market positions and superior customer service and stock availability enabling us to capitalise on the strong rebound in demand and grow market share.

Over the year our businesses delivered an extremely resilient performance responding and adapting rapidly and effectively to the testing external environment of the COVID-19 lockdowns, re-openings and considerable supply chain disruption. During the first quarter, in response to the COVID-19 pandemic and associated lockdowns we suspended our main manufacturing and assembly operations and furloughed approximately 70% of the workforce, continuing to service our customers with a skeleton staff working predominantly from their homes where possible. As the lockdowns eased at the end of the first quarter, our UK facilities re-opened ensuring COVID-19 safe and secure environments for all our workforce with our manufacturing capacity aligned with our inventory levels and demand. During this period, we redesigned our working and manufacturing environments to ensure COVID-19 safe working, and adjusted shift patterns to better match customer and employee requirements and adapted our sales and training approach to be online based. During the year, circa 4% of the UK workforce tested positive for COVID-19 with no cases of onsite transmission evidenced. The appropriate steps were taken to reduce any transmission risks in line with government guidelines and we continue to ensure that every reasonable action is being taken to provide a safe working environment for all our employees.

> "This was an extremely resilient performance, despite the testing external environment from a combination of COVID-19 lockdowns and considerable supply chain disruption."

TRITON

Multi-generational living solution

The challenge
When family-run housebuilder, Scott Residential, began work on 45 bungalows at Avocet Place in Colchester, the developer identified the need to install products catering for occupants with limited mobility. Balancing functionality with the aesthetic appearance of fixtures and fittings was an important consideration too.

The solution
Triton's Dene Lever Cool Touch Bar Mixer was specified in response to the brief. The shower runs cold water across the valve before being blended with a hot supply, enabling the metal body to remain at consistently low temperatures. The lever handle features the same technology as the valve and is easy to grip and turn, making it especially suitable for the elderly, a core market for this development.

The result
By working with Triton, Scott Residential was able to ensure each home included a fit for purpose product without compromising style over safety.

The end of the third quarter saw significant disruption to global logistics networks significantly impacting product delivery lead times and costs. This disruption was in part related to Brexit, but more significantly a result of global sea freight container shortages with containers being stuck in UK and other ports globally resulting in container shortages in Asia.

Underlying operating profit for the year was £26.9m (2020: £24.4m) in the period, largely reflecting the strong recovery in the second quarter and continued growth in the second half of the year and the receipt of £3.5m of coronavirus job retention support from the UK and Irish governments. This receipt is net of a repayment of £0.7m of Coronavirus Job Retention Scheme support to the UK Government in relation to furloughed employees that were made redundant as part of the COVID-19 related restructurings.

Triton
Revenue at Triton, the UK's market leader in showers, was £54.5m (2020: £48.6m), 14.3% higher than the prior year on a like for like basis. Triton recovered strongly from the first quarter COVID-19 lockdown disruption and grew revenue and profits across the remainder of the financial year by quickly adapting to the changes in supply and demand, ensuring product availability and maintaining customer service. 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.

Retail sector revenue was 26.9% higher than the prior year on a like for like basis driven by a significant uplift in demand for home renovation products and from customers with a strong online presence and "click and collect" facilities. The classification of showers as essential products supported customer demand and enabled us to continue selling in periods of lockdown to meet orders.

Trade sector revenue in the first half of the year was 25.3% lower than the prior year on a like for like basis as COVID-19 imposed restrictions impacted the contract building sector. Demand recovered in the second half with revenue 27.3% higher than prior year on a like for like basis with contracts in social housing and local authorities recovering gradually. Trade sales ended the year marginally lower on a like for like basis.

Triton's full year export revenue was 18.5% higher than the prior year on a like for like basis benefiting from a similar pattern of retail recovery in the key Irish market.

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 Instaflow™ Water Heating and Quiet Mark™ Pumped and Power Shower ranges.

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 their environmental credentials. A number of initiatives are already in place including zero waste to landfill, 99.9% recycled box packaging, environmentally friendly fleet vehicles and 100% recycling of used parts. During the year Triton started working with The Carbon Trust™ and has set a target to be net carbon zero by the end of 2025, Triton's 50th anniversary year.

Triton again delivered strong underlying operating profit along with excellent cash conversion in the period.

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 £43.3m (2020: £42.5m), growth of 3.8% on the prior year on a like for like basis despite the impact of COVID-19 that reduced revenue in the first quarter by 43.9%. The business continued to grow its market leading position in the UK through its quality product offering and customer centric service.

UK revenue grew by 4.4% on prior year on a like for like basis, with a particularly strong performance in the trade sector where revenue grew 6.0% on a like for like basis driven by growth across a number of existing customers in addition to a number of new contracts including Homes for Lambeth and Lendlease. The retail sector revenue increased by 3.2% on a like for like basis in the difficult COVID-19 trading environment which closed showrooms across the country for large periods of the year.

Exports were in line with prior year on a like for like basis, mainly reflecting the impact of COVID-19 lockdown measures in Ireland which impacted the construction sector.

New product development remains a core component of Merlyn's growth strategy with the launches of Arysto X, Arysto Colour and slip resistant trays during the year. The future pipeline includes an Arysto range extension, a next generation of shower trays, and products with improved glass cleaning properties. Despite the impact of COVID-19 on customer service levels, Merlyn won the NBG Plumbing, Heating & Showroom Supplier of the Year award for the third year running and the CCMA Customer Service Team of the Year.

Merlyn has continued to progress its environmental credentials during the year and has developed and tested a new eco-packaging solution to eliminate the use of single-use plastics with fully recyclable alternatives. This will be utilised in all new product launches going forward.

Merlyn recorded a strong performance with an underlying operating profit ahead of last year and continued to deliver strong cash conversion in the period.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded revenue of £38.2m for the year (2020: £42.3m), 8.0% lower than the prior year on a like for like basis. COVID-19 had a major impact on the business with revenue in April 2020 at 23% of the prior year, recovering in the second half with sales growth of 4.2% on prior year on a like for like basis.

In the UK, retail sector revenue declined by 9.5% on prior year on a like for like basis with a 21.5% decrease in the first half recovering to a 2.5% increase in the second half as retailers found ways to operate more effectively in the COVID-19 environment. Vado gained a number of new contracts during the year including the private label "@home shower" business with the Huws Gray Group and IPG, PHG, H&B and Bathcom, all of which will drive further channel growth in the current financial year.

Trade sector revenue was 10.1% lower than the prior year on a like for like basis with a 23.6% decrease in the first half recovering to a 3.4% increase in the second half as construction activity rebounded after the first quarter lockdowns. Key contracts with Countryside and Avant Homes were retained, continued growth came through Berkeley Homes and new business was secured with CP Hart which all helped to drive revenue growth in the second half of the year.

Export revenue was in line with prior year on a like for like basis with a 13.9% decrease in the first half recovering to a 9.1% increase in the second half driven by strong sales in Europe, and a number of project wins in Africa and the Middle East.

VADO

Inspired living at Triptych Bankside

The challenge

To supply a high end, contemporary range of brassware reminiscent of a boutique five-star hotel. Triptych Bankside is an architectural destination on the vibrant South Bank of London and is home to 169 luxurious apartments.

The solution

The developers, JT Real Estate, selected Elements and Notion brassware from the Individual by Vado portfolio. Finished in brushed black and gold they complemented the high end, Italian-designed bathrooms, meeting the designer quality required for the development.

The result

A display of exacting design, unrivalled craftsmanship and stunning specification, Triptych Bankside offers residents a space designed for living with an innate sense of belonging. A combination of architectural brilliance and prime location makes this another success story for Vado.

CROYDEX

Cleanliness is key to hotel's success in the Highlands

The challenge

With UK staycations becoming the only option for getaways during COVID-19, the Sumburgh Hotel on the South Mainland of Shetland wanted to ensure it was fully prepared for opening. It was important for it to provide the utmost cleanliness in every guest bedroom and washroom facility. The owners needed a durable and cost-effective soap dispenser that would withstand constant use in terms of not only functionality, but also staying fixed to the wall.

The solution

Croydex presented the Uno Chrome Euro soap dispenser which met all the requirements of durability, cost and fitment. The dispenser pump also pre-measures the right amount of liquid in order to avoid wastage and thereby reduce cost. It is also easy to fill and can be lifted off the wall bracket when needed.

The result

The hotel ordered over 140 Euro soap dispensers to be put up in every guest bedroom and washroom facility. With the hotel preparing to open up to visitors when out of lockdown, it can be sure to provide the right level of hygiene amongst not only guests, but staff too.

> "We continue to focus on our environmental and sustainability credentials. A new packaging policy was developed and implemented in the period to reduce the environmental impact of our packaging."

The investment in new product ranges has continued to support revenue growth with the prior year launches of the "Individual coloured range" supporting growth with high value developers and the "Axces" range supporting the retention of contracts with national housebuilders. Environmental and sustainability credentials have been a major focus for new product launches this year which has seen the introduction of a new range of water flow restrictors that can be used in both high and low pressure systems and the introduction of the "EcoTurn" range of cold start taps reinforcing Vado's position at the forefront of driving market trends.

Underlying operating profit was above the prior year combined with improved cash generation in the period.

Croydex

Croydex, our market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories, recorded revenue of £24.1m (2020: £23.7m) for the period, 3.4% higher than the prior year on a like for like basis. Revenue in the first half decreased by 10.6% on prior year on a like for like basis and recovered in the second half growing by 16.7% on the prior year on a like for like basis.

Retail sector revenue was up 13.1% on prior year on a like for like basis, with sales in the first half down 2.0%, with a recovery in the second half, 26.3% higher than prior year on a like for like basis. Increased online and e-commerce demand with digitally enabled businesses such as Argos, Wayfair and Very outweighed the reduced activity in our traditional high street customers as town and city centres remained significantly impacted by COVID-19 restrictions. Croydex has also grown revenues in the DIY sector through Wickes, having won major rollouts within their "take-away" bathrooms and showroom business.

Trade sector revenue was down 9.0% on the prior year on a like for like basis despite a strong performance in the second half with sales level with prior year on a like for like basis, with the recovery in demand from some of our more traditional merchants being held back as they struggled to meet social distancing rules.

Export sales grew 18.2% on prior year on a like for like basis mainly driven by growth in the US from cabinet and mirror sales to Home Depot.com and European growth from existing markets and a launch of a new cabinet range in Spain.

Our ongoing new product development programme has played a major role in driving new sales opportunities, the most significant being a second half Wickes store and online rollout of 150 new products including toilet seats, cabinets and shower accessories. Further new product launches included new cabinet designs introduced by El Corte Ingles in Spain, illuminated mirrors for online Home Depot in the US and "Flexi-Fix" toilet seats recently introduced into our Italian customer base.

We continue to focus on our environmental and sustainability credentials. A new packaging policy was developed and implemented in the period to reduce the environmental impact of our packaging in line with the UN environmental programme of sustainability. This policy also includes an implementation plan for the reduction in packaging, inclusion of more recycled content, elimination/replacement of single-use plastics and the use of sustainable sources. We also introduced a range of products in the US designed to conform with the American Disability Act. Underlying operating profit was ahead of the prior year and cash generation remained strong.

ABODE

Early adopters of stainless steel taps

The challenge
Stainless steel as a material is the perfect choice for fixtures such as taps, but in spite of this, the industry stayed away from this noble alloy due to the costs and technical difficulties of manufacture. This did not stop Abode, which was one of the first, if not the first, to market in the UK with a stainless steel tap offer.

The solution
Abode created a solution to provide a more exact match to its stainless steel sinks with the brushed texture, reflectivity and colour hue. Stainless steel as a material is 100% recyclable, does not use chemicals in the manufacturing process and is completely lead free. Stainless steel taps are also less likely to scratch, as they have no coating.

The result
A tap made from material that is 100% recyclable makes it the perfect choice for the eco-conscious consumer. With the use of sustainable materials in kitchen manufacturing and consumer demand for this being on the rise, Abode's stainless steel taps are the perfect pairing.

UK continued

Abode

Abode, our leading designer and distributor of high quality hot water taps, bathroom mixers, kitchen sinks and taps, recorded revenue of £15.0m for the year (2020: £14.8m), a 3.4% increase on a like for like basis.

In a strong second half revenue was up 37.1% on prior year on a like for basis recovering from a 21.7% decline in the first half with distribution being strengthened through a new partnership with national distributor PJH Group further extending the retail display base. From a product perspective the Pronteau steaming water tap proposition has been enhanced by the launch of a second generation boiler at the KBB 2020 exhibition whilst the home delivery of sinks was also expanded, supporting online sales with a cost-effective delivery of single ceramic sinks to consumers' doorsteps.

Continuing investment in product development and showcasing saw the opening of a new showroom and in-house photographic studio at our Barnsley Head Office alongside the launch of the "Distinctly Abode" collection, including Pronteau hot water taps, which is differentiated from the main branded range to provide greater retail exclusivity. The innovative Abode water filtration system "Swich" won an Ideal Home Award for sustainability and the newly launched "Prothia" tap was commended for its steaming hot water tap design.

Abode's flexible supply chain was further strengthened during the year through the introduction of SMETA standards for ethical trading with Abode also being accredited by Investors in People for employee engagement and people management processes.

Underlying operating profit and cash performance were both higher than the prior year, reflecting the second half recovery in revenue.

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 £32.8m (2020: £41.7m), 19.8% lower than the prior year on a like for like basis. This result was significantly impacted by the COVID-19 pandemic with first half revenues at 67.6% of prior year on a like for like basis. During the first national lockdown in April, where demand dropped sharply to 24% of prior year, the focus was on supporting commercial and retail contracts and rapidly developing the factory outlet website. Revenues recovered through the first half as the DIY retailers and construction sites returned to a more normal level of operation. This recovery continued into the second half where revenues were 93.1% of prior year on a like for like basis.

Trade sector revenue was down 19.8% on the prior year on a like for like basis, with the second half recording a 3.9% decrease on prior year on a like for like basis. The house developer sector recovered strongly throughout the second half, but commercial specifications, which are driven by the hospitality and retail sectors, have been very slow to restart with the social housing refurbishment market continuing to be impacted by the overhang from the Grenfell cladding issue. We benefited in the second half from our strong position with the national house developers where we have either exclusive supply or significant shares of the tile supply to Barratt, David Wilson, Persimmon, Charles Church, Redrow, Countryside and Bellway. During the year we supplied a number of major contracts in the period including the Royal Wharf development in London, Birmingham Airport Holiday Inn, Booking.com's UK offices, the Clayton Hotel in Manchester and the Cardhu distilleries offices.

Retail sector revenue was down 21.1% on prior year on a like for like basis with the second half recording a 11.6% decrease on prior year on a like for like basis with tiles not benefiting as much as some categories from the general market DIY uplift. However, we have still been successful in winning new space in both B&Q and Wickes during the year and Johnson Tiles' position as the only remaining UK-based tile manufacturer is expected to help us gain future retail traction. In 2021 Johnson Tiles is celebrating both its 120th year as a UK manufacturer of tiles and its heritage as a designer and innovator in tiles.

Export revenue which accounts for approximately 8% of overall revenue finished down 12.9% against prior year on a like for like basis, with second half revenue level with the prior year on a like for like basis. Strong performances in Bauhaus in Germany from new ranges and project driven sales in the Middle East were offset by a challenging performance with Leroy Merlin in France, with sales being impacted by the COVID-19 lockdowns.

Johnson Tiles has taken a market leading position on sustainability over many years in its manufacturing processes including the recycling of kiln waste heat, scrap tiles and water. In addition to this, during the year the business has become plastic free eliminating over 100 tonnes a year of plastic from its processes.

The business was profitable in the second half although for the year it incurred an underlying operating loss due to the lower revenues and the under recovery of fixed production costs whilst production activities were curtailed in the first half, only fully re-opening in mid-September. Cash generation in the year, however, was a particularly strong feature, reflecting significantly reduced inventory levels in the period.

Norcros Adhesives

Revenue at Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, was 6.0% higher than prior year on a like for like basis at £12.3m (2020: £11.8m) despite the impact of COVID-19, with distributor customers unable to open showrooms for several months. We benefited from our presence in the large multiples who were classified as essential retailers and quickly implemented social distancing measures, in addition to our growing specification business, all of which helped revenues to recover from COVID-19 related disruption and ultimately exceed prior year performance.

Trade sector revenue was 34.1% ahead of prior year on a like for like basis reflecting Norcros Adhesives' ongoing focus on building sales through the specification channel and was assisted by the launch of two new levelling products in Screwfix.

Retail sector revenue was 1.7% ahead of prior year reflecting the fast adaptation of the larger multiple customers to COVID-19 secure environments.

Our Middle East operations were severely impacted by COVID-19 with revenue 53.3% below prior year on a like for like basis with ongoing lockdown conditions disrupting many projects. With the growth expectations of the region significantly reduced and market liquidity continuing to tighten further the decision was made to close the business from 31 March 2021. Associated cash costs of £0.3m and non-cash costs of £1.1m have been recognised as exceptional restructuring costs.

New product initiatives in the period included the launch of our novel "Rock Tite" fixing system for porcelain tiles, with the technology also supplied as an own brand for the leading distributor in the landscape market, Aquacut. Environmental standards 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). A small underlying operating loss was recorded in the year which was an improvement on the prior year and reflected higher revenue and the benefits of new product introductions, price increases and product reformulations.

NORCROS ADHESIVES

Newly launched products make prestigious new wedding venue a reality

The challenge

The four-star Port Lympne Hotel in Hythe, Kent, is a byword for luxury, owned by the Aspinall Foundation and adjoining the breeding sanctuary for rare and endangered animals. In 2020 the owners wanted a refurbishment of the function room to improve its suitability as a wedding venue. To accommodate tight timescales, the owners decided to tile over the existing tiled surface.

The solution

The existing tiled floor was levelled using the recently launched Norcros Pro AF Levelling Compound. The leveller is ammonia and latex free and suitable for use on most substrates without the need for priming. The reduction in preparation time resulted in the porcelain tiles being laid in just three hours.

The result

The whole job was carried out in just over two weeks, the Pro AF Levelling Compound providing the tilers with a smooth flat surface to tile onto.

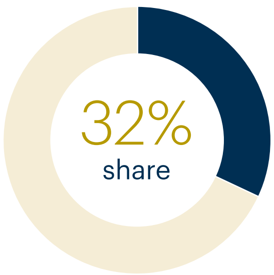
Strong recovery.

The second half saw a significant improvement in performance with revenue increasing by 29.2% against prior year on a constant currency like for like basis driven by strong retail renovation demand, increased commercial housebuilder activity and an improved export performance.

Highlights 2021

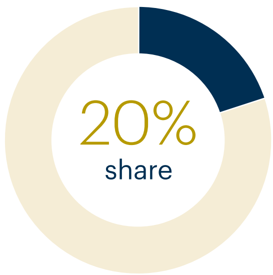
Share of Group revenue

£104.0m



Share of Group underlying operating profit

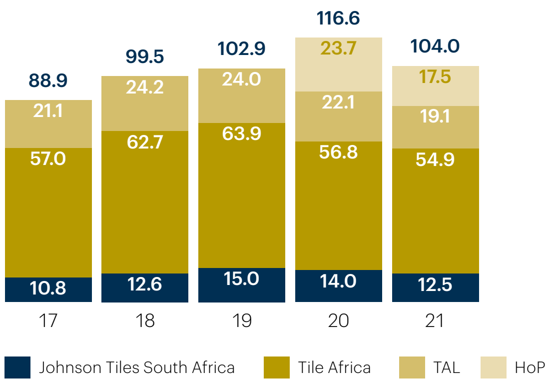
£6.9m



South Africa revenue £m

£104.0m

+3.2%[1]



1 On a constant currency like for like basis.

> Revenue for the year increased by 3.2% on prior year on a constant currency like for like basis."

South Africa

Revenue for the year increased by 3.2% on prior year on a constant currency like for like basis, though a decline of 10.8% on a Sterling reported basis to £104.0m (2020: £116.6m). The first quarter performance was materially impacted by the COVID-19 related nationwide lockdown which saw revenue decline to 50% of the prior year on a constant currency like for like basis. Our four businesses were closed during April, with our retail businesses re-opening in May having implemented COVID-19 safe operating procedures, and we were fully operational by the end of June. The businesses managed to recover strongly in the second quarter with revenue at 106.2% of prior year on a constant currency like for like basis benefiting from the timely re-opening of our facilities in our COVID-19 safe and secure manner ahead of many of our competitors, an improved export performance and excellent supply chain management. The second half saw revenue increase by 29.2% against prior year on a constant currency like for like basis driven by strong retail renovation demand, increased commercial housebuilder activity and improved export performance.

The COVID-19 pandemic has impacted our employees and their families. Whilst there were no cases of transmission of the virus at work, 8% of our colleagues have tested positive. Two employees have sadly passed away and we offer their families our deepest sympathies. The business has been proactive in the support provided to all staff throughout the year with full access to our wellness centre that extends to all aspects of wellbeing, including free access to independent psychological support.

During the year we continued to focus on our communities and have participated in a government-backed initiative, "Project YES" (Youth Employment Service), to provide work experience for unemployed young people nationwide with the hiring of 65 young people spread across all four businesses. We continue to remain actively involved in providing safe toilet facilities for underprivileged schools.

Underlying operating profit for the year was £6.9m (2020: £7.9m), the reduction in profits largely reflecting the translational effect of the weaker Rand, the impact of COVID-19 in the first quarter, partially offset by the receipt of £0.8m of coronavirus job retention support from the South African Government, and the recovery in demand in the second half. Cash generation across the South African businesses was strong despite the COVID-19 trading disruptions, driven by cost mitigation measures and effective working capital management. The business finished the year in a strong financial and competitive position, well placed to continue to gain market share in its respective markets.

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business, recorded revenue of £12.5m (2020: £14.0m), a 10.7% decrease on a reported basis and 2.5% higher on a constant currency like for like basis, a commendable performance given that the manufacturing plant was closed for the first two and half months of the financial year.

The business benefited from the investment in inventory levels coming into the lockdown period and an excellent performance from the production team once the economy re-opened post-lockdown. These actions, alongside targeted plant investments during the period, helped to drive improved manufacturing stability, throughput and product quality, enabling the business to meet the increased demand resulting from the strong recovery in housing renovations and in the later part of the year from commercial housebuilders as construction sites re-opened. During the second half recovery our products were specified and installed in a number of leading developments across the country, including The Whisken and Sky City residential developments in Johannesburg, and the Lotus Gardens development in Pretoria.

Our New Product Development programme helped to support the recovery in retail demand and is expected to continue to do so as the recovery in the commercial sector gathers pace in the year ahead.

Cash generation was strong and ahead of the prior year although underlying operating profit was marginally lower than the prior year reflecting the extended plant shutdown in the first quarter.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, sanitaryware and bathroom fittings, recorded revenue of £54.9m (2020: £56.8m), a 3.3% decrease on a reported basis and 11.8% higher on a constant currency like for like basis. The improvement on prior year was driven by improved retail demand from increased renovation activity and significantly better operating disciplines and superior stock availability.

The commercial contracts sector was hardest hit by the COVID-19 lockdowns as this coincided with the start of the annual building cycle. Despite the lower overall new build activity, Tile Africa completed several large retail floor covering installations for Pick n Pay, Boxer and Spar, with a noticeable pickup in activity in the second half with other specialist projects completed or underway including a dairy plant floor installation for Clover and the Ridge mixed-housing development in Cape Town.

Tile Africa successfully launched a private label shower enclosure range during the year with Merlyn's assistance, with excellent initial sell-through being achieved. It was also particularly pleasing to see bathroom ware growth in the year as the business continues to benefit from the ability to directly source product utilising the Group's wider supply chain network.

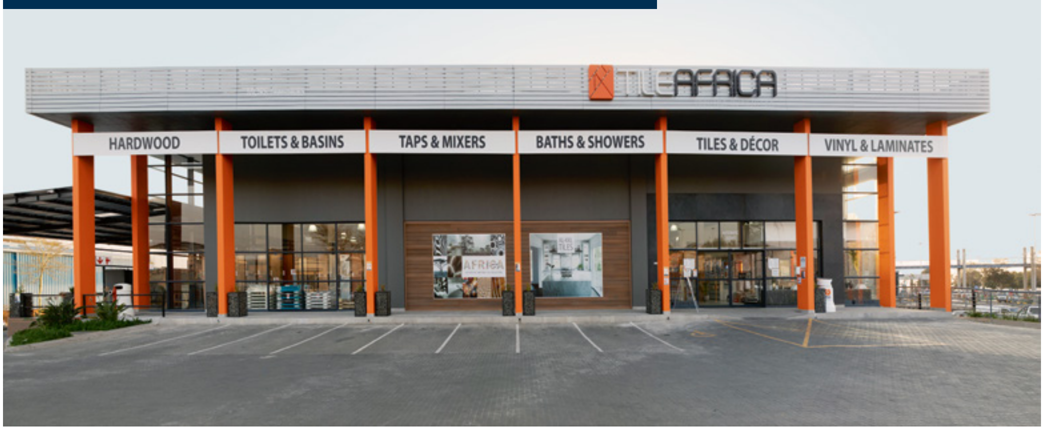
Tile Africa currently operates from 32 owned stores and two franchise stores. Ongoing capital investment in the business majored on the flagship Greenstone branch upgrade completed this year and the Ballito branch relocation completed recently, with both developments including a bathroom store-within-a-store concept and a bespoke alternative floor coverings department.

Operating profit and cash were both significantly better than the prior year.

TILE AFRICA

Ongoing capital investment

Tile Africa has seen the upgrade of its flagship branch including a bathroom "store-within-a-store" with a bespoke alternative coverings department.



South Africa continued

TAL

TAL, our market leading adhesives business, recorded revenue of £19.1m (2020: £22.1m), a 13.6% decrease on a reported basis albeit a 0.5% increase on a constant currency like for like basis. Following the national lockdown in the first quarter there was a sharp decline in large commercial new build projects with first half revenue at 79.0% of the prior year on a constant currency like for like basis. In the second half, the business grew 24.4% on the prior year on a constant currency like for like basis reflecting good operational planning on the timely re-opening of our production facilities which allowed the business to meet strong local and export retail demand, often at the expense of competitors who struggled to re-open their operations efficiently.

TAL remains the preferred partner in the market in relation to numerous technical projects with the business supplying market leading products and technical expertise into several prestigious projects this year, including the redevelopment of an uncovered swimming pool at the world class aquatics centre in King Edward VII School, Johannesburg, the installation of a liquid marble epoxy floor in the Quna Restaurant at the Saxon Hotel & Spa in Johannesburg, the installation of an Olympic size swimming pool for the University of the Western Cape, construction of Sky City residential apartments and the first phase of the Munyaka commercial housebuilding project.

Our new product development is focused on developing novel fixing systems for coverings outside of our traditional tile market and during the year we launched the Profix LVT adhesive for large vinyl tile installations.

Cash generation was strong and ahead of the prior year despite underlying operating profit being lower than the prior year, reflecting the extended plant shutdown in the first quarter.

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 £17.5m (2020: £23.7m), 26.2% lower than the prior year on a reported basis and 14.6% lower on a constant currency like for like basis. The first half saw revenue decline to 71.2% of prior year on a constant currency like for like basis as the business was initially heavily impacted by COVID-19 as the large commercial projects supplied by House of Plumbing took longer to recover after lockdown. In the second half of the year the business recovered to prior year revenue levels on a constant currency like for like basis, with the fourth quarter seeing growth of 17.8% over prior year on a constant currency like for like basis against the prior year as new build project activity increased.

While there was a sharp decline in the number of large commercial projects in the year, the management team's focus on providing expert technical advice and consistent stock availability resulted in new B2B and B2C business being gained. The business also successfully opened our first new store post acquisition in Polokwane as part of our plan to establish a comprehensive national footprint. The business currently operates out of four branches, with four new branches planned for the year ahead. During the year, House of Plumbing supplied a number of landmark projects, including the Wierda Road and Tree Tops apartment developments in Johannesburg and The Capital Hill Hotel in Nelspruit.

Underlying operating profit and cash generation were lower than the prior year reflecting the more marked disruption from COVID-19 on a number of large new build commercial projects.

TAL

Game changing aquatics facility

The latest project for the King Edward VII School, Johannesburg, has taken its tradition of excellence to another level. The redevelopment of the uncovered ageing school swimming pool into a world class aquatics centre was completed in November 2020.

The aquatics centre provides game changing facilities to the King Edward VII School, Johannesburg, with the main pool boasting ten lanes and a smaller four-lane pool with an extra shallow "learn to swim" lane.

The tiling for this wonderful new facility was completed with TAL Goldstar 12 modified with TAL Bond to fix the tiles and grouted with TAL water-based epoxy grout for an impervious, chemical and acid resistant installation.

Strong revenue, profit and cash performance despite COVID-19 disruptions.

Shaun Smith
Chief Financial Officer

- Group revenue decreased by 5.2% to £324.2m (2020: £342.0m)
- Group underlying operating profit increased by 4.6% to £33.8m (2020: £32.3m)
- Group operating profit was £24.9m (2020: £17.8m)
- Group underlying profit before tax was £30.6m (2020: £28.8m)
- Group profit before tax was £18.5m (2020: £15.0m)
- Underlying operating cash flow of £65.8m (2020: £38.4m), 174% of underlying EBITDA (2020: 99%)
- Net cash at £10.5m (2020: net debt of £36.4m)

Financial overview

	2021 £m	2020 £m
Revenue	**324.2**	342.0
Underlying operating profit	**33.8**	32.3
IAS 19R administrative expenses	**(1.4)**	(1.5)
Acquisition related costs	**(3.7)**	(4.0)
Exceptional operating items	**(3.8)**	(9.0)
Operating profit	**24.9**	17.8
Net finance costs	**(6.4)**	(2.8)
Profit before taxation	**18.5**	15.0
Taxation	**(3.5)**	(4.1)
Profit for the year	**15.0**	10.9

Revenue

Group revenue at £324.2m (2020: £342.0m) decreased by 5.2% on a reported basis, by 1.2% on a constant currency basis, and increased 0.7% on a constant currency like for like basis after adjusting the prior year for period pro-rating (53 weeks versus 52).

Underlying operating profit

Underlying operating profit increased by 4.6% to £33.8m (2020: £32.3m). Our UK businesses delivered underlying operating profit of £26.9m (2020: £24.4m), and our South African businesses generated an underlying operating profit of £6.9m (2020: £7.9m). Group underlying operating profit margin was 10.4% (2020: 9.4%).

Underlying operating profit includes £3.3m of UK Government assistance in respect of the Coronavirus Job Retention Scheme and £0.2m and £0.8m respectively from the Irish and South African governments in relation to similar schemes. The support received is net of a £0.7m repayment made in June 2021 of Coronavirus Job Retention Scheme support received from the UK Government in relation to furloughed employees that were made redundant as part of the COVID-19 related restructurings.

IAS 19R administrative costs

These costs represent the costs incurred by the Trustee of administering the UK pension scheme and are reflected in the Income Statement under IAS 19R. Costs of £1.4m are in line with prior year (2020: £1.5m).

Acquisition related costs

A cost of £3.7m (2020: £4.0m) has been recognised in the year and is analysed as follows:

	2021 £m	2020 £m
Deferred remuneration	—	0.6
Intangible asset amortisation	**3.7**	3.7
Release of provision for contingent consideration	—	(1.1)
Advisory fees	—	0.8
	3.7	4.0

In accordance with IFRS 3R, a proportion of the deferred consideration payable to the former shareholders of certain acquired businesses is required to be treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred which amounted to a cost of £0.6m in the prior year in relation to the House of Plumbing acquisition. In the current year, this provision has been released as the earn-out targets have not been met. We have increased our property provision by an equivalent amount due to the anticipated COVID-19 related loss of rental income on our last remaining legacy onerous lease, which expires in June 2022.

In the prior year in relation to the House of Plumbing acquisition, £1.1m of contingent consideration was released to the Income Statement.

The advisory fees in the prior year relate to the costs incurred in relation to acquisition activity that did not conclude.

Chief Financial Officer's report continued

Exceptional operating items

A net exceptional operating charge of £3.8m (2020: £9.0m) has been recognised in the year.

	2021 £m	2020 £m
COVID-19 related restructuring	3.8	—
COVID-19 related impairment	—	9.0
	3.8	9.0

COVID-19 has significantly affected economic activity and disrupted the business operations of the Group. The Group has implemented several restructuring programmes during the period which resulted in a reduction in employee numbers of approximately 200, and incurred £2.4m of costs, of which £2m are cash costs, with £1.6m being paid in the year, and £0.4m are non-cash. In light of the continued COVID-19 uncertainty and its impact on our adhesives business in the Middle East we have also decided to exit the adhesives market and close our small adhesives Middle East operation at the year end which resulted in an additional £1.4m of restructuring costs comprising £0.3m of cash costs and £1.1m of non-cash costs.

During the prior year an exceptional charge of £9.0m was incurred in relation to the impairment of tangible, intangible and right of use assets within the Johnson Tiles UK business.

Net finance costs

	2021 £m	2020 £m
Interest payable on bank borrowings	(1.5)	(1.6)
Interest on lease liabilities	(1.7)	(1.9)
Movement on fair value of derivative financial instruments	(2.0)	—
Amortisation of costs of raising debt finance	(0.2)	(0.2)
Finance costs	(5.4)	(3.7)
Movement on fair value of derivative financial instruments	—	1.7
Finance income	—	1.7
IAS 19R finance cost	(1.0)	(0.8)
Net finance costs	(6.4)	(2.8)

Net finance costs for the year of £6.4m compares to £2.8m in 2020. This increase is mainly due to the movement in the fair value of foreign exchange contracts which is a £2.0m cost in the year (2020: £1.7m income) 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 £1.0m interest cost in respect of the defined benefit pension scheme liability (2020: £0.8m) which increased by £0.2m principally reflecting the higher deficit at the start of the year.

Underlying profit before tax

Underlying profit before tax was £30.6m (2020: £28.8m), mainly reflecting the increase in underlying operating profit of £1.5m noted above.

Taxation

The tax charge for the year of £3.5m (2020: £4.1m) represents an effective tax rate for the year of 18.9% (2020: 27.3%). The decrease in the effective tax rate is mainly due to the impact of the non-deductible impairment charge in the prior year.

The standard rates of corporation tax in the UK, South Africa and Ireland in the period were 19% (2020: 19%), 28% (2020: 28%) and 12.5% (2020: 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. Based on the improved trading performance in the second half the Board believes that now is the time to reinstate its dividend and has therefore taken the decision to recommend a final dividend of 8.2p per share (2020: 3.1p). This is equivalent to a dividend cover of 3.8 times, consistent with the year ended 31 March 2019. The cash cost of the dividend is £6.6m.

The Group will now continue with its progressive albeit prudent dividend policy which takes in to account the Group's growth strategy, the interests of other key stakeholders, the Group's cash-generative characteristics and its earnings growth.

This final dividend, if approved at the Annual General Meeting, will be payable on 30 July 2021 to shareholders on the register on 25 June 2021. The shares will be quoted ex-dividend on 24 June 2021. 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 9 July 2021.

Balance Sheet

The Group's Balance Sheet is summarised below.

	2021 £m	2020 £m
Property, plant and equipment	28.0	29.0
Right of use assets	19.6	20.6
Goodwill and intangible assets	93.6	96.5
Deferred tax	(0.5)	4.7
Net current assets excluding cash and borrowings	44.0	67.5
Pension scheme liability	(18.3)	(48.9)
Lease liabilities	(24.2)	(25.1)
Other non-current assets and liabilities	(4.3)	(3.5)
Net cash/(net borrowings)	10.5	(36.4)
Net assets	148.4	104.4

Total net assets increased by £44.0m to £148.4m (2020: £104.4m).

Property, plant and equipment reduced by £1.0m and included additions of £2.5m (2020: £4.0m). The depreciation charge was reduced to £5.2m (2020: £6.6m) due to the prior year impairment of Johnson Tiles assets and foreign exchange gains were £1.7m (2020: loss of £3.2m).

Right of use assets decreased by £1.0m to £19.6m (2020: £20.6m), reflecting the difference between additions or renewals and right of use asset depreciation in the year. Lease liabilities of £24.2m (2020: £25.1m) decreased by a similar amount.

The deferred tax asset decreased by £5.2m to a liability of £0.5m (2020: asset of £4.7m). The decrease is mainly the result of a movement in the pension deferred tax asset reflecting the lower pension scheme deficit at 31 March 2021.

Pension schemes

On an IAS 19R accounting basis, the gross defined benefit pension scheme valuation of the UK scheme showed a deficit of £18.3m compared to a deficit of £48.9m last year. Whilst the present value of scheme liabilities rose by £5.3m due to a reduction in the discount rate to 2.05% (31 March 2020: 2.21%), partially offset by changes in mortality assumptions, the value of scheme assets increased by £35.9m due to the recovery from the initial COVID-19 impact on financial markets and asset valuations.

The triennial actuarial valuation for the Group's UK defined benefit pension scheme as at 1 April 2018 reported an actuarial deficit of £49.3m (2015: £73.5m) representing an 89% funding level (2015: 84%). The deficit recovery plan was agreed with the scheme Trustee, with a cash contribution of £3.3m per annum plus CPI, payable for the 6.5 years to 30 September 2025. In line with this agreement the Group made deficit recovery contributions of £3.3m (2020: £3.3m) into its UK defined benefit pension scheme during the year.

The Group's contributions to its defined contribution pension schemes were £3.0m (2020: £3.5m).

Cash flow and net debt

Underlying operating cash flow was £27.4m higher than in the prior year at £65.8m (2020: £38.4m).

	2021 £m	2020 £m
Underlying operating profit	**33.8**	32.3
Depreciation and amortisation	**5.4**	6.8
Net working capital movement	**21.8**	(4.8)
IFRS 2 charge add-back	**1.0**	0.1
Depreciation of right of use assets	**4.0**	4.5
Cash settlement of share options	**(0.2)**	(0.5)
Underlying operating cash flow	**65.8**	38.4

The main driver of the improved underlying operating cash flow was a significant cash inflow from working capital including £3m of Government approved VAT deferral which will be repaid in the year to 31 March 2022. Underlying operating cash conversion in the year was 174% of underlying EBITDA (2020: 99%).

	2021 £m	2020 £m
Underlying operating cash flow	**65.8**	38.4
Cash flows from exceptional items and acquisition related costs	**(2.5)**	(0.3)
Pension fund deficit recovery contributions	**(3.3)**	(3.3)
Cash flow generated from operations	**60.0**	34.8
Net interest paid	**(3.2)**	(3.5)
Taxation	**(3.5)**	(5.3)
Net cash generated from operating activities	**53.3**	26.0
Capital expenditure	**(2.8)**	(4.8)
Acquisitions	**—**	(9.2)
Dividends	**—**	(7.0)
Share transactions	**0.3**	(0.8)
Principal element of lease payments	**(4.3)**	(3.8)
Other items	**0.4**	(1.8)
Net cash generated/(spent)	**46.9**	(1.4)
Opening net debt	**(36.4)**	(35.0)
Closing net cash/(debt)	**10.5**	(36.4)

JOHNSON TILES UK

Hilton acquires elegant aesthetic worthy of its brand

The challenge

As part of its £20m refurbishment, the Hilton Garden Inn, Stoke on Trent, wanted to draw inspiration from the city's rich ceramic heritage, as it is home to well-known pottery brands such as Wedgwood, Spode and Royal Doulton.

The solution

Johnson Tiles was chosen to provide its Subway range for the front panel of the main reception desk. With a signature dome, the Subway product delivers character to pair with the modern decor. The reception also features a ceramic map of Stoke on Trent with Johnson's signature Prismatics range providing the backdrop to highlight this statement piece, tying together local heritage and local manufacturing. The bathrooms also feature the Prismatics tiles to make a simple, yet stunning statement for a clean, modern look.

The result

The refurbishment enabled the designers to work with local businesses and artisans to represent both the rich history and the future evolution of the area known as "The Potteries". To bring a hotel of this calibre to the city will ensure that Stoke on Trent's tourist economy can also be effectively supported.

Chief Financial Officer's report continued

Cash flow and net debt continued

Cash generated from operating activities was £27.3m higher than the prior year at £53.3m, largely due to the £27.4m increase in underlying operating cash flows.

Cash flows from exceptional items and acquisition related costs in the current year primarily relate to the costs of the COVID-19 related restructuring carried out in the year totalling £1.6m, acquisition activity from the prior year that did not conclude totalling £0.5m, and costs related to our legacy onerous lease totalling £0.4m.

Capital expenditure at £2.8m (2020: £4.8m) was lower due to COVID-19 related cash conservation measures.

Acquisition expenditure of £9.2m in the prior period mainly relates to the acquisition of the House of Plumbing.

The Group ended the year with net cash of £10.5m (2020: net debt of £36.4m) on a pre-IFRS 16 basis after a net cash inflow of £46.9m. Net debt inclusive of IFRS 16 lease liabilities was £13.7m (2020: £61.5m).

Funding and liquidity

The Group has committed banking facilities of £120m (plus a £30m accordion) with a maturity date of the facility of November 2022.

As a result of the impact of the COVID-19 pandemic in the first quarter, the Group agreed with its banking group a number of covenant waivers at September 2020 and March 2021 together with a new replacement maximum net debt covenant of £95m, tested quarterly until June 2021. The focus on cost alignment and cash generation across the Group alongside the strong trading recovery in the second half of the year has ensured that these covenant waivers will not be required. The Group's improved liquidity position was achieved without the need to raise funds from any equity raises or accessing Coronavirus Business Interruption Loans.

Shaun Smith
Chief Financial Officer
9 June 2021

	Average rate vs £	
	2021	2020
South African Rand	**21.36**	18.97
Euro	**1.13**	1.15
US Dollar	**1.32**	1.27

	Closing rate vs £	
	2021	2020
South African Rand	**20.24**	23.07
Euro	**1.18**	1.14
US Dollar	**1.38**	1.23

	2021	2020	Change
Revenue (£m)	**324.2**	342.0	(5.2)%
Underlying operating profit (£m)	**33.8**	32.3	4.6%
Underlying profit before tax (£m)	**30.6**	28.8	6.3%
Underlying diluted earnings per share (pence)	**31.1**	28.2	10.3%
Underlying return on capital employed (%)	**18.2**	16.4	180bps
Underlying operating cash flow (£m)	**65.8**	38.4	71.4%
Net cash/(debt) (£m)	**10.5**	(36.4)	46.9m

Supporting sustainable business objectives through embedded risk management.

Risk management is 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

Integrated top-down and bottom-up risk management process

Group Audit and Risk Committee
Risk management framework oversight and challenge
Review management of top risks

Group Internal Audit and Risk Assurance
Provide independent, objective assurance
Facilitate business risk reviews
Reporting on principal risks and uncertainties

Group and business units
Risk monitoring
Regular review and updating of risk registers

Group
Strategic risk management
Identification, review and management of Group risks

Business units
Operational risk management
Update and maintain risk registers reflecting key risks identified and mitigating actions taken

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

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 39. The list does not comprise all the risks that the Group may face, and they are not listed in any order of priority. During 2020, many of our existing principal risks were affected by the COVID-19 global pandemic. A year later, while the Group is more aware of, and has gained considerable experience in, identifying the specific risks that can arise from COVID-19, and how we can mitigate them, we continue to hold the view that uncertainty levels resulting from the ongoing COVID-19 pandemic are likely to remain high in 2021 and beyond. We continue to monitor all risks closely as part of our risk management process.

While the previous uncertainty around the timing and potential terms of Brexit significantly diminished following the agreement between the UK and the European Union, some uncertainty remains as the two parties continue to negotiate, interpret and enforce the agreement over time. Future risks arising in this area are viewed as business as usual and the act of Brexit itself has therefore been removed as a separate principal risk in 2021.

The Group has a history of being focused on providing sustainable value creation while being committed to operating in an ethical, entrepreneurial and responsible manner with the highest standards of corporate governance. We recognise the continuing and increasing global importance of environmental, social and governance (ESG) risks and the way in which the Group interacts with, and impacts on, the world around it. We also recognise ESG's importance to key stakeholders including access to investment and capital markets, customer preferences, supply chain management and increasing governance requirements. ESG has been included as a principal risk in 2021.

Strategic risks

Coronavirus (COVID-19) pandemic

Risk movement

Reducing

Description

The COVID-19 virus was first identified in China in December 2019 and it spread quickly, causing a global pandemic throughout 2020, which continues into 2021. Strict travel restrictions, social lockdowns and business closures were the primary measures implemented by governments around the world to contain the spread of the virus. Vaccination programmes are now being rolled out across the world to limit the impact of the virus further and allow the primary restrictions to be fully lifted. While the latest results of the vaccination programme are encouraging it is still too early to determine whether the programme will successfully allow the world to go back to a pre-COVID-19 environment or when; therefore, there is still the risk that COVID-19 will continue to be a significant source of uncertainty in the markets that we operate in.

Impact

While the Group performed 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 South Africa could lead to further restrictions that could be detrimental to our trading in the short term.

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

Mitigation

Existing business continuity plans, insofar as they applied to a global pandemic, assisted us in mitigating the impacts of COVID-19, including 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.

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.

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

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

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.

Impact
The lack of a credible ESG framework could lead to the Group losing customers, investors or support from other stakeholders that would negatively impact 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. The Group is currently in the process of developing a new ESG reporting framework designed to improve our ESG performance.

People risk

Staff retention and recruitment

Risk movement

Stable

Description
The Group currently employs 2,055 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.

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

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

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

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

Principal risks and uncertainties continued

Commercial risks

Market conditions

Risk movement

Stable

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 this is expected to continue, at least in the short to medium term. Although RMI demand in our key markets remained resilient in the past financial year as people spent more time in their homes, there is no guarantee that this will continue in the future. Consumer spending patterns may change as COVID-19 restrictions are lifted.

Recovery from COVID-19 has placed unprecedented demand on global supply chains, as evidenced by a shortage of shipping containers and an increase in freight costs, and raw material and energy price inflation.

Impact
The unexpected, rapid deterioration in market conditions arising from COVID-19 in the early part of 2020 was relatively short lived and demand recovered strongly. However, demand for our products could still weaken in the short to medium term as consumer spending patterns change, impacting profitability and cash generation.

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

Mitigation
There are a number of mitigating factors in place that would limit the impact of potential changes in consumer spending patterns on the Group, including the breadth of products offered, the geographical spread of our businesses, a flexible cost base and supply chain and the 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
Whilst the Group has a diverse range of customers there are nevertheless certain key customers which account for higher levels of revenue.

COVID-19 continues to heighten the risk that key customers could go out of business, or that they could change their business models, e.g. they may move to an online, or other alternative, model and we may miss this opportunity if we fail to adapt to such changes.

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

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

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

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

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

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

Operational risks

Reliance on production facilities

Risk movement

Stable

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

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

Mitigation
The Group has a well-established ongoing preventative maintenance programme as well as a comprehensive 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 were tested during the year. 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.

During the year, the divisions managed significant COVID-19 related disruption to global logistics networks that created a backlog of containers arriving into ports and container shortages in Asia that had a significant impact on product delivery times and costs.

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

Stable

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

The business has maintained its use of flexible working methods which enabled an increasing number of employees to work remotely including during COVID-19 lockdown periods. This evolution of working methods presents increased cyber security risks due to remote system access from potentially less secure home 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 operates remote backups of data and the Group undertakes annual penetration testing conducted by certified third parties.

Ongoing data protection legislation and 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 provide local advice.

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

New equipment and security tools and methods, such as virtual private networks and dual factor authentication, are employed to mitigate remote working risks. Employees working remotely receive additional cyber security awareness training and advice.

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 23 November 2022, 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
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 deficit in this scheme, as at 31 March 2021, of £18.3m (2020: £48.9m) assessed in accordance with the accounting standard IAS 19R. While the present value of scheme liabilities rose by £5.3m due to a reduction in the discount rate to 2.05% (31 March 2020: 2.21%), this was partially offset by changes in mortality assumptions. The value of scheme assets increased by £35.9m due to the recovery of the initial COVID-19 impact on financial markets and asset valuations.

The actuarial deficit at 1 April 2018 was £49.3m (2015: £73.5m) and contributions of £3.25m per annum plus CPI will be payable for the 6.5 years to 30 September 2025.

Pension scheme valuations are in the ordinary course undertaken on a triennial basis. The next triennial valuation dated 1 April 2021 is currently underway. The Company and the Trustee continue to work constructively together.

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 34 to 38), the Board has decided to assess the viability of the Group over a three-year period to 31 March 2024. 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 Board considers the outputs from this financial model, including the Group's cash flows, headroom under existing financial facilities, dividend cover and other key financial ratios over the three-year period. The financial model has then been stress tested by modelling the most extreme but plausible scenario, that being 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 Directors have considered the impact of this scenario on the Groups' financial performance (specifically headroom on our financial facilities and covenants) with net cash of £10.5m as at 31 March 2021 and after taking account of mitigating actions that could be made, with the result being that the Group maintains the necessary liquidity levels and complies with the facility covenants despite the impact of significant declines in revenues, earnings, cash outflows and increasing leverage.

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

Therefore, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2024.

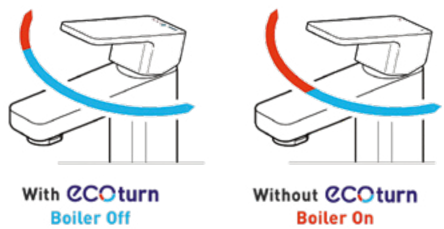
VADO

Save money on your energy bill and reduce your carbon footprint

Conventional taps instantly engage the boiler once the tap is turned on. This causes unnecessary usage when hot water is not required.

Vado products with Ecoturn technology have an increased cold water area, allowing you to consciously choose when you want to use hot water by actively turning the lever.

This means simple tasks that do not require hot water, such as brushing your teeth, can be done without unnecessarily engaging your boiler and heating the water you do not need.



Corporate responsibility and sustainability

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

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. Our commitment to uphold the highest level of corporate responsibility, including our supply chain, extends to the priority of minimising our negative impact on the environment and developing a rigorous ESG reporting framework. We are further positioning our businesses and products to benefit and pursue growth opportunities emerging from ESG trends and developments. Our businesses will have a positive impact on the local communities in which they operate and we empower our businesses to support local charities and community projects. We offer our employees a safe and positive working environment within an open, transparent and entrepreneurial culture and de-centralised operating model.

Pictured above: Sani2c is a three-day, 265-kilometre mountain bike stage race, which takes place in South Africa. Their aim is to raise funds for employment and other commercial opportunities, and to develop skills by collaborating with local organisations and previously unemployed residents along the route. Tile Africa joined sani2c in 2015 and has since continued to contribute to the upgrading and building of permanent race villages at both Glencairn Farm and Jolivet.

Our ESG principles

- 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
- Providing our employees a safe and positive working environment
- Pursuing emerging growth opportunities from ESG trends and developments
- Having a positive impact on the local communities in which we operate
- Engaging with suppliers who uphold minimum ESG standards
- Building a rigorous ESG reporting framework

Our ESG building blocks

Norcros considers the following as the "building blocks" of a responsible and sustainable business:

- Environmental
- Products
- Social – people
- Social – community
- Governance
- Suppliers

The rest of this ESG report looks at each of these in detail.

Environmental

Sustainability

Care for the environment and sustainability are at the forefront of all our activities and products. The Board recognises that the Group's activities do have an impact on the environment. We seek to manufacture all our products in a sustainable way and many of the products themselves contain environmental features – for example, our taps and showers encourage water and energy saving and our tiles and adhesives use recycled products where appropriate.

Environmental impact

Norcros is committed to minimising this impact by continually improving its efficiency in terms of energy, water and material consumption. One particular area of focus across the Group has been taking steps to reduce plastics, particularly packaging. We also have rigorous programmes to seek to ensure compliance with all environmental legislation and requirements relating to our operations and our products.

Energy efficiency

The Group aims to minimise its carbon footprint. Its greenhouse gas emissions and energy use are reported on in detail on pages 79 and 80. Whilst there has been a significant decrease in overall emissions compared to last year, this has to be considered in the context of the impacts of the COVID-19 pandemic, which reduced the Group's energy consumption markedly, particularly in the early months of the year. In the context of the overall growth in the activities of the Group, relative to revenue, emissions have fallen by 24.9% year on year. Examples of the principal measures taken to improve energy efficiency are given on this page, and also include the introduction of electric vehicles and the promotion of the energy-saving benefits of our products.

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

JOHNSON TILES UK

"Green policy" for the last 20 years

Recycling

For the last 20 years, Johnson Tiles has had a continuous "green policy" with pioneering initiatives. Every aspect of the business is subject to a strict environmental policy, which also includes its suppliers.

Each year, Johnson Tiles recycles 14,000 tonnes of ceramic waste, grinding it and then adding it to the standard ceramic materials, to create a new tile body. Recycling this waste saves 16,800m^3 at landfill, and an estimated 235,000 miles of HGV journeys per year.

Packaging

Second-hand pallets are used and if damaged, they are repaired wherever possible. Pallets beyond repair are sent for chipping and recycling. This saves 1,250 tonnes of virgin timber, approx. 10,000 trees, per year.

Plastic shrink-wrap has been replaced with recyclable corrugated card and the polypropylene strapping used for production boxes has been substituted with a new sugar cane product for pallet stabilisation.

Energy and water

By re-using 32,000m^3 of water per year (30% of the total factory usage) and removing water from another part of the production process, Johnson Tiles can save an additional 2,100m^3 of water per year.

In 2001, the new single fired production plant was re-sited, dropping the annual energy consumption from 195 million kWh of energy to 130 million kWh, while raising production from 53,000 tonnes of ceramic tiles in 2001 to 56,000 tonnes by 2019. This is an energy saving of 35% per tonne of ceramic tile, equating to 68 million kWh per year. By speeding up its kilns, using automatic light sensors and re-using kiln exit heat, consumption has been cut even further, saving around 9% of gas.

Johnson Tiles is the only UK tile manufacturer to use the most energy-efficient production process of a single fire.

ABODE

Patented design – winner of the "One Small Step Award for Sustainability"

Being "eco-friendly" means living in a way that is not harmful to the environment. We have seen an increase in sales of reusable coffee cups, plastic straws being banned in bars and restaurants and brands like Evian promising to manufacture packaging from recycled materials.

For Abode, this presents an opportunity to focus on the solutions that aid the fight against single-use plastics and underlie the development of eco-friendly products such as water filter taps with Puria and Swich.

The Puria tap is a slimline and cost-effective water filter tap giving consumers more design choice and a more inviting price base, encouraging upgrade from a standard tap to a filtered water tap, and replacing bottled water with unlimited fresh, filtered drinking water on demand.

The innovative Abode Swich water filter diverter can transform any tap, new or old, into a filtered water tap enabling households to live more sustainably by reducing their use of plastic water bottles.

Products

Our lifeblood as a business is our innovative product portfolio. Within this we include many features that promote sustainability. We give examples on this page and also elsewhere in this Strategic Report.

Social – people

Employee engagement

The Board ensures effective engagement with, and encourages participation from, all employees. There are many aspects to employee engagement including induction processes, communications, feedback, surveys and appraisals. The importance of good relations with all employees is well recognised and accepted throughout the Group. The Group is fully committed to keeping its employees informed about their work unit and the wider business, but because the Group's activities are generally organised on a de-centralised basis, with each operating business having a reasonable degree of autonomy over its operations, there is no uniform set of arrangements for employee involvement imposed throughout the Group. Nevertheless, all businesses in the Group are strongly encouraged to devise and adopt whatever means of employee involvement best suits their circumstances. Amongst other things, employee communications focus on achieving a common awareness of the financial and economic factors affecting the performance of the business. Our approach to employee engagement provides flexibility and enables divisional management to tailor its many activities to the needs of its particular business. The Board stays in touch with all our employees via regular meetings with divisional management and, where this is practicable, site visits to our operations and receives reports on employee matters. Employees are encouraged to be involved in the Company's performance through employee shares schemes, and other means of incentivisation and reward. In order to monitor employee engagement, the principal businesses within the Group conduct regular employee surveys as part of the business's engagement programme, and other businesses have survey processes planned. With the onset of the COVID-19 crisis, the emphasis as regards employees necessarily switched to employee welfare and engagement on the impact of COVID-19 on the business and support to all employees affected directly or indirectly by it. Throughout this difficult time all our businesses have maintained good engagement with their employees.

Training and development

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

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

Diversity and inclusiveness

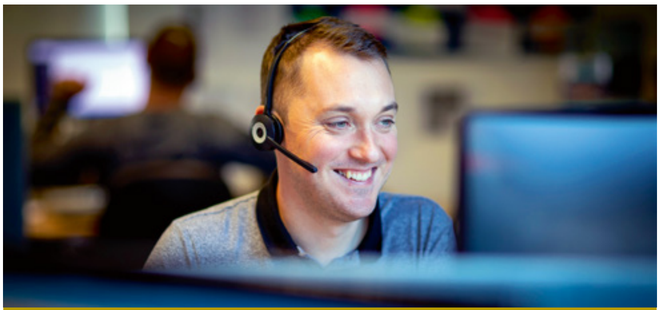
Our people are key to our success as a business and we value the individuality and diversity that each employee brings. Prior to any senior appointment, the Nomination Committee ensures the best person for the role is appointed and in doing so gives due consideration to gender and diversity.

At senior leadership levels 18% of employees are female.

The Group will in due course publish its 2020 gender pay gap statistics for its UK employees in accordance with the Gender Pay Gap Reporting Regulations. These will be available on our website: www.norcros.com. They will continue to show the existence of a gender pay gap which ranks us towards the middle of the ranking of the reporting entities, using the "mean average hourly rate" measure.

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

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



MERLYN

Double honours in customer service and bathroom supply awards

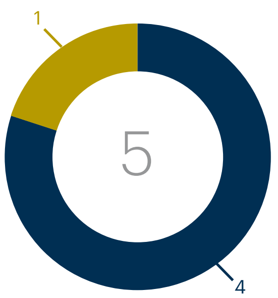
For the third time, Merlyn's customer care team was awarded the highly coveted Team of the Year at the Irish Customer Contact & Shared Services Awards 2020. The company also won the National Buying Group (NBG) Supplier of the Year in the Plumbing, Heating & Showrooms category for the third year in a row.

The awards recognise the accomplishments of key individuals, team and brands within the contact centre industry, in sales, customer service and technical support.

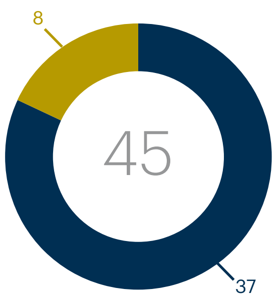
"Our people are key to our success as a business. Merlyn staff have won praise for their focus on its customers throughout the pandemic, achieving high customer satisfaction levels, despite managing double the contact volumes."

GENDER OF DIRECTORS AND EMPLOYEES[1]

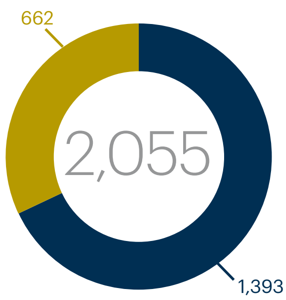
Company Directors



Other senior managers[2]



Total employees



Male Female

1 As at 31 March 2021.

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

CROYDEX

Making a difference with its packaging

4GoodPPE, the COVID-19 relief charity, creates environmentally friendly eye visors using biodegradable acetate and MDF frames, which are then distributed to healthcare workers, shops and groups within the local community.

Croydex understands the importance of giving back to the local community and wanted to make sure it assisted wherever it could. It has been able to provide the charity with re-usable packaging to help it make and distribute boxes of visors to those struggling to obtain PPE.

Social – community

Our commitment to the society in which we operate is deep. Every Group business has programmes of social engagement, including many charitable activities. Each business has a track record of supporting local and national charities and other voluntary sector organisations. Given our de-centralised structure, business units in the Group are encouraged to become involved in and support local initiatives where possible. The Executive Management of the Group supports this commitment to our society and reviews each business's activities on a monthly basis. Some particularly noteworthy examples of our commitment to the society in which we operate are given in the case studies accompanying this ESG report.

TRITON

Committed to a food bank initiative

Triton has donated much needed supplies to The Trussell Trust Nuneaton Foodbank, marking the beginning of a long-term commitment to supporting families in its local community.

The Trussell Trust has been running since 2013, supporting a nationwide network of food banks to provide emergency food for people dealing with poverty throughout the UK.

Triton's initiative, which was developed by its employees, involved the team coming together to donate more than 226kg of food, toiletries and toys.

Governance

Sound corporate governance is at the heart of everything we do. Our commitment to good governance and our performance in this regard are set out on pages 50 to 53.

Human rights

Our corporate values focus on respect, integrity and fairness. We are committed to respecting the dignity of the individual and to support the United Nations Declaration of Human Rights and other core conventions. As a result the Directors do not consider human rights issues to be a material risk for the Group, principally due to the existing regulatory frameworks in place in the UK and South Africa, being the primary geographical locations in which we operate. In South Africa, the 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.

Ethics

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

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

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

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

Suppliers

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

TRITON

Engaging with business partners with virtual training

Triton, the leading shower manufacturer, has launched a new initiative to provide virtual guidance when needed most. With an increasing demand for digital resources, Triton has collated a series of Installer Head Cam step-by-step videos, aimed at supporting installers with some of the most common technical issues.

The demonstrations provide a "hands-on" view through the use of a head camera to capture the troubleshooting process from the tradesperson's point of view, making them easy to follow. The clips cover a range of topics and are available to access on Triton's YouTube channel, allowing installers to watch them anywhere.

"Triton giving its customers the best possible service by helping installers to upskill from the comfort of their own homes."

Statement by the Directors in relation to their statutory duty in accordance with S172(1) Companies Act 2006

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 2021.

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 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. Full consideration was given to the Group's capital structure and capital allocation policy and its resilience to existing and emerging risks (see pages 33 to 38). The Group's culture has been a particular focus of the Board (see page 10 and pages 14 to 15) and is embodied in how we endeavour to go about our business. The Group's strategy and business model are underpinned by the commitment and efforts of all our employees, and all members of the Board undertake regular site visits where this is practicable and receive reports and other information to enhance their understanding. Employee engagement measures are in place as appropriate throughout the Group. This area of focus is led by Alison Littley as the designated Non-executive Director for workforce engagement (see pages 42 and 61). The Group engages with its key stakeholders in a variety of ways, explained in more detail in the Environmental, Social and Governance section of the Strategic Report (see pages 40 to 45) and the Corporate Governance report on pages 50 to 53. The Group's focus on sustainability issues is particularly relevant to our stakeholders and these are summarised on page 41. The Board is kept informed of all relevant issues by means of written and verbal reports, and by their own direct interactions with the businesses of the Group.

The consideration of all stakeholder interests in the context of the COVID-19 pandemic has been a particular area of focus for the Board this year. 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.

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 46 of Norcros plc was approved by the Board and signed on its behalf by:

Nick Kelsall
Chief Executive Officer
9 June 2021

Corporate governance

Merlyn: Arysto Colour by Merlyn offers a new range of shower enclosures in brushed brass, brushed stainless steel, matt black, polished nickel, polished gold and brushed bronze.

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

David McKeith
Acting Board Chair
Non-executive Director

A N R

Date of appointment

Appointed to the Board in July 2013

Length of tenure

Seven years

Skills and experience

David is Senior Independent Director and Chair of the Audit and Risk Committee. From April 2021 he has been Acting Board Chair pending the appointment of a new Chair. 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.

Nick Kelsall
Chief Executive Officer

Date of appointment

Chief Executive on 1 April 2011 having previously served as Group Finance Director since October 1996

Length of tenure

Ten years

Skills and experience

Nick joined Norcros as Finance Director of H&R Johnson Tiles Limited in 1993. Formerly, Nick had held a number of senior financial management positions with Touche Ross, Manchester, and, immediately prior to joining Norcros, with Waterford Wedgwood Group plc. Nick was appointed as Group Chief Executive on 1 April 2011 having previously served as Group Finance Director since October 1996. He is a member of the Institute of Chartered Accountants in England and Wales.

Shaun Smith
Chief Financial Officer

Date of appointment

Appointed Group Finance Director in April 2016

Length of tenure

Five years

Skills and experience

Shaun was group finance director and treasurer at AGA Rangemaster Group plc (formerly Glynwed International Plc) until its takeover in 2015. He began his career in retail management and corporate treasury at Marks and Spencer plc before joining Glynwed International Plc in 1989. Shaun is a qualified Corporate Treasurer and has an economics degree. He became a non-executive director of Air Partner plc in 2016 and stepped down from this role in 2019.

Alison Littley

Non-executive Director

A N R

Date of appointment

Appointed to the Board in May 2019

Length of tenure

Two 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 Geoffrey Osborne Group, MusicMagpie plc and Xaar plc. Alison was formerly a non-executive director of James Hardie Industries Plc, Headlam Group plc 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

Eight 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.

Re-election of all Directors

It is proposed that each Director (other than Shaun Smith) will seek election or re-election at the 2021 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.

A Audit and Risk Committee

N Nomination Committee

R Remuneration Committee

Chair of Committee

Corporate governance

Committed to ensuring high standards of corporate governance.

David McKeith
Acting Board Chair

Chair's introduction to governance

For the year under review the Company has substantively complied with the 2018 UK Corporate Governance Code, with some minor exceptions that are detailed in this report. We have carried out a thorough evaluation of Board performance, which remains satisfactory. As is set out in the Board Chair's statement on page 9, after the year end there were changes to the Board, but 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 1 May 2020 and 21 July 2020 there were 3 NEDs.)

Board of Directors

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc and is accountable to the Company's shareholders for good corporate governance. Its policy is to manage the affairs of the Company in accordance with the principles of the UK Corporate Governance Code referred to in the Listing Rules of the UK Listing Authority. For the year under review, the Company has complied with the UK Corporate Governance Code as revised in 2018 (the Code) in all respects, save for the minor exceptions relating to the alignment of Executive Directors' pension contributions (see page 63) and engagement with the workforce on the remuneration of Executive Directors (see page 61). 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 2021, 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 48 and 49. It should be noted that as from 15 April 2021 the Board has had only two NEDs (with one of them acting as Board Chair), which is a transitional arrangement while an additional NED is 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.

Governance structure

The Board

Mark Allen (appointed as NED 1 May 2020, and as Board Chair 22 July 2020) (C)
Martin Towers (Board Chair until 21 July 2020)
David McKeith (Acting Board Chair from 15 April 2021)

Audit and Risk Committee	Remuneration Committee	Nomination Committee
David McKeith (C) Alison Littley Mark Allen (served on Committee from 1 May 2020 to 22 July 2020)	Alison Littley (C) David McKeith Martin Towers (until 21 July 2020) Mark Allen (from 1 May 2020)	Mark Allen (C) (served on Committee from 1 May 2020 and as Chair from 22 July 2020) David McKeith Alison Littley Martin Towers (until 21 July 2020)

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;
- employee engagement; 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 59, the report of the Audit and Risk Committee is on pages 54 to 58 and the report of the Remuneration Committee is on pages 60 to 78.

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 his/her 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 48 and 49, 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 81.

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

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

	Main Board 9 meetings	Audit and Risk Committee 3 meetings	Remuneration Committee 8 meetings	Nomination Committee 2 meetings
Mark Allen, Chair[1]	8/8	2/2	7/7	2/2
Martin Towers, Chair[2]	3/3	—	2/2	—
David McKeith	9/9	3/3	8/8	2/2
Alison Littley	9/9	3/3	8/8	2/2
Nick Kelsall	9/9	—	—	—
Shaun Smith	9/9	—	—	—

1 Mark Allen was appointed to the Board on 1 May 2020 and as Board Chair from 22 July 2020.

2 Martin Towers stepped down from the Board on 21 July 2020.

Relations with shareholders

The Company recognises the importance of maintaining good communications with shareholders. The Company takes a number of steps to ensure that the Board and, in particular, the Non-executive Directors develop an understanding of the views of major shareholders about the Company. Directors have regular meetings with the Company's major shareholders and received regular feedback on the views of those shareholders through the Company's broker. Reports of these meetings, and any shareholder communications during the year, are given to the Board. In addition, the Company publishes any significant events affecting the Group and updates on current trading. The 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 81 and the Auditor's Report on pages 83 to 88. 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 34 to 38.

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 39.

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's Report on pages 54 to 58.

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 79 and 80.

Approved by the Board of Directors on 9 June 2021 and signed on its behalf by:

David McKeith
Acting Board Chair
9 June 2021

Corporate governance

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, particularly in respect of COVID-19.

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 2021, the Committee has consisted only of independent Non-executive Directors. Mark Allen joined the Committee on his appointment to the Board on 1 May 2020; he stepped down from the Committee when he became Board Chair at the conclusion of the Company's 2020 AGM. Biographies of all members of the Committee appear on pages 48 and 49. 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 will remain in this role until Norcros appoints a new Non-executive Director as Board Chair in due course.

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, which are in compliance with the UK Corporate Governance Code 2018, provide full details of its role and responsibilities and 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 2021 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 dominate both operational decisions and financial reporting throughout 2020 and into 2021. The Group has reported the impacts of COVID-19 on the business in this and the prior year Annual Report and Accounts and on the actions taken by management. The Strategic Report on pages 2 to 46 includes detailed commentary on the impacts and actions on employees, operations, financing and commercial trading.

The Committee reviewed and considered the approach and judgements taken by management in reporting the impacts of COVID-19 with reference to regulatory guidance available through the year. 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 the 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 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 39 and on page 94.

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 net deficit relating to the Group's UK defined benefit pension scheme (as calculated under IAS 19R) has decreased to £18.3m at 31 March 2021 from £48.9m at 31 March 2020. While the present value of scheme liabilities rose by £5.3m due to a reduction in the discount rate to 2.05% (31 March 2020: 2.21%), this was partially offset by changes in mortality assumptions. The value of scheme assets increased by £35.9m due to the recovery of the initial COVID-19 impact on financial markets and asset valuations.

The valuation of the present value of scheme liabilities involves significant judgement and expertise particularly in respect of the assumptions used. In order to value the liabilities, management had engaged an independent firm of qualified actuaries, 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 2021 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 2021. 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 and they are summarised in the table below:

Area	Activities
Financial reporting	Review of the Company's trading updates and other financial communications
	Review of the Company's interim results for the six months ended 30 September 2020
	Review of the Company's Annual Report and Accounts for the year ended 31 March 2021, 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 accounting for customer rebates and other trade promotional spend
	Review of the potential further impairment of assets at Johnson Tiles UK due to the impact of the COVID-19 pandemic on future cash flows
	Review of onerous lease provision
External audit	Review of the external auditor's proposed audit work plan for the year ended 31 March 2021, 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 2021
Internal audit	Review of the internal audit work programme for 2020/21
	Approval of the annual internal audit programme for 2021/22
	Assessment of the work carried out to test and review internal controls and IT security, together with the status of recommendations identified
Compliance	Review of the whistleblowing incidents log
	Review of the fraud issues log
	Review of the data protection incidents log
Risk management	Review of the Group's principal risks and uncertainties including risk identification, management and monitoring procedures
	Review and approval of the revised and updated Group Risk Management Policy, which includes defined risk appetite levels for each risk category
	Review of the Group's risk assessment and ongoing preparedness for the end of the transition period for the UK leaving the EU (Brexit)
	Review of the ongoing actions taken by the Group to manage risks arising from coronavirus (COVID-19)
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.

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, including senior management input, and is reviewed and approved by the Committee. At each meeting, the Committee considers the results of the audits undertaken during the preceding period and the adequacy of management's response to matters raised. Additionally, the related mitigations against issues and actions raised from these audits are systematically followed up in subsequent Committee meetings until they are adequately resolved.

The Group control and risk self-assessment questionnaire, which is completed annually by each business unit, is 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 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. In South Africa, the primary focus was on the controls in place at retail outlets with completion of a cycle of operational reviews across a range of stores. The plan also covered follow-ups of the previous year's audits to confirm management's progress with agreed actions. The audit plan was impacted by COVID-19 to the extent that many onsite visits could not be undertaken during periods where lockdowns or national and international travel restrictions were in place. Where practical, these were replaced with remote audit reviews. Audit visits where a physical onsite presence is essential, such as retail inventory audits, restarted as soon as it was safe and practical to do so.

Other key activities included: ad hoc fraud awareness training and updates, ongoing review of and input to business continuity plans, facilitation and review of management 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.

In relation to the impact of COVID-19 on our control frameworks, the Committee reviewed work carried out by the Group Head of Internal Audit and Risk Assurance and the Group Financial Controller that examined the amendments divisions had made to their control frameworks in light of the changed working environment during the COVID-19 lockdowns.

Risk management framework

Our risk management framework is highlighted on page 33 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 particular needs of the Group and to manage rather than eliminate the risk of failure to achieve business objectives. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

The Committee undertakes a review, at least annually, of the effectiveness of the Company's system of internal controls and risk management and the Board will take into account the Committee's report, conclusions and recommendations in this regard. The Board confirms that it has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the UK Corporate Governance Code, for the period from 1 April 2020 to the date of approval of these Annual Report and Accounts for the year ended 31 March 2021.

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. As required by Auditing Practices Board requirements, external auditor independence is maintained by the rotation of the engagement partner every five years. The current audit engagement partner, 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 2021 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 2021, 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.

The previous auditor, PricewaterhouseCoopers LLP, stepped down as auditor with effect from the conclusion of the 2020 AGM. As required by law PricewaterhouseCoopers LLP provided a statement to the Company concerning its ceasing to act as its auditor. This statement confirmed that there were no matters to be brought to the attention of shareholders or creditors.

As part of the onboarding process, BDO LLP shadowed the March 2020 audit in agreement with PricewaterhouseCoopers LLP.

On behalf of the Audit and Risk Committee.

David McKeith
Chair of the Audit and Risk Committee
9 June 2021

Evaluating the Board and succession planning for a sustainable future.

David McKeith
Acting 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;
- 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 and in the year under review Martin Towers took a back seat (as required by the UK Corporate Governance Code) when it came to the appointment of his successor.

During the year under review, the Nomination Committee also evaluated the balance of skills, knowledge, diversity and experience of the Board. If a new appointment to the Board is required, the Committee will use the appropriate selection process and will determine the scope of the role of a new Director and the skills and time commitment required and make recommendations to the Board about filling Board vacancies and appointing additional Directors. These activities are currently underway for the recruitment process to find a new Non-executive Director to serve as Board Chair. The Committee will utilise external search and selection consultants as appropriate and appointments will be made on the basis of merit and the most appropriate experience against objective criteria in the best interests of shareholders.

In selecting candidates due regard will be given to the balance of the Board, and to the benefits of different backgrounds and experience, and to diversity on the Board including gender. The Board endeavours to ensure that these principles are applied throughout the Group.

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

David McKeith
Acting Chair of the Nomination Committee
9 June 2021

Ensuring alignment of the remuneration structure.

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 2021.

At the time of writing the Annual Statement last year, I was mindful of the impact that the COVID-19 pandemic was having on our employees, their families, our shareholders, customers and suppliers, as well as business performance. The impact of the pandemic has, of course, subsisted throughout the year in review, and for much of the past 12 months our priority has rightly been on the safety, health and wellbeing of all our people and the wider communities in which we operate. It has been a challenging year for our employees, but everyone has risen to the challenge and, as set out earlier in this Annual Report, contributed to a strong business performance that will underpin our continued emergence from the pandemic. Therefore, on behalf of the Committee, I wish to start this year's statement by reiterating the thanks extended by my Board colleagues to all our employees.

Remuneration in the year in review

In addition to the immediate remuneration actions disclosed on page 72 of last year's Annual Report, senior management (including all Board members) volunteered a pay reduction for the first three months of the financial year, to align with the experience of those of our colleagues who were unfortunately impacted by furlough and equivalent overseas arrangements. The Committee is grateful for the willingness of all our people to accept and volunteer these exceptional measures in order to ensure the Group remained positioned to emerge from the crisis well and continue performing strongly. I am also pleased to report that, due to an improved performance in the latter part of the financial year, we have elected to repay Coronavirus Job Retention Scheme support to the UK Government in relation to employees that were made redundant as a result of strategic restructurings during the year. In addition, all qualifying employees will receive a special bonus to recognise their commitment and hard work throughout this difficult time.

As highlighted in the Chair's Statement and the Chief Executive Officer's Statement on pages 8 to 10 and 11 to 13 respectively, Norcros continues to perform strongly, despite the impact of the COVID-19 pandemic throughout the year in review. Key outcomes for the year ended 31 March 2021 include:

- Group revenue for the year of £324.2m (2020: £342.0m), 5.2% lower than the prior year on a reported basis, 0.7% higher on a like for like constant currency basis after adjusting the prior year for period pro-rating (53 weeks versus 52).

- Underlying operating profit was £33.8m (2020: £32.3m) reflecting the strong recovery made after the significant impact of COVID-19 in the first quarter.
- Underlying ROCE above strategic hurdle rate at 18.2% (2020: 16.4%).
- Strong cash generation in the year of £46.9m has significantly strengthened the Balance Sheet with net cash of £10.5m (2020: net debt of £36.4m).

Due to this very strong performance the Committee is pleased to note that the annual bonus operating profit targets for the Executive Directors were exceeded, resulting in the bonus payments detailed on page 72. The Committee is satisfied that the bonus targets were challenging, and outcomes reflect the exceptional leadership and hard work of the Executive Directors and the wider senior management team to produce these excellent results in the circumstances. We also considered the outcomes in the context of the wider performance of the Group and the experience of other stakeholders (including the decisions to repay government support, where appropriate, award one-off bonuses to all qualifying staff in recognition of their contribution during a challenging year, and to reinstate the final dividend after shareholders had foregone this for 2020).

Owing to the impact of the COVID-19 pandemic on the Group's EPS performance in the 2020 financial year, the three-year cumulative EPS performance targets for the 2018 APSP awards were not achieved, and therefore these will lapse in full. APSP awards for the year in review were made in November 2020 and suitably challenging EPS targets set (see page 73 for further details).

As well as its responsibilities for setting and implementing remuneration policy, the Committee shares shareholders' belief that engagement with the Group's workforce on remuneration and other matters is important. At Norcros, this continues to be achieved by both direct personal engagement between Committee members and management and staff of all of our businesses, as well as receipt by the Committee of information from management on broader HR and reward matters. As the Non-executive Director for employee engagement, I recognise that effective and meaningful employee engagement should continue to be an area of focus for the Committee in the coming year and one topic to address is engagement with the workforce on the remuneration of Executive Directors. Further details on employee engagement are set out on page 42.

Remuneration policy

Notwithstanding the exceptional circumstances of the 2021 financial year, I was grateful to shareholders for engaging with me on our proposed policy, which was required to be put to shareholders at the 2020 AGM (having last been approved by shareholders in 2017).

The Committee reviewed the existing policy in late 2020, to ensure that it would remain fit for purpose in effectively incentivising the delivery of the Group's strategic goals and the creation of shareholder value over the longer term. The Committee also considered the wider market context and developments in best practice remuneration governance in its review. We concluded that the policy remains appropriate in this context; it is simple, clear and sufficiently flexible to enable the Committee to revise its approach to implementation in future years if the need arises. On behalf of the Committee, we appreciate the strong support (from 96.04% of shareholders voting at the 2020 AGM) for our proposal to retain a largely unchanged policy for up to a further three years ending at the 2023 AGM. We will of course keep the policy under review, particularly in the context of the Group's progress on its strategic ambitions.

Current remuneration strategy

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

Our policy delivers an on-target reward mix for the Chief Executive Officer and Chief Financial Officer comprising 61% fixed pay (84% base salary, 12% pension and 3% benefits), 26% annual bonus and 13% long-term incentive. Under a scenario where all performance conditions are met in full, the Executive Directors' package consists of 38% fixed pay, 31% annual bonus and 31% long-term incentive.

To further ensure remuneration is aligned with shareholder interests: half of any bonus paid is deferred for three years; the net of tax shares vesting from APSP awards need to be held for a further two years (i.e. until the fifth anniversary of grant); the Executive Directors are required to build and maintain a shareholding of at least 100% of salary; and the Executive Directors must also comply with a post-cessation holding requirement. Finally, deferred bonus and APSP awards may be subject to malus or clawback in certain circumstances.

In addition, the Group continues (as it has done for many years) to successfully operate an all-employee Save As You Earn (SAYE) share scheme in the UK and Ireland thereby enabling even more of our workforce to share in the success of the business. During the year in review participating employees were both granted SAYE option grants and also able to exercise awards made in 2017 and 2018.

Remuneration Committee annual statement 2021 continued

2022 remuneration

Setting the remuneration arrangements for the Executive Directors remains challenging in the context of ongoing uncertainty about the longer-term impact of the pandemic. However, when doing so we have continued to have at all times regard to the interests of all our stakeholders – our employees in particular.

Salaries were reviewed in April 2021 and an increase of 3% was agreed, in line with the increase in salaries for our workforce as a whole. Salary and total remuneration levels are kept under periodic review, with reference to internal and external comparisons, to ensure these remain appropriate. The Committee has also agreed challenging operating profit targets for the annual bonus in relation to the 2022 financial year. APSP awards for the current financial year will be made in accordance with our remuneration policy and normal practice later in the year and will be announced at that time. For these awards (as with all aspects of Executive Director remuneration more generally), I will, as Chair of the Remuneration Committee, ensure that decisions are taken in the best interests of all stakeholders and aligned to the purpose and values of Norcros plc.

Alison Littley
Chair of the Remuneration Committee
9 June 2021

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. The Remuneration Committee set out its approach to this in its report last year, and it intends to implement this approach when the opportunity arises.

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 data used in the pay-for-performance scenarios; (ii) page references; and (iii) the section on Non-executive Director letters of appointment, to reflect changes in Board composition during the 2021 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 (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 current Executive Directors, Nick Kelsall and Shaun Smith, receive a Company contribution of a maximum of 15% of base salary. 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 72 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

Notes to the policy table

Payments from previous awards

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

Performance measure selection and approach to target setting

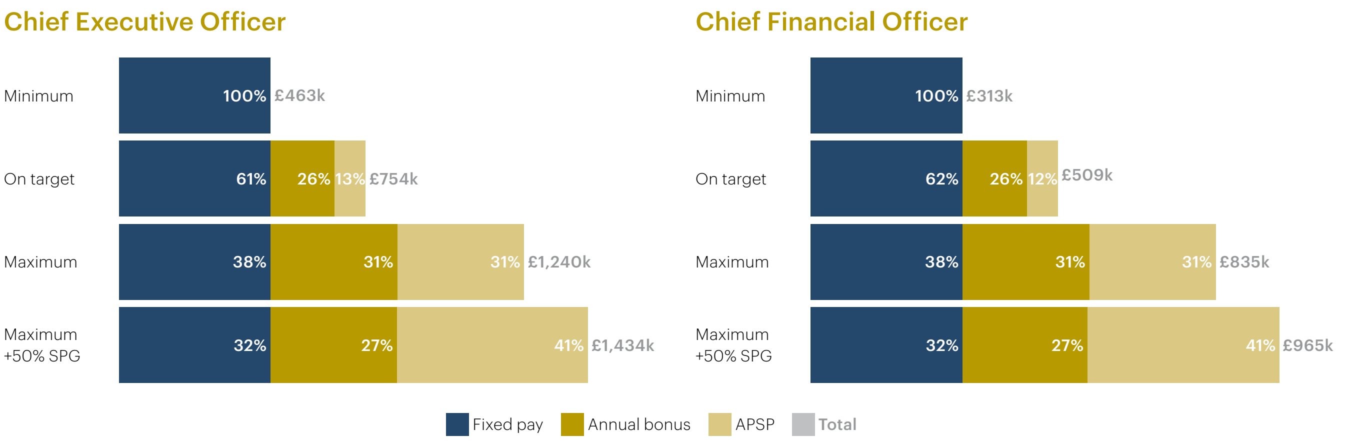
The measures used in the annual bonus will be selected by the Committee to directly reinforce our medium-term growth-orientated strategy (see page 16 for further details of the strategy; details of the measures selected for use in the bonus for the year in review and for the coming year are set out in 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 72 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 2021. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 March 2022. 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 Shaun Smith on 31 March 2016. Copies of these contracts are available to view at the Group's registered office.

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

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

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 Shaun Smith's service contract.

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

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

Reason for cessation	Calculation of vesting/payment	Timing of 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.

External appointments

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

Consideration of employment conditions elsewhere in the Group

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

Consideration of shareholder views

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

Non-executive Director remuneration policy

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

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

Non-executive Director	Date of appointment	Notice period
David McKeith	24 July 2013	1 month
Alison Littley	1 May 2019	1 month
Former Non-executive Director		
Mark Allen (until 15 April 2021)	*1 May 2020*	*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 Chairman is determined by the Committee excluding the Chairman. The fees paid to the other Non-executive Directors are determined by the Chairman and the Executive Directors. Fee levels are reviewed periodically, with any adjustments effective 1 April. Fees are reviewed by taking into account external advice on best practice and fee levels at other FTSE companies of broadly similar size and sector to Norcros. Time commitment and responsibility are also taken into account when reviewing fees.	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 2021 and will be implemented in the year ending 31 March 2022.

Remuneration Committee membership in the year ended 31 March 2021

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;
- Mark Allen (from appointment on 1 May 2020); and
- Martin Towers (until stepping off the Board on 30 July 2020).

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 2021. 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 52.

Main activities of the Committee during the year ended 31 March 2021

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 2020;
- setting operating profit targets for the annual bonus for the year ended 31 March 2021;
- determining the APSP outcome for the 2018 APSP awards (which would have vested in 2021 if targets had been achieved);
- calibrating EPS targets for, and granting of, 2020 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

The Company used Mercer Kepler and then, from 1 January 2021, Ellason LLP as the independent remuneration adviser to the Remuneration Committee. Both Mercer Kepler and Ellason LLP 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 2021, Mercer Kepler and Ellason provided the following services:

	Services provided	Fees (excl. VAT) £
Ellason	Guidance on developments in remuneration governance and market trends (and implications for Norcros), remuneration benchmarking, Remuneration Report drafting support and general support to the Committee throughout the year.	£4,800
Mercer Kepler	Guidance on developments in remuneration governance and implications for Norcros, support on setting incentive targets, and general support to the Committee throughout the year.	£8,600

Neither Mercer Kepler nor Ellason provide other services to the Company or its Directors and the Committee is satisfied that the advice it receives is independent. However, Mercer (Mercer Kepler's parent company) provides limited services to the Company relating to its all-employee pension scheme.

Annual report on remuneration continued

Summary of shareholder voting at the AGM

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

	Annual Report on Remuneration (2020 AGM)		Remuneration policy (2020 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	53,889,804	99.51%	51,989,106	96.04%
Against	263,213	0.49%	2,146,024	3.96%
Total votes cast (excluding withheld votes)	54,153,017	100.00%	54,135,130	100.00%
Votes withheld	500		18,388	
Total votes (including withheld votes)	54,153,517		54,153,518	

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

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

The following table provides a single figure for total remuneration of the Executive Directors for the year to 31 March 2021, together with comparative figures for the year to 31 March 2020. 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	
	2021 £	2020 £	**2021 £**	2020 £
Base salary[1]	**358,297**	377,155	**240,647**	253,313
Taxable benefits[2]	**16,086**	16,070	**13,086**	13,070
Annual bonus[3]	**377,155**	—	**253,313**	—
Long-term incentives[4]	**—**	107,476	**—**	72,185
Pension benefit[5]	**60,723**	61,075	**36,097**	37,997
SAYE[6]	**3,320**	—	**—**	3,166
Total fixed	**435,106**	454,300	**289,830**	304,380
Total variable	**380,475**	107,476	**253,313**	75,351
Total	**815,581**	561,776	**543,143**	379,731

1 Base salary for FY21 reflects no increase on FY20 salary and a 20% pay cut in the first 3 months of the year. This was an agreed salary reduction 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 – 2021: £15,000, 2020: £15,000; and Shaun Smith – 2021: £12,000, 2020: £12,000) and private medical insurance.

3 Annual bonus comprises both the cash annual bonus for performance during the year and, where applicable, the face value of the deferred bonus element on the date of deferral. Any deferred share element is deferred for three years. See "Annual bonus in respect of performance in the year ended 31 March 2021" below for further details.

4 For 2021, the APSP value of nil reflects the value of APSP awards granted in July 2018, of which 0% will vest to Nick Kelsall and Shaun Smith on 25 July 2021. For 2020, the APSP value has been trued up from that disclosed in last year's Remuneration Report to reflect the Group's share price of £1.85 on the date of vesting (16 November 2020) of awards granted in November 2017. The gain on exercise of share options for Nick Kelsall in the year was £235,923 and for Shaun Smith was £150,453.

5 In 2021, pension benefits comprised cash in lieu (Nick Kelsall – £53,745; and Shaun Smith – £36,097) and amounts related to the defined benefit scheme (Nick Kelsall – £6,978). See "Total pension entitlements" on pages 73 and 74 for further details. The pension benefit provided to Nick Kelsall and Shaun Smith in 2020 comprises cash in lieu (Nick Kelsall – £56,573; and Shaun Smith – £37,997) and amounts related to the defined benefit scheme (Nick Kelsall – £4,502).

6 Embedded gain on grant of Save As You Earn scheme grants made. See "2020 SAYE" on page 73 for further details.

Incentive outcomes for the year ended 31 March 2021 (audited information)

Annual bonus in respect of performance in the year ended 31 March 2021

The 2021 Annual Bonus Plan was based 100% on Group underlying operating profit performance for the year to 31 March 2021. 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 2021, against the targets set following the start of the year (and once the impact of the COVID-19 pandemic could be better assessed), the Committee decided that the maximum annual bonus was payable to the Executive Directors. Further details, including the profit targets set and actual performance, are provided below:

	Underlying profit target £m	Payout (% of max.)	2020 outturn £m	Bonus (% of max.)
Maximum	26.4	100%		
Target	24.0	50%	32.5[1]	100%
Threshold	22.0	25%		

1 Target was set on a pre-IFRS 16 basis; therefore, the 2021 outturn has been assessed on a similar basis, i.e. underlying operating profit of £32.5m pre-IFRS 16 (reported £33.8m).

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. In doing so, the Committee was particularly mindful that the bonus targets had been set to be stretching at a time of significant uncertainty. However, 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 (including the decisions to repay government support, where appropriate, award one-off bonuses to all qualifying staff in recognition of their contribution during a challenging year and to re-instate a final dividend for the year). Accordingly, no discretion has been exercised in relation to the bonus outcome for the 2021 financial year.

2018 APSP awards vesting

Effective July 2018, APSP awards of 170,311 shares were granted to Nick Kelsall and of 114,388 shares to Shaun Smith. Vesting of these awards was based on Norcros' aggregate diluted underlying EPS over the three financial years to 31 March 2021. 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 2021, 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	96.1p	25%	92.5p[1]	
Maximum	109.7p	100%		0%

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

Scheme interests awarded in 2021 (audited information)

2020 DBP

During the year under review, no DBP awards were made to the Executive Directors due to the nil payout under the annual bonus relating to performance over the year to 31 March 2020.

2020 APSP

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

	Nick Kelsall	Shaun Smith
Basis of award	100% of base salary	100% of base salary
Grant date	23 November 2020	23 November 2020
Number of nil-cost options granted	194,409	130,573
Grant-date share price (p)	194.0	194.0
Grant-date face value (£)	377,153	253,313
Normal vesting date	23 November 2023	23 November 2023
Performance period	1 April 2020–31 March 2023	1 April 2020–31 March 2023
Performance conditions	Underlying diluted EPS for year to 31 March 2023 Threshold: 28.2p (0% of element vesting) Maximum: 37.5p (100% of element vesting) Straight-line vesting between these points	
Holding period	23 November 2023–23 November 2025	23 November 2023–23 November 2025

Reflecting the ongoing near-term uncertainty of the business impact of the COVID-19 pandemic, the Committee concluded that, for 2020 APSP awards, it would be more appropriate (and motivational for participants) to set EPS targets on the basis of 2023 financial year performance only. The Committee also concluded that it would be appropriate to set a wider performance range for the 2020 APSP cycle than has been typical practice at Norcros (to reflect the reduced visibility to performance over the medium term) but lower the payment at threshold from 25% to 0% of maximum. The Committee will keep under review its approach to calibrating the EPS performance range for future cycles going forward, and consider reverting to setting three-year cumulative EPS targets (with threshold vesting of 25% of maximum) at the appropriate time.

2020 SAYE

In the year ended 31 March 2021, Nick Kelsall entered into a savings contract under the SAYE and was granted 10,975 options under a SAYE savings contract which had an embedded value at the date of grant of £3,320. Shaun Smith did not enter into a further savings contract under the SAYE during the year as he is contracted under previous SAYE grants at the HMRC limits.

Total pension entitlements (audited information)

As part of their remuneration arrangements, Nick Kelsall and Shaun Smith are entitled to receive pension contributions from the Company. Under these arrangements, they can elect for those contributions to be paid in the form of taxable pension allowance, or direct payments into a personal pension plan or the Group's UK defined contribution scheme. If a payment is made in the form of taxable pension allowance, the amount payable is not reduced to allow for employment taxes.

Annual report on remuneration continued

Total pension entitlements (audited information) continued

During the year Nick Kelsall elected to take a taxable pension allowance of £53,745 (2020: £56,573) with no amounts paid directly into a pension scheme (2020: £nil). Shaun Smith elected to take a taxable pension allowance of £36,097 (2020: £37,997) with no amount paid into a personal pension plan (2020: £nil). In line with the Regulations, the single figure table reflects the total of these amounts, as well as the capitalised increase in accrued pension (net of inflation) under the UK defined benefit scheme, of which Nick Kelsall is a deferred member. Shaun Smith is not a member of the UK defined benefit scheme. Details of Executive Directors' retirement benefits under the Group's UK defined benefit scheme and taxable pension allowances are summarised in the following table:

Director	Accrued pension £	Increase in accrued pension net of CPI £	Transfer value of net increase £	Additional value of pension on early retirement £	Pension value in the year from DB scheme £	Pension value in the year from cash allowance £	Total £
Nick Kelsall	24,194	349	10,269	—	6,978	53,745	60,723
Shaun Smith	—	—	—	—	—	36,097	36,097

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 2021 and the prior year:

	Total fee	
	2021 £	2020 £
Mark Allen	**93,300**	—
Alison Littley	**43,700**	46,000
David McKeith	**43,700**	46,000
Martin Towers[1]	**31,167**	110,000

1 Martin Towers stepped down from the Board on 30 July 2020.

Fees for 2021 reflect no increase on 2020 and a 20% reduction in fees volunteered by each Non-executive Director for the first three months of the year, to align with the experience of employees who were furloughed.

Payments to past Directors (audited information)

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

Exit payments made in the year (audited information)

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

External appointments in the year

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 2020 to 2021, 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[2]
Executive Directors			
Nick Kelsall	(5.0)%	0.1%	n/a
Shaun Smith	(5.0)%	0.1%	n/a
Non-executive Directors			
David McKeith	(5.0)%	n/a	n/a
Alison Littley	(5.0)%	n/a	n/a
Mark Allen[3]	n/a	n/a	n/a
Martin Towers	(5.0)%	n/a	n/a
Average of other employees	(3.6)%	6.7%	n/a

1 Salary and fee figures are annualised for this comparison.

2 No bonus was paid in 2020.

3 No year on year comparison is shown as Mark Allen joined the Board during the 2021 financial year.

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.

	2021 £m	2020 £m	% change
Dividends (i.e. total payments made in year)	**—**	7.0	(100)%
Dividend per share (i.e. total dividend per share in pence in respect of year)	**8.2p**	3.1p	164.52%
Total staff costs	**52.8**	60.7	(13.0)%

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 72), to that of the total remuneration of full-time equivalent UK employees at the 25th, 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
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 (£)
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[1]	20,173	20,543	36,009
	Base salary	377,155	19,329	19,752	35,000

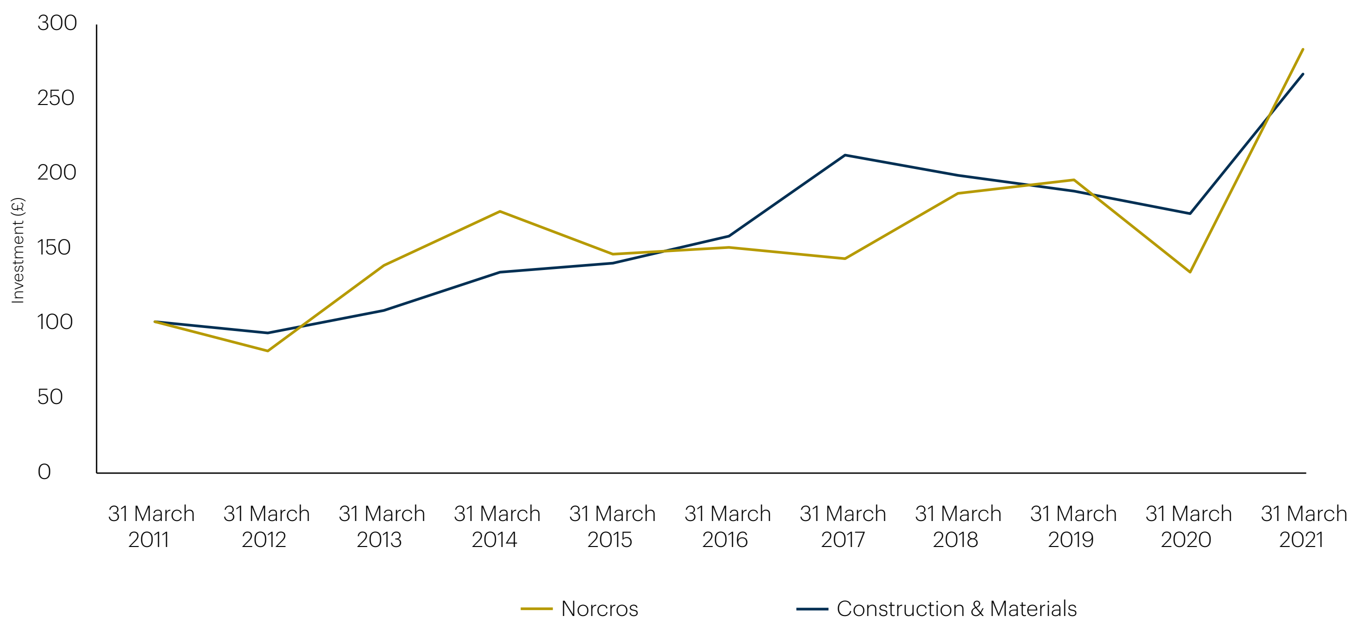
1 CEO's single total pay figure as used for pay ratios in 2020 Annual Report on Remuneration.

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 2021 was then calculated. This methodology is defined in the Regulations as Option B, which was chosen as the most appropriate methodology given the employee demographics of the Group's UK workforce. The trend year-on-year of pay ratios for each percentile is that the ratios have increased. This is explained by a proportionately greater increase in the variable elements of the CEO's remuneration, relative to the comparators.

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 2011)



Annual report on remuneration continued

Performance graph and table continued

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
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	£380,780	£526,282	£917,530	£1,161,288	£928,764	£1,025,158	£971,710	£970,860	£561,776	**£815,581**
Annual bonus (as a % of max. opportunity)	—	50%	54%	69%	81%	68%	50%	61%	—	**100%**
APSP vesting (as a % of max. opportunity)	n/a	n/a	100%	99%	100%	100%	100%	58%	26%	—

Implementation of Executive Director remuneration policy for the year to 31 March 2022

The Remuneration Committee conducted a thorough review of Executive Directors' remuneration, effective 1 April 2021. 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 in the Annual Statement on remuneration on page 62, Executive Directors' salaries were reviewed in April 2021 and an increase of 3% was agreed, which is in line with the increases in salaries for our workforce as a whole. Therefore, for the year ending 31 March 2022, base salaries will be £388,470 for Nick Kelsall and £260,912 for Shaun Smith.

Pension

There is no change in the contribution percentage for Executive Directors for the year ending 31 March 2022, which remains at 15% of salary.

Benefits

There is no change in the car allowance for Executive Directors for the year ending 31 March 2022, which is £15,000 p.a. for Nick Kelsall and £12,000 p.a. for Shaun Smith.

Annual bonus

The annual bonus opportunity for Executive Directors will remain unchanged for the 2022 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 2022 financial year will be unchanged from 2020. Awards with face values of 100% of salary will be granted to the Executive Directors, with vesting subject to the achievement of suitable 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 Shaun Smith will continue to be able to participate in any SAYE contract offered to all employees, on identical terms.

Implementation of Non-executive Director remuneration policy for the year to 31 March 2022

The Committee has reviewed the Board Chair's fee and concluded to increase this by 3%, in line with the salary increases for our workforce as a whole. The Board Chair and the Executive Directors reviewed Non-executive Director fees at the same time and likewise concluded that a 3% increase to each of the base fee and additional fees (for chairing a Committee or having other specific responsibilities) was appropriate. Accordingly, for the 2022 financial year, Non-executive Director fees will be as follows:

Non-executive Director	**Fee at 1 April 2021**	Fee from 1 April 2020	Percentage increase
Board Chair[1]	**£128,750**	£110,000	3%[1]
Non-executive Director	**£41,200**	£40,000	3%
Additional fee for chairing Audit and Risk or Remuneration Committees	**£6,180**	£6,000	3%

1 Board Chair's fee increased to £125,000 effective 1 August 2020.

Following the announcement that Mark Allen was stepping down from the Board with effect from 15 April 2021, the Board appointed David McKeith as Acting Board Chair. Mr McKeith will be paid the Board Chair fee set out in the table above on a pro-rata basis during his tenure in this role. During this period, he will not receive any additional fee for chairing the Audit and Risk Committee.

Executive Director shareholdings (audited information)

The table below shows the shareholding of each Executive Director and their respective shareholding requirement as at 31 March 2021:

		Options held						
	Shares owned	Vested but not exercised	Unvested and subject to performance	Unvested but not subject to performance	Shareholding guideline % of salary	% current holding	% potential holding	Requirement met?
Nick Kelsall	1,675,686	—	370,649	104,585	100%	1,063%	1,129%	Yes
Shaun Smith	224,491	—	248,943	71,546	100%	212%	279%	Yes

Current shareholding is based on shares owned outright and valued using the average share price over three months ended 31 March 2021 of 227p. The potential shareholding includes shares owned outright and shares vested but not exercised and shares not under performance conditions, valued using the average share price over three months ended 31 March 2021 of 227p.

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

Directors' share scheme interests (audited information)

Share options

	Scheme	Date of grant	Vested date	Expiration date	Exercise price	Shares under option 1 April 2020	Granted in 2021	Vested in 2021	Exercised in 2021	Lapsed in 2021	Shares under option 31 March 2021
Nick Kelsall	**DBP**	16.11.17	16.11.20	16.11.27	—	68,920	—	—	68,920	—	—
		25.07.18	25.07.21	25.07.28	—	41,337	—	—	—	—	41,337
		23.07.19	23.07.22	23.07.29	—	52,273		—	—	—	52,273
					Total	**162,530**	**—**	**—**	**68,920**	**—**	**93,610**
	APSP	16.11.17	16.11.20	16.11.27	—	205,494	—	—	52,606	152,888	—
		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
		23.11.20	23.11.23	23.11.30	—	—	194,409	—	—	—	194,409
					Total	**552,045**	**194,409**	**—**	**52,606**	**152,888**	**540,960**
	SAYE	14.12.17	01.03.21	31.08.21	159p	11,278	—	—	11,278	—	—
		23.12.20	01.03.24	01.08.24	164p	—	10,975	—	—	—	10,975
					Total	**11,278**	**10,975**	**—**	**11,278**	**—**	**10,975**
Shaun Smith	**DBP**	16.11.17	16.11.20	16.11.27	—	45,993	—	—	45,993	—	—
		25.07.18	25.07.21	25.07.28	—	27,764	—	—	—	—	27,764
		23.07.19	23.07.22	23.07.29	—	35,108	—	—	—	—	35,108
					Total	**108,865**	**—**	**—**	**45,993**	**—**	**62,872**
	APSP	16.11.17	16.11.20	16.11.27	—	138,018	—	—	35,333	102,685	—
		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
		23.11.20	23.11.23	23.11.30	—	—	130,573	—	—	—	130,573
					Total	**370,776**	**130,573**	**—**	**35,333**	**102,685**	**363,331**
	SAYE	13.12.19	01.03.23	31.08.23	208p	8,674	—	—	—	—	8,674
					Total	**8,674**	**—**	**—**	**—**	**—**	**8,674**

		Three-year aggregate EPS targets			March 2023 EPS[1]
Performance	% vesting	16.11.17 award	25.07.18 award	23.07.19 award	23.11.20 award
Threshold	25%	91.8p	96.1p	105.0p	28.2p
Maximum	100%	104.7p	109.7p	119.1p	37.5p

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

Directors' share scheme interests (audited information) continued

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 2021 was 6.0% for the all-share schemes limit and 3.2% for executive schemes.

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

Director	**31 March 2021 Ordinary shares**	31 March 2020 Ordinary shares
Nick Kelsall	**1,675,686**	1,600,000
Shaun Smith	**224,491**	143,165
Mark Allen	**50,000**	50,000
David McKeith	**17,941**	17,941
Alison Littley	**—**	—

This report was approved by the Board of Directors on 9 June 2021 and signed on its behalf by:

Alison Littley
Chair of the Remuneration Committee
9 June 2021

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2021.

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 46. Key performance indicators are shown on page 18.

The Directors recommend a final dividend for the year ended 31 March 2021 of 8.2p (2020: £nil). This follows the decision not to pay an interim dividend earlier in the year, and is explained in the Chair's Statement on page 8 and the Chief Financial Officer's Statement on page 30.

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 132,551 shares during the year (2020: 485,712). At the Company's 2020 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 8,057,165 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 130 to 134.

Employees/fostering business relations

Details of the Group's engagement with, and policies towards, its employees are contained on page 42. Details of how the Group fosters good business relations with its suppliers and other business partners are contained on pages 45 and 46. 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 48 and 49 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
Mark Allen	Chair (appointed 1 May 2020, resigned 15 April 2021)
David McKeith	Non-executive Director (Acting Chair from 16 April 2021)
Alison Littley	Non-executive Director
Nick Kelsall	Chief Executive Officer
Shaun Smith	Chief Financial Officer

The interests of the Directors in the shares of the Company at 31 March 2021 and 31 March 2020 are shown on page 78.

Substantial shareholdings

As at 8 June 2021 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	10.06
Canaccord Genuity Group Inc	9.75
J O Hambro Capital Management Ltd	9.73
FIL Ltd	7.50
Artemis Fund Managers	7.40
M&G plc	6.65
Allianz Global Investors GmbH	5.03
SVM Asset Management	4.95
Gresham House Asset Management	3.47
Invesco Ltd	3.12

Energy and greenhouse gas emissions reporting

The Board presents this report 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. As stated in the Corporate Responsibility and Sustainability section on pages 40 to 45, the Company is committed to reducing and minimising its impact on the environment. Examples of actions taken to increase energy efficiency are given there.

Energy and greenhouse gas emissions reporting continued

Energy and GHG emissions data Year ended 31 March	Tonnes of CO_2e 2021	Tonnes of CO_2e 2020
Emissions from: Combustion of fuel and operation of facilities (Scope 1)	**UK 13,610** **Non-UK 31,331**	
	44,941	63,143
Electricity, heat, steam and cooling purchased for own use (Scope 2)	**UK 3,508** **Non-UK 18,078**	
	21,586	30,284
Total[1,2]	**66,527**	93,427
Company's chosen intensity measurement (Emissions per £m of revenue)	**205.2**	273.2

1 Aggregate energy consumed (Scopes 1 and 2) expressed in kWh: 222,975,512 (UK: 75,225,476 kWh. Non-UK: 147,750,036 kWh).

2 Percentage of energy consumption (UK and offshore area: non-UK):

Scope 1	30.3%:69.7%
Scope 2	16.3%:83.7%
Scopes 1 and 2	25.7%:74.3%
Aggregate consumed (kWh)	33.7%:66.3%

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 (£324.2m). 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 (2020: £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 50 to 53. 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 34 to 38 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 78.

There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company, except for the banking facilities dated 2 November 2017 in respect of the £120.0m unsecured revolving credit facility and the £30.0m accordion facility which contain mandatory prepayment provisions on a change of control.

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

Statement of disclosure of information to auditor

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

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

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

Independent auditor

A resolution to re-appoint 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 21 July 2021 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. The notice convening that meeting, together with the resolutions to be proposed, appears on pages 130 to 134 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

Richard Collins
Company Secretary
9 June 2021

Statement of Directors' responsibilities

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced disclosure framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

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

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

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced disclosure framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adapted pursuant to Regulation (EC) No. 1606/2002 as it applies to the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

N Kelsall

Nick Kelsall
Chief Executive Officer
9 June 2021

Shaun Smith

Shaun Smith
Chief Financial Officer

Financial statements

Johnson Tiles UK: One from the Select collection, offering a stunning yet simple range of porcelain wall and floor tiles.
Vado: New mini mono basin mixer crafted by Vado for small basins or small bathrooms.

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Norcros plc (the Parent Company) and its subsidiaries (the Group) for the year ended 31 March 2021 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by the 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 re-appointments is one year. 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.

The ongoing COVID-19 pandemic continues to have a significant impact worldwide, including in the countries in which the Group operates. Given the uncertainty that COVID-19 potentially brings to ongoing operations or the economies of the countries in which the Group operates, going concern and viability, specifically due to COVID-19, was considered a key audit matter. See disclosures in note 1.

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 and our response to the key audit matter included:

- we obtained management's assessment that supports the Board's 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 and 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 re-performed 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 management's 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 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.

Independent auditor’s report continued

to the members of Norcros plc

Conclusions relating to going concern continued

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.

Overview

- 91% of Group profit before tax
- 84% of Group revenue
- 87% of Group net assets

	2021
Pension scheme assumptions	✓
Going concern, specifically due to COVID-19	✓

- Group financial statements as a whole: £1.24m (based on a three year average of 5% of profit before tax adjusted for certain non-underlying items, including acquisition costs, impairment 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, a full scope audit was performed by the UK engagement team on Triton, Vado and Johnson Tiles.

The work at the South African operating divisions and at the Merlyn division, whose finance team is based in Ireland, was performed by BDO member firms from South Africa and Ireland respectively. With regards to the audit of overseas significant audit components, 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. The UK engagement team instructed the overseas teams to perform a full scope audit of the South African and Merlyn operations (both in the UK and Ireland).

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.

The Parent Company is accounted for by the Head Office finance team. The audit work in respect of the Parent Company was completed by the UK engagement team.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures by the UK engagement team.

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. In addition to the matter referred to in the conclusions relating to going concern section above, we identified the following key audit matter.

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 liability of £18.3m (2020: £48.9m). A major constituent of this net liability is the value attributed to the gross liabilities of the pension scheme. 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 £416.1m (2020: £410.8m) 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. We read the disclosures within the financial statements in respect of the defined benefit scheme and, based on our work, determined that they were consistent with accounting standards. 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 financial statements as a whole and performance materiality as follows:

	Group financial statements 2021	Parent Company financial statements 2021
Materiality	£1.24m	£0.37m
Basis for determining materiality	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 component materiality at 30% of Group materiality.
Rationale for the benchmark applied	We consider that using this basis for determining materiality is most appropriate as this provides 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 has been used given the fluctuating level of profit before tax from the impact of COVID-19 during the current year.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.
Performance materiality	£0.80m (65% of materiality)	£0.24m (65% of Parent Company materiality)
Basis for determining performance materiality	This was considered appropriate given this was the first year that we have acted as auditor of the Group, and also given the approach to testing across the Group with a number of different significant components.	This was considered appropriate given this was the first year that we have acted as auditor of the Group.

Independent auditor's report continued

to the members of Norcros plc

Our application of materiality continued

Component materiality

We set materiality for each component of the Group based on a percentage of between 30% and 50% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.37m to £0.62m. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to it all individual audit differences in excess of £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 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 Statement 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 set out on pages 39 and 94; and • the Directors' explanation as to their assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 39.
Other Code provisions	• the Directors' statement on fair, balanced and understandable set out on page 81; • the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 33; • the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 57; and • the section describing the work of the Audit and Risk Committee set out on page 56.

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 light of the knowledge and understanding of the Group and Parent Company and their 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 the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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. All team members were briefed, including component audit teams, to ensure they were aware of any relevant regulations in relation to their work.

Independent auditor's report continued

to the members of Norcros plc

Auditor's responsibilities for the audit of the financial statements continued

Extent to which the audit was capable of detecting irregularities, including fraud continued

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 cut-off around the year end and management bias in accounting estimates. Our audit procedures included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions and judgements made by management in its 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;
- detailed testing of a sample of items for revenue cut off around the year end for all significant components to ensure they were accounted for in the correct period;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- review of minutes of Board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

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 or misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Harding (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
Manchester, United Kingdom
9 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
Continuing operations			
Revenue	2	**324.2**	342.0
Underlying operating profit		**33.8**	32.3
IAS 19R administrative expenses	24	**(1.4)**	(1.5)
Acquisition related costs	5	**(3.7)**	(4.0)
Exceptional operating items	5	**(3.8)**	(9.0)
Operating profit		**24.9**	17.8
Finance costs	6	**(5.4)**	(3.7)
Finance income	6	**—**	1.7
IAS 19R finance cost	24	**(1.0)**	(0.8)
Profit before taxation		**18.5**	15.0
Taxation	7	**(3.5)**	(4.1)
Profit for the year		**15.0**	10.9
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From profit for the year	9	**18.6p**	13.6p
Diluted earnings per share:			
From profit for the year	9	**18.6p**	13.5p
Weighted average number of shares for basic earnings per share (millions)	9	**80.6**	80.3
Alternative performance measures			
Underlying profit before taxation (£m)	8	**30.6**	28.8
Underlying earnings (£m)	8	**25.1**	22.8
Basic underlying earnings per share	9	**31.2p**	28.4p
Diluted underlying earnings per share	9	**31.1p**	28.2p

Consolidated statement of comprehensive income

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
Profit for the year		**15.0**	10.9
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the Income Statement			
Actuarial gains/(losses) on retirement benefit obligations	24	**24.1**	(14.8)
Items that may be subsequently reclassified to the Income Statement			
Cash flow hedges – fair value (loss)/gain in year net of taxation	21	**(1.5)**	—
Foreign currency translation of foreign operations		**5.3**	(9.2)
Other comprehensive income/(loss) for the year		**27.9**	(24.0)
Total comprehensive income/(loss) for the year		**42.9**	(13.1)

Items in this statement are disclosed net of tax.

Consolidated balance sheet

At 31 March 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Goodwill	11	**60.8**	60.1
Intangible assets	12	**32.8**	36.4
Property, plant and equipment	13	**28.0**	29.0
Right of use assets	14	**19.6**	20.6
Deferred tax assets	22	**—**	4.7
		141.2	150.8
Current assets			
Inventories	15	**78.1**	78.9
Trade and other receivables	16	**64.6**	60.5
Derivative financial instruments	21	**—**	2.0
Cash and cash equivalents	17	**28.3**	47.3
		171.0	188.7
Current liabilities			
Trade and other payables	18	**(95.4)**	(72.9)
Lease liabilities	19	**(5.4)**	(5.2)
Current tax liabilities		**(1.0)**	(1.0)
Derivative financial instruments	21	**(2.3)**	—
Financial liabilities – borrowings	20	**—**	(0.1)
		(104.1)	(79.2)
Net current assets		**66.9**	109.5
Total assets less current liabilities		**208.1**	260.3
Non-current liabilities			
Financial liabilities – borrowings	20	**(17.8)**	(83.6)
Pension scheme liability	24	**(18.3)**	(48.9)
Lease liabilities	19	**(18.8)**	(19.9)
Deferred tax liabilities	22	**(0.5)**	—
Other non-current liabilities	26	**(0.3)**	(0.3)
Provisions	23	**(4.0)**	(3.2)
		(59.7)	(155.9)
Net assets		**148.4**	104.4
Financed by:			
Share capital	25	**8.1**	8.1
Share premium		**30.2**	29.9
Retained earnings and other reserves		**110.1**	66.4
Total equity		**148.4**	104.4

The financial statements of Norcros plc, registered number 3691883, on pages 89 to 123, were authorised for issue on 9 June 2021 and signed on behalf of the Board by:

Nick Kelsall
Chief Executive Officer

Shaun Smith
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 March 2021

	Notes	**2021 £m**	2020 £m
Cash generated from operations	27	**60.0**	34.8
Income taxes paid		**(3.5)**	(5.3)
Interest paid		**(3.2)**	(3.5)
Net cash generated from operating activities		**53.3**	26.0
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(2.8)**	(4.8)
Acquisition of subsidiary undertakings (including payment of deferred consideration) net of cash acquired		**—**	(9.2)
Net cash used in investing activities		**(2.8)**	(14.0)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**0.3**	0.1
Principal element of lease payments		**(4.3)**	(3.8)
Purchase of treasury shares		**—**	(0.9)
Repayment of borrowings		**(66.0)**	—
Drawdown of borrowings		**—**	25.0
Dividends paid to the Company's shareholders	28	**—**	(7.0)
Net cash (used in)/generated from financing activities		**(70.0)**	13.4
Net (decrease)/increase in cash at bank and in hand and bank overdrafts		**(19.5)**	25.4
Cash at bank and in hand and bank overdrafts at the beginning of the year		**47.2**	23.4
Exchange movements on cash and bank overdrafts		**0.6**	(1.6)
Cash at bank and in hand and bank overdrafts at the end of the year		**28.3**	47.2

Consolidated statement of changes in equity

Year ended 31 March 2021

	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 2019	8.0	29.9	(0.3)	—	(12.5)	100.6	125.7
Comprehensive income:							
Profit for the year	—	—	—	—	—	10.9	10.9
Other comprehensive (expense):							
Actuarial loss on retirement benefit obligations	—	—	—	—	—	(14.8)	(14.8)
Foreign currency translation adjustments	—	—	—	—	(9.2)	—	(9.2)
Total other comprehensive expense for the year	—	—	—	—	(9.2)	(14.8)	(24.0)
Transactions with owners:							
Shares issued	0.1	—	—	—	—	—	0.1
Dividends paid	—	—	—	—	—	(7.0)	(7.0)
Purchase of treasury shares	—	—	(0.9)	—	—	—	(0.9)
Settlement of share option schemes	—	—	0.8	—	—	(1.3)	(0.5)
Value of employee services	—	—	—	—	—	0.1	0.1
At 31 March 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**

Notes to the Group accounts

Year ended 31 March 2021

1. Group accounting policies

General information

Norcros plc (the Company), and its subsidiaries (together the Group), designs, manufactures and distributes a range of high quality and innovative bathroom and kitchen products mainly in the UK and South Africa.

The Company is incorporated in the UK as a public company limited by shares and registered in England and Wales. The shares of the Company are listed on the London Stock Exchange market of listed securities. The address of its registered office is Ladyfield House, Station Road, Wilmslow SK9 1BU, UK. The Company is domiciled in the UK.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at their fair value. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, with the interpretations issued by the IFRS Interpretations Committee (IFRS IC) of the IASB that are effective as of the Balance Sheet date and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are detailed in the section on critical estimates on page 95. 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 4 April 2021. All references to the financial year therefore relate to the 52 weeks commencing on 6 April 2020. In the previous year the accounting period was 53 weeks, beginning on 1 April 2019 and ending on 5 April 2020.

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 in the context of the current operating environment.

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 financial model was then stress tested by modelling an extreme but plausible scenario, one of 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 6 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 12-month period under assessment, with net cash of £10.5m as at 31 March 2021. 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 unplausible 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 12 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.

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.

1. Group accounting policies continued

Summary of significant accounting policies continued

Key sources of estimation uncertainty and critical judgements in applying the Group's accounting policies

The Group's accounting policies have been set by management and approved by the Audit and Risk Committee. The application of these accounting policies to specific scenarios requires estimates and judgements to be made concerning the future. Under IFRS, estimates or judgements are considered critical where they involve a significant risk that may cause a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used. Once identified, critical estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

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

- retirement benefit obligations – accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future inflation assumptions applied in the calculation of scheme liabilities, which are set out in note 24, represent a key source of estimation uncertainty for the Group; and
- UK property provision – the valuation of the UK property provision relating to the one remaining onerous legacy property lease requires an assessment of the likely income from rental, costs from a void period, and final dilapidations, which will be incurred over the remainder of the lease tenure. The resulting valuation set out in note 23 represents a key source of estimation uncertainty for the Group.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with above) and have been identified as being particularly complex or involve subjective assessments:

- acquired intangible fixed assets – intangible assets can only be recognised as part of a business combination where the intangible asset is separable from goodwill, can be reliably measured and is expected to generate future economic benefits. Judgement is required to assess whether these criteria are met and also to subsequently determine the appropriate assumptions which are used to place a value on the intangible asset. Had different assumptions been applied, the valuation of acquired intangible assets could have differed from the amount ultimately recognised. Judgement is also needed to determine the useful economic lives of intangible assets and if a different period had been determined this could have resulted in amortisation charges differing from those actually recognised;
- retirement benefit obligations – accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The choice of discount rate 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; 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.

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.

Notes to the Group accounts continued

Year ended 31 March 2021

1. Group accounting policies continued

Summary of significant accounting policies continued

Segmental reporting

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

Goodwill

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

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.

1. Group accounting policies continued

Summary of significant accounting policies continued

Taxation continued

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.

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 2021

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 remeasured 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 has benefited from £4.3m of government assistance programmes relating to employee job retention costs. Government assistance received related to employee job retention is 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 2021

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 12 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.

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.

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 remeasurement 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 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 has applied the COVID-19 related rent concessions practical expedient and accounted for the concessions as though they are 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 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**

Year ended 31 March 2020

	UK £m	South Africa £m	Group £m
Revenue	225.4	116.6	342.0
Underlying operating profit	24.4	7.9	32.3
IAS 19R administrative expenses	(1.5)	—	(1.5)
Acquisition related costs	(4.5)	0.5	(4.0)
Exceptional operating items	(9.0)	—	(9.0)
Operating profit	9.4	8.4	17.8
Finance costs (net)			(2.8)
Profit before taxation			15.0
Taxation			(4.1)
Profit for the year			10.9
Net (debt)			(36.4)
Segmental assets	270.8	68.7	339.5
Segmental liabilities	(209.4)	(25.7)	(235.1)
Additions to property, plant and equipment	2.7	1.3	4.0
Depreciation and amortisation	10.2	4.8	15.0

Notes to the Group accounts continued

Year ended 31 March 2021

2. Segmental reporting continued

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

	2021 £m	2020 £m
UK	**189.4**	197.7
Africa	**105.8**	118.9
Rest of World	**29.0**	25.4
	324.2	342.0

No one customer had revenue over 10% of total Group revenue (2020: none).

Reported revenue within the South African segment contains £2.6m (2020: £3.7m) of revenue from services performed which have been recognised over time and within the UK segment contains £0.4m (2020: £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 £205.8m (2020: £217.5m), distribution costs of £21.3m (2020: £22.9m) and administrative expenses, inclusive of exceptional and acquisition related costs, of £72.2m (2020: £83.8m).

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

	2021 £m	2020 £m
Staff costs (see note 4)	**52.8**	60.7
Depreciation of property, plant and equipment (all owned assets)	**5.2**	6.6
Amortisation of intangible assets	**3.9**	3.9
Depreciation of right of use assets	**4.0**	4.5
Operating lease rentals payable for short-term and low value leases:		
– plant and machinery	**1.2**	1.2
– other	**0.6**	0.6
Research and development expenditure	**3.6**	4.1

All items relate to continuing operations.

Auditor's remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2021 £m	2020 £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

	2021 £m	2020 £m
Staff costs including Directors' remuneration:		
– wages and salaries	**50.3**	53.8
– furlough payments received	**(4.3)**	—
– social security costs	**2.8**	3.3
– share-based payments (see note 10)	**1.0**	0.1
Pension costs:		
– defined contribution (see note 24)	**3.0**	3.5
Total staff costs	**52.8**	60.7

Government income related to job retention assistance is presented in the above table.

	2021 Number	2020 Number
Average monthly numbers employed:		
– UK	**983**	1,054
– overseas	**1,072**	1,100
	2,055	2,154

Full details of Directors' remuneration may be found in the Remuneration Report on pages 71 to 78.

5. Acquisition related costs and exceptional operating items

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

Acquisition related costs	2021 £m	2020 £m
Deferred remuneration[1]	**—**	0.6
Intangible asset amortisation[2]	**3.7**	3.7
Release of deferred consideration[3]	**—**	(1.1)
Advisory fees[4]	**—**	0.8
	3.7	4.0

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

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

3 Contingent consideration in relation to the acquisition of House of Plumbing was fair valued under IFRS 9 on 31 March 2020 with a subsequent release of the provision.

4 Professional advisory fees incurred in connection with the Group's business combination activities.

Exceptional operating items	2021 £m	2020 £m
COVID-19 related restructuring[1]	**3.8**	—
COVID-19 related impairment[2]	**—**	9.0
	3.8	9.0

1 Exceptional costs of £3.8m were incurred in the period 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. The costs consist of £2.3m cash costs and £1.5m non-cash costs.

2 As at 31 March 2020 a one-off, non-cash impairment charge of £9.0m was recognised in relation to the impact of COVID-19 on the assets of Johnson Tiles UK.

Notes to the Group accounts continued

Year ended 31 March 2021

6. Finance income and costs

	2021 £m	2020 £m
Interest payable on bank borrowings	**(1.5)**	(1.6)
Interest on lease liabilities	**(1.7)**	(1.9)
Movement on fair value of derivative financial instruments	**(2.0)**	—
Amortisation of costs of raising debt finance	**(0.2)**	(0.2)
Finance costs	**(5.4)**	(3.7)
Movement on fair value of derivative financial instruments	**—**	1.7
Finance income	**—**	1.7
Net finance (costs)	**(5.4)**	(2.0)

7. Taxation

Taxation comprises:

	2021 £m	2020 £m
Current		
UK taxation	**0.4**	1.7
Overseas taxation	**3.7**	2.9
Prior year adjustment	**(0.2)**	—
Total current taxation	**3.9**	4.6
Deferred		
Origination and reversal of temporary differences	**(0.4)**	(0.5)
Total tax charge	**3.5**	4.1

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:

	2021 £m	2020 £m
Profit before tax	**18.5**	15.0
Tax calculated at domestic tax rates applicable to profits in the respective countries	**3.4**	3.1
Tax effects of:		
– adjustments in respect of prior years	**(0.2)**	—
– expenses not deductible for tax purposes	**0.3**	0.7
– origination and reversal of timing differences	**—**	0.3
Total tax charge	**3.5**	4.1

The weighted average applicable tax rate was 18.4% (2020: 20.7%); the decrease relates to the increased proportional profits in Ireland relative to the UK and South Africa. The standard rate of corporation tax in the UK is 19% (2020: 19%), in South Africa 28% (2020: 28%) and in Ireland 12.5% (2020: 12.5%).

Taxation on items taken directly to equity was a credit of £5.6m relating to deferred tax on pensions (see note 22) and a credit of £0.4m of current tax in relation to foreign exchange cash flow hedges.

8. Alternative performance measures

The Group makes use of a number of alternative performance measures to assess business performance and provide additional useful information to shareholders. Such alternative performance measures should not be viewed as a replacement of, or superior to, those defined by Generally Accepted Accounting Principles (GAAP). Definitions of alternative performance measures used by the Group and, where relevant, reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures are provided below.

The alternative performance measures used by the Group are:

Measure	Definition
Underlying operating profit	Operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items.
Underlying profit before taxation	Profit before taxation before IAS 19R administrative expenses, acquisition related costs, exceptional operating items, amortisation of costs of raising finance, 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

	2021 £m	2020 £m
Profit before taxation	**18.5**	15.0
Adjusted for:		
– IAS 19R administrative expenses	**1.4**	1.5
– acquisition related costs (see note 5)	**3.7**	4.0
– exceptional operating items (see note 5)	**3.8**	9.0
– amortisation of costs of raising finance	**0.2**	0.2
– net movement on fair value of derivative financial instruments	**2.0**	(1.7)
– IAS 19R finance cost	**1.0**	0.8
Underlying profit before taxation	**30.6**	28.8
Taxation attributable to underlying profit before taxation	**(5.5)**	(6.0)
Underlying earnings	**25.1**	22.8

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Year ended 31 March 2021

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 EBITDA

	2021 £m	2020 £m
Operating profit	**24.9**	17.8
Adjusted for:		
– depreciation and amortisation (owned assets)	**5.4**	6.8
– depreciation of leased assets	**4.0**	4.5
– lease costs	**(5.3)**	(5.0)
– IAS 19R administrative expenses	**1.4**	1.5
– acquisition related costs	**3.7**	4.0
– exceptional operating items (see note 5)	**3.8**	9.0
Underlying EBITDA	**37.9**	38.6

Consolidated Cash Flow Statement

(a) Underlying operating cash flow

	2021 £m	2020 £m
Cash generated from operations (see note 27)	**60.0**	34.8
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see note 27)	**2.5**	0.3
– pension fund deficit recovery contributions (see note 27)	**3.3**	3.3
Underlying operating cash flow	**65.8**	38.4

Consolidated Balance Sheet

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

	2021 £m	2020 £m
Net assets	**148.4**	104.4
Adjusted for:		
– pension scheme liability (net of associated tax)	**14.8**	39.7
– right of use assets (IFRS 16)	**(19.6)**	(20.6)
– lease liabilities (IFRS 16)	**24.2**	25.1
– Onerous lease provision (IFRS 16)	**(0.8)**	(1.4)
– cash and cash equivalents	**(28.3)**	(47.3)
– financial liabilities – borrowings	**17.8**	83.7
	156.5	183.6
Foreign exchange adjustment	**0.8**	9.6
Adjustment for acquisitions	**—**	7.2
Underlying capital employed	**157.3**	200.4
Average underlying capital employed	**178.9**	193.8
Underlying operating profit (pre-IFRS 16)	**32.5**	31.8
Underlying return on capital employed	**18.2%**	16.4%

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 2021 the potential dilutive ordinary shares amounted to 201,781 (2020: 668,944) as calculated in accordance with IAS 33.

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

	2021 £m	2020 £m
Profit for the year	**15.0**	10.9

	2021 Number	2020 Number
Weighted average number of shares for basic earnings per share	**80,575,242**	80,300,209
Share options	**201,781**	668,944
Weighted average number of shares for diluted earnings per share	**80,777,023**	80,969,153

	2021	2020
Basic earnings per share:		
From profit for the year	**18.6p**	13.6p
Diluted earnings per share:		
From profit for the year	**18.6p**	13.5p

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.

	2021 £m	2020 £m
Underlying earnings (see note 8**)**	**25.1**	22.8

	2021	2020
Basic underlying earnings per share	**31.2p**	28.4p
Diluted underlying earnings per share	**31.1p**	28.2p

Notes to the Group accounts continued

Year ended 31 March 2021

10. Share-based payments

	Exercise price per share	Weighted average share price at date of exercise	1 April 2020	Granted	Exercised	Lapsed	31 March 2021	Date from which exercisable	Expiry date
Approved Performance Share Plan 2016 (APSP)	Nil	173p	5,463	—	(5,463)	—	—	27.07.19	27.07.26
Approved Performance Share Plan 2017 (APSP)	Nil	173p	973,525	—	(233,825)	(732,741)	**6,959**	16.11.20	16.11.27
Approved Performance Share Plan 2018 (APSP)	Nil	173p	793,887	—	(1,886)	(14,598)	**777,403**	25.07.21	25.07.28
Approved Performance Share Plan 2019 (APSP)	Nil	—	819,084	—	—	—	**819,084**	23.07.22	23.07.29
Approved Performance Share Plan 2020 (APSP)	Nil	—	—	970,695	—	—	**970,695**	25.11.23	25.11.30
Deferred Bonus Plan 2017 (DBP)	Nil	173p	114,913	—	(114,913)	—	—	16.11.20	16.11.27
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
Save As You Earn Scheme (9) (SAYE)	151p	227p	114,478	—	(11,900)	(102,578)	—	01.03.20	31.08.20
Save As You Earn Scheme (10) (SAYE)	160p	227p	271,314	—	(162,947)	(35,068)	**73,299**	01.03.21	31.08.21
Save As You Earn Scheme (11) (SAYE)	201p	—	110,720	—	—	(36,848)	**73,872**	01.03.22	31.08.22
Save As You Earn Scheme (12) (SAYE)	208p	—	302,661	—	—	(114,790)	**187,871**	01.03.23	31.08.23
Save As You Earn Scheme (13) (SAYE)	164p	—	—	692,908	—	(5,487)	**687,421**	01.03.24	31.08.24

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

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. A charge of £1.0m was recognised in respect of share options in the year (2020: £0.1m) including £0.4m (2020: £nil) in respect of the Directors' share options. The highest paid Director's share options accounted for £0.2m (2020: £nil) 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 (9)	SAYE (10)	SAYE (11)	SAYE (12)	SAYE (13)
Date of grant	16.12.16	14.12.17	14.12.18	13.12.19	23.12.20
Initial exercise price	151p	160p	201p	208p	164p
Number of shares granted initially	297,238	345,599	120,220	306,649	692,908
Expected volatility	36.1%	35.1%	30.0%	31.0%	42.2%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.3%	0.9%	0.9%	0.3%	1.3%
Expected dividend yield	4.0%	4.0%	4.1%	4.0%	3.8%

	APSP 2016	APSP 2017	APSP 2018	APSP 2019	APSP 2020
Date of grant	27.07.16	16.11.17	25.07.18	23.07.19	25.11.20
Initial exercise price	Nil	Nil	Nil	Nil	Nil
Number of shares granted initially	1,193,500	1,083,055	861,023	861,447	970,695
Expected volatility	36.1%	35.1%	30.0%	31.0%	42.2%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.3%	0.9%	0.9%	0.9%	1.3%
Expected dividend yield	4.0%	4.0%	4.1%	4.0%	3.8%

	DBP 2017	DBP 2018	DBP 2019
Date of grant	16.11.17	25.07.18	23.07.19
Initial exercise price	Nil	Nil	Nil
Number of shares granted initially	114,913	69,101	87,381
Expected volatility	35.6%	30.0%	31.0%
Expected option life	3 years	3 years	3 years
Risk free rate	1.5%	0.9%	0.9%
Expected dividend yield	3.4%	4.1%	4.0%

The share price at 31 March 2021 was 268p. The average price during the year was 177p. Expected volatility is the Company's three-year historical share price volatility.

11. Goodwill

	2021 £m	2020 £m
At 1 April	**60.1**	56.3
Additions	**—**	5.1
Exchange differences	**0.7**	(1.3)
At 31 March	**60.8**	60.1

The additions in the prior year relate to the acquisition of House of Plumbing on 1 April 2019.

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

	2021 £m	2020 £m
Croydex	**7.8**	7.8
Abode	**0.8**	0.8
Triton Showers	**19.1**	19.1
Merlyn	**25.5**	25.5
Tile Africa	**2.8**	2.5
House of Plumbing	**4.8**	4.4
	60.8	60.1

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

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

- cash flows before income taxes are based on approved budgets and management projections for the first five years;
- long-term growth rates of 2.0% (2020: 2.0%) for Croydex, Abode, Merlyn and Triton Showers and 4.0% (2020: 7.6%) 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 11.0% (2020: 11.0%) in the UK and 16.7% (2020: 16.1%) 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 believe that there are no reasonably possible scenarios which would result in an impairment of goodwill.

Notes to the Group accounts continued

Year ended 31 March 2021

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 2019	36.5	10.1	0.6	0.2	47.4
Acquisitions	2.0	—	—	—	2.0
Additions	0.2	—	—	—	0.2
Exchange differences	(0.4)	—	—	—	(0.4)
At 31 March 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**
Accumulated amortisation					
At 1 April 2019	5.4	3.0	0.3	0.1	8.8
Charge for the year	3.0	0.8	0.1	—	3.9
Impairment	—	—	0.1	—	0.1
At 31 March 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**
Net book amount at 31 March 2020	29.9	6.3	0.1	0.1	36.4
Net book amount at 31 March 2021	**27.3**	**5.5**	**—**	**—**	**32.8**

The amortisation charge for intangibles generated on acquisition is £3.7m (2020: £3.7m) for the year and is included in the acquisition related costs in the Consolidated Income Statement. The £0.2m (2020: £0.1m) amortisation charge for internally generated or acquired intangibles is included in the Consolidated Income Statement.

Impairment in the prior year related to the impairment of intangible development costs as part of the Johnson Tiles UK impairment.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2019	35.1	92.4	127.5
Exchange differences	(0.8)	(2.8)	(3.6)
Acquisitions	0.1	—	0.1
Additions	0.4	3.6	4.0
Disposals	—	(2.1)	(2.1)
At 31 March 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**
Accumulated depreciation			
At 1 April 2019	16.9	68.3	85.2
Exchange differences	—	(0.4)	(0.4)
Charge for the year	1.1	5.5	6.6
Impairment	3.7	3.9	7.6
Disposals	—	(2.1)	(2.1)
At 31 March 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**
Net book amount at 31 March 2020	13.1	15.9	29.0
Net book amount at 31 March 2021	**12.3**	**15.7**	**28.0**

Plant and equipment include motor vehicles, computer equipment, and plant and machinery.

During the 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**
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**
Net book amount at 31 March 2020	18.4	2.2	20.6
Net book amount at 31 March 2021	**17.8**	**1.8**	**19.6**

Notes to the Group accounts continued

Year ended 31 March 2021

15. Inventories

	2021 £m	2020 £m
Raw materials and consumables	**12.9**	10.1
Work in progress	**0.7**	0.8
Finished goods	**64.5**	68.0
	78.1	78.9

Provisions held against inventories totalled £5.9m (2020: £4.7m).

The cost of inventories recognised as an expense within cost of sales in the Income Statement amounted to £173.0m (2020: £182.2m).

During the year the Group charged £1.9m (2020: £0.9m) of inventory write-downs to the Income Statement within cost of sales.

16. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**61.3**	57.0
Less: impairment loss allowance	**(0.9)**	(0.9)
Trade receivables – net	**60.4**	56.1
Other receivables	**1.6**	1.9
Prepayments and accrued income	**2.6**	2.5
	64.6	60.5

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:

	2021 £m	2020 £m
Sterling	**49.7**	47.5
South African Rand	**14.2**	10.4
Euro	**0.7**	1.1
UAE Dirham	**—**	1.5
	64.6	60.5

Impairment of trade receivables

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**

31 March 2020	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	0.0%	0.0%	5.0%	15.0%	20.0%	1.5%
Gross trade receivables	43.3	7.9	2.0	0.4	3.4	57.0
Loss allowance	—	—	0.1	0.1	0.7	0.9

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

	2021 £m	2020 £m
At the beginning of the year	**0.9**	0.6
Provision for receivables impairment	**0.5**	0.5
Receivables written off during the year as uncollectable	**(0.5)**	(0.2)
Exchange differences	**—**	—
At the end of the year	**0.9**	0.9

17. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**28.3**	47.3

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

	2021 £m	2020 £m
Cash at bank and in hand	**28.3**	47.3
Less: bank overdrafts (see note 20)	**—**	(0.1)
	28.3	47.2

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

	2021 £m	2020 £m
Trade payables	**49.5**	41.2
Other tax and social security payables	**7.7**	4.2
Contingent and deferred consideration	**—**	0.5
Other payables	**1.8**	1.8
Accruals and deferred income	**36.4**	25.2
	95.4	72.9

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 2020	21.7	3.4	25.1
Exchange differences	1.7	0.1	1.8
Additions	0.3	0.7	1.0
Modifications	0.6	—	0.6
Interest charge	1.6	0.1	1.7
Gross lease payments	(4.6)	(1.4)	(6.0)
At 31 March 2021	**21.3**	**2.9**	**24.2**

Lease liabilities are split into £5.4m (2020: £5.2m) payable in less than one year and £18.8m (2020: £19.9m) payable after one year.

As a result of the COVID-19 pandemic, the Group negotiated £0.1m of rent concessions with landlords. The Group has applied the COVID-19 related rent concessions practical expedient and accounted for the concessions as though they are variable lease payments.

Notes to the Group accounts continued

Year ended 31 March 2021

20. Financial liabilities – borrowings

	2021 £m	2020 £m
Non-current		
Bank borrowings (unsecured):		
– bank loans	**18.0**	84.0
– less: costs of raising finance	**(0.2)**	(0.4)
Total non-current	**17.8**	83.6
Current		
Bank borrowings (unsecured):		
– bank overdrafts	**—**	0.1
Total borrowings	**17.8**	83.7

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:

	2021 £m	2020 £m
Not later than one year	**—**	0.1
After more than one year:		
– between one and two years	**18.0**	—
– between two and five years	**—**	84.0
– costs of raising finance	**(0.2)**	(0.4)
	17.8	83.6
Total borrowings	**17.8**	83.7

Capital risk management

The Group increased the amount of its committed banking facilities to £120m (plus a £30m accordion) at the time of the Merlyn acquisition in November 2017. The maturity date was originally November 2021 with an option to extend for a further year. The Group exercised this option during the year ended 31 March 2019 and has extended the maturity date of the facility to November 2022.

This facility provides the Group with a sound financial structure for the medium term and, by reference to the £120m facility available at year end, with £124.7m of headroom being available at 31 March 2021 (2020: £76.6m), after taking into account net debt and ancillary facilities in use of £5.6m (2020: £6.6m) and overseas cash. The Group has been in compliance with all banking covenants during the year.

Interest rate profile

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

	2021 %	2020 %
Bank loans	**1.7**	2.4
Overdraft	**1.7**	2.4

At 31 March 2021 the bank loans carried interest based on LIBOR plus a margin of 1.7% (2020: 1.7%). Overdrafts carry interest at base rate plus a margin of 1.7% (2020: 1.7%).

Net cash/(debt)

The Group's net cash/(debt) is calculated as follows:

	2021 £m	2020 £m
Cash and cash equivalents	**28.3**	47.3
Total borrowings	**(17.8)**	(83.7)
	10.5	(36.4)

20. Financial liabilities – borrowings continued

Currency profile of net debt

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

	2021 £m	2020 £m
Sterling	**(5.9)**	(39.6)
Euro	**0.4**	0.1
US Dollar	**—**	0.1
South African Rand	**15.2**	2.9
Chinese Renminbi	**0.8**	0.1
	10.5	(36.4)

In the prior year cash generated in South Africa was utilised to acquire House of Plumbing and repay outstanding Group intercompany loans.

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 12 months on a rolling basis. Basis adjustments are made to the initial carrying amounts of inventories when the inventories are initially recorded.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount and life) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates. This means that there is an economic relationship between the hedging instrument (the foreign exchange forward derivatives) and the hedged item (highly probable forecast sales and purchases in foreign currency).

The notional value of the hedging instrument (the derivative) is consistent with the designated value of the underlying exposure. Therefore 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 LIBOR rates, the Group has decided not to take out any such swaps at the present time. This position is regularly reassessed.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. Each Group business is responsible for managing and analysing the credit risk of potential customers prior to offering credit terms and on an ongoing basis and uses independent ratings agencies, past trading experience and other factors in order to assess the credit quality of the customer. Additionally, the Group maintains a credit insurance policy for all its operations which covers a substantial portion of the Group's trade debtors. For banks and financial institutions only independently rated parties with a strong rating are accepted.

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 2021 the facility had £124.7m of headroom (2020: £76.6m) after taking account of ancillary facilities and overseas cash. The maturity date of the facility is November 2022.

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).

Notes to the Group accounts continued

Year ended 31 March 2021

21. Financial instruments continued

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]	2.1	2.0	85.4	—	89.5
Lease liabilities[2]	5.2	5.2	12.3	10.2	32.9
Trade and other payables	72.9	—	—	—	72.9
At 31 March 2020	80.2	7.2	97.7	10.2	195.3
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**

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

2 Lease liabilities are on an undiscounted basis.

Derivative foreign currency contracts

The following table details the foreign currency forward contracts outstanding at the end of the reporting year.

	Carrying amount £m	Notional amount £m	Gain/(loss) recognised in Income Statement £m	Change in fair value taken to hedge reserve £m
As at 31 March 2020:				
Assets	2.0	35.7	1.7	—
As at 31 March 2021:				
Liabilities	**2.3**	**70.8**	**(2.0)**	**2.3**

During the year the brought forward carrying amount of £2m was taken to the Income Statement in finance costs as the derivative forward currency contracts were settled. All hedging contracts taken out in relation to the current financial year ending 31 March 2022 were designated as hedging instruments under IFRS 9 hedge accounting.

As at 31 March 2021, 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 loss of £2.3m (2020: £nil). It is anticipated that the purchases will take place during the 12 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 12 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 2020	—
Effective portion of changes in fair value	(2.3)
Amount transferred to inventories	0.4
Tax effect	0.4
At 31 March 2021	**(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 £18.0m, 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.

21. Financial instruments continued

Sensitivity analysis continued

(b) 5% strengthening or weakening in major currencies

A number of the Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening or weakening of Sterling across all currencies would lead to a circa £2.6m 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 £0.3m 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 31 March 2019	(0.2)	5.3	(6.3)	2.0	0.8
Credited/(charged) to the Consolidated Income Statement	0.6	0.4	—	(0.5)	0.5
Credited to other comprehensive income	—	3.5	—	—	3.5
Acquisitions	—	—	(0.4)	—	(0.4)
Exchange differences	—	—	0.3	—	0.3
At 31 March 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)**

	2021 £m	2020 £m
Deferred tax assets:		
– to be recovered after more than twelve months	**4.2**	9.6
– to be recovered within twelve months	**1.0**	0.1
	5.2	9.7
Deferred tax liabilities:		
– to be charged after more than twelve months	**(5.0)**	(4.3)
– to be charged within twelve months	**(0.7)**	(0.7)
	(5.7)	(5.0)
Deferred tax (liabilities)/assets (net)	**(0.5)**	4.7

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 (2020: £nil) in respect of tax losses. No deferred tax asset has been recognised in respect of £6.7m (2020: £6.7m) of tax losses as the Company does not believe that utilisation of these losses is probable.

23. Provisions

	Warranty provision £m	Restructuring provision £m	UK property provision £m	Total £m
At 1 April 2019	1.2	0.6	4.0	5.8
Charged to the Income Statement	(0.2)	—	—	(0.2)
Reclassified (IFRS 16)	—	—	(2.2)	(2.2)
Other movement	—	—	0.3	0.3
Utilisation	—	(0.5)	—	(0.5)
At 31 March 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**

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 UK property provision relates to the one remaining onerous legacy property lease that is due to expire in June 2022. In the year £0.5m deferred consideration accrual was utilised to increase this provision. The provision relates to dilapidation and other costs expected prior to vacating the property. The final costs may be higher or lower than the amount recognised.

The restructuring provision relates to COVID-19 restructuring liabilities that are due to be settled within two years.

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 (2020: 15 years) and can be attributed to the scheme members as follows:

	2021	2020
Employee members	**3%**	7%
Deferred members	**29%**	31%
Pensioner members	**68%**	62%
Total	**100%**	100%

The Plan assets do not include any investments in the Company or any property or other assets utilised by the Company.

The Plan is funded by the Company based on a separate actuarial valuation for funding purposes for which the assumptions may differ from those below. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustee and the Company.

The triennial actuarial valuation for the Group's UK defined benefit pension scheme as at 1 April 2018 reported an actuarial deficit of £49.3m (2015: £73.5m) representing an 89% funding level (2015: 84%). The deficit recovery plan was agreed with the scheme Trustee, with a cash contribution of £3.25m per annum plus CPI, payable for the 6.5 years to 30 September 2025.

In line with the above agreement the Group made deficit recovery contributions of £3.3m (2020: £3.3m) into its UK defined benefit pension scheme during the year to 31 March 2021.

24. Retirement benefit obligations continued

(a) Pension costs continued

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 £3.0m (2020: £3.5m).

(b) IAS 19R, 'Employee benefits'

Norcros Security Plan

The valuation used for IAS 19R disclosures has been based on the most recent actuarial valuation at 31 March 2018 and updated by 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 2021. Scheme assets are stated at their market value at 31 March 2021.

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

	2021 Projected unit	2020 Projected unit
Discount rate	**2.05%**	2.21%
Inflation rate (RPI)	**3.25%**	2.55%
Inflation rate (CPI)	**2.35%**	1.60%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	**3.17%**	2.54%
Salary increases	**2.60%**	1.85%

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

	2021	2020
Life expectancy at age 65:		
Current pensioners – males	**19.9**	20.6
Current pensioners – females	**22.4**	23.0
Future pensioners – males (currently aged 45)	**20.8**	21.6
Future pensioners – females (currently aged 45)	**23.5**	24.2

Members are assumed to take a 25% (2020: 25%) cash commutation sum on retirement.

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

	2021 £m	2020 £m
Included in operating profit:		
IAS 19R pension administration expenses	**1.4**	1.5
Past service costs	**—**	—
IAS 19R finance cost	**1.0**	0.8
Total amounts recognised in the Income Statement	**2.4**	2.3

Financial statements

Notes to the Group accounts continued

Year ended 31 March 2021

24. Retirement benefit obligations continued

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

Norcros Security Plan continued

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

	Value at 31 March 2021 £m	Value at 31 March 2020 £m
Equities	**93.6**	59.7
Absolute return funds	**24.1**	41.6
Bonds	**127.2**	131.0
High yield	**72.2**	68.4
Property	**—**	16.9
Liability-driven investments	**74.4**	36.2
Cash and gilts	**6.3**	8.1
Total fair value of scheme assets	**397.8**	361.9
Present value of scheme liabilities	**(416.1)**	(410.8)
Pension deficit	**(18.3)**	(48.9)

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 2021			Value at 31 March 2020		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	**—**	**93.6**	**93.6**	—	59.7	59.7
Absolute return funds	**18.0**	**6.1**	**24.1**	16.1	25.5	41.6
Bonds	**—**	**127.2**	**127.2**	—	131.0	131.0
High yield	**—**	**72.2**	**72.2**	—	68.4	68.4
Property	**—**	**—**	**—**	—	16.9	16.9
Liability-driven investments	**—**	**74.4**	**74.4**	—	36.2	36.2
Cash and gilts	**6.3**	**—**	**6.3**	8.1	—	8.1
Total fair value of scheme assets	**24.3**	**373.5**	**397.8**	24.2	337.7	361.9

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

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

	2021 £m	2020 £m
Deficit at the beginning of the year	**(48.9)**	(31.6)
Employer contributions – deficit recovery	**3.3**	3.3
IAS 19R pension administration expenses	**(1.4)**	(1.5)
IAS 19R finance cost	**(1.0)**	(0.8)
Actuarial gains/(losses)	**29.7**	(18.3)
Deficit at the end of the year	**(18.3)**	(48.9)

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

	2021 £m	2020 £m
Opening fair value of scheme assets	**361.9**	396.4
Employer contributions – deficit recovery	**3.3**	3.3
Interest income	**7.8**	9.6
Benefits paid	**(23.2)**	(23.9)
Actuarial gains/(losses) on scheme assets	**49.4**	(22.0)
IAS 19R pension administration expenses	**(1.4)**	(1.5)
Closing fair value of scheme assets	**397.8**	361.9

24. Retirement benefit obligations continued

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

Norcros Security Plan continued

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

	2021 £m	2020 £m
Opening scheme liabilities	**(410.8)**	(428.0)
Interest cost	**(8.8)**	(10.4)
Actuarial (losses)/gains arising from changes in financial assumptions	**(35.3)**	9.0
Actuarial gains/(losses) arising from changes in demographic assumptions	**15.6**	(5.3)
Benefits paid	**23.2**	23.9
Closing fair value of scheme liabilities	**(416.1)**	(410.8)

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

	2021 £m	2020 £m
Actuarial gains/(losses)	**29.7**	(18.3)
Deferred tax	**(5.6)**	3.5
	24.1	(14.8)

(viii) Sensitivities

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

	Impact on scheme deficit	
Assumption	2021 £m	2020 £m
Discount rate – 0.1% decrease	**5.0**	4.9
Inflation rate (RPI and CPI)[1] – 0.1% increase	**4.0**	3.6
Increase in life expectancy by one year	**19.0**	16.0

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

	2021 £m	2020 £m
Issued and fully paid		
2021: 80,855,464 (2020: 80,557,270) ordinary shares of 10p each	**8.1**	8.1

During the year, the Company issued 298,194 10p ordinary shares in order to satisfy vesting of options under the Company's Approved Performance Share Plan, Deferred Bonus Plan and SAYE schemes.

26. Other non-current liabilities

	2021 £m	2020 £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 2021

27. Consolidated Cash Flow Statement

(a) Cash generated from operations

The analysis of cash generated from operations is given below:

	2021 £m	2020 £m
Profit before taxation	**18.5**	15.0
Adjustments for:		
– IAS 19R administrative expenses included in the Income Statement	**1.4**	1.5
– acquisition related costs included in the Income Statement	**3.7**	4.0
– exceptional items included in the Income Statement	**3.8**	9.0
– finance costs included in the Income Statement	**5.4**	2.0
– IAS 19R finance cost included in the Income Statement	**1.0**	0.8
– cash flows from exceptional items	**(2.5)**	(0.3)
– settlement of share options	**(0.2)**	(0.5)
– depreciation of property, plant and equipment	**5.2**	6.6
– underlying amortisation	**0.2**	0.2
– depreciation of right of use asset	**4.0**	4.5
– pension fund deficit recovery contributions	**(3.3)**	(3.3)
– IFRS 2 charges	**1.0**	0.1
Operating cash flows before movement in working capital	**38.2**	39.6
Changes in working capital:		
– decrease/(increase) in inventories	**3.8**	(2.4)
– (increase)/decrease in trade and other receivables	**(5.0)**	3.6
– increase/(decrease) in trade and other payables	**23.0**	(6.0)
Cash generated from operations	**60.0**	34.8

(b) Outflow related to exceptional items

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

(c) Analysis of underlying net cash/(debt)

	Cash £m	Current borrowings £m	Non-current borrowings £m	Underlying net cash/(debt) £m	Lease liabilities £m	Net debt £m
At 1 April 2019	27.2	(3.8)	(58.4)	(35.0)	(27.7)	(62.7)
Cash flow	21.7	3.7	(25.0)	0.4	5.7	6.1
Non-cash finance costs	—	—	(0.2)	(0.2)	(1.9)	(2.1)
Other non-cash movements	—	—	—	—	(4.7)	(4.7)
Exchange movement	(1.6)	—	—	(1.6)	3.5	1.9
At 31 March 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)**

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

28. Dividends

Due to COVID-19 no dividends were paid during the year (2020: interim dividend of £2.5m, 3.1p per share). A final dividend of 8.2p per share in respect of the year ended 31 March 2021 (2020: nil) is to be proposed at the Annual General Meeting on 21 July 2021.

29. Capital commitments

	2021 £m	2020 £m
Contracts placed for future capital expenditure not provided in the financial statements	0.3	0.1

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 71 to 78.

Parent Company balance sheet

At 31 March 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investments	3	**177.3**	177.3
Deferred tax assets	4	**0.4**	0.3
		177.7	177.6
Current assets			
Trade and other receivables	5	**—**	37.6
Current liabilities			
Trade and other payables	6	**(30.3)**	(0.4)
Net current (liabilities)/assets		**(30.3)**	37.2
Total assets less current liabilities		**147.4**	214.8
Non-current liabilities			
Financial liabilities – borrowings	7	**(17.8)**	(83.6)
Net assets		**129.6**	131.2
Financed by:			
Share capital	8	**8.1**	8.1
Share premium account		**30.2**	29.9
Treasury reserve		**(0.1)**	(0.4)
Retained earnings before loss for the financial year		**94.1**	95.9
Loss for the financial year		**(2.7)**	(2.3)
Total shareholders' funds		**129.6**	131.2

The financial statements of Norcros plc, registered number 3691883, on pages 124 to 129 were authorised for issue on 9 June 2021 and signed on behalf of the Board by:

Nick Kelsall
Chief Executive Officer

Shaun Smith
Chief Financial Officer

Parent Company statement of changes in equity

Year ended 31 March 2021

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Retained earnings £m	Total equity £m
At 1 April 2019	8.0	29.9	(0.3)	104.1	141.7
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	—	—	—	(7.0)	(7.0)
Purchase of treasury shares	—	—	(0.9)	—	(0.9)
Equity-settled share options	—	—	0.8	(1.3)	(0.5)
Value of employee services	—	—	—	0.1	0.1
At 31 March 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**

Notes to the Parent Company accounts

Year ended 31 March 2021

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 4 April 2021. All references to the financial year therefore relate to the 52 weeks commencing on 6 April 2020. In the previous year the accounting period was 53 weeks long, beginning on 1 April 2019 and ending on 5 April 2020.

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 (2020: £3,000) and staff costs relating to two employees (2020: two) are borne by one of the Company's subsidiary, without recharge.

Further information about the Directors' remuneration may be found in the Annual Report on Remuneration on pages 71 to 78.

3. Investments

	Shares in subsidiaries £m
At 1 April 2020 and 31 March 2021	**177.3**

Details of the subsidiaries owned by the Company, held both directly and indirectly, are shown in note 11.

4. Deferred tax assets

Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax account is as shown below:

	2021 £m	2020 £m
Deferred tax asset	**0.4**	0.3

The analysis of the deferred tax asset is as follows:

	2021 £m	2020 £m
Other timing differences	**0.4**	0.3

	2021 £m	2020 £m
To be recovered after more than twelve months	**—**	0.2
To be recovered within twelve months	**0.4**	0.1
	0.4	0.3

The full potential asset for deferred tax is as follows:

	2021 £m	2020 £m
Other timing differences	**0.4**	0.3
Tax losses	**4.5**	4.5
	4.9	4.8

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 2021

5. Trade and other receivables

	2021 £m	2020 £m
Amounts owed by Group undertakings	—	37.6
	—	37.6

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

6. Trade and other payables

	2021 £m	2020 £m
Accruals	**0.6**	0.4
Amounts owed to Group undertakings	**29.7**	—
	30.3	0.4

7. Financial liabilities – borrowings

	2021 £m	2020 £m
Loans and bank overdrafts	**18.0**	84.0
Costs of raising finance	**(0.2)**	(0.4)
	17.8	83.6
Repayable after more than one year:		
– between one and two years	**18.0**	—
– between two and five years	—	84.0
– costs of raising finance	**(0.2)**	(0.4)
	17.8	83.6

The Group increased the amount of its committed banking facilities to £120m (plus a £30m accordion) at the time of the Merlyn acquisition in November 2017. The maturity date was originally November 2021 with an option to extend for a further year. The Group exercised this option during the year ended 31 March 2019 and has extended the maturity date of the facility to November 2022.

The Group has been in compliance with all banking covenants during the year.

8. Called up share capital

	2021 £m	2020 £m
Issued and fully paid		
2021: 80,855,464 (2020: 80,557,270) ordinary shares of 10p each	**8.1**	8.1

During the year, the Company issued 298,194 10p ordinary shares in order to satisfy vesting of options under the Company's Approved Performance Share Plan, Deferred Bonus Plan and SAYE schemes.

9. Dividends

Due to COVID-19 no dividends were paid during the year (2020: interim dividend of £2.5m, 3.1p per share). A final dividend of 8.2p per share in respect of the year ended 31 March 2021 (2020: nil) is to be proposed at the Annual General Meeting on 21 July 2021.

10. Contingent liabilities

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

11. Subsidiaries

The subsidiaries included in the financial statements are disclosed below. All companies are 100% owned by the Group.

Held directly by Norcros plc

Company	Country of incorporation or registration	Registered address
Norcros Group (Holdings) Limited	England	Ladyfield House, Station Road, Wilmslow SK9 1BU, United Kingdom

Held indirectly by Norcros plc

Company	Country of incorporation or registration	Registered address
Abode Home Products Ltd	England	Ladyfield House, Station Road, Wilmslow SK9 1BU, United Kingdom
Bathshoponline Ltd	England	As above
Carlton Holdings Ltd	England	As above
Crittall Construction Ltd	England	As above
Croydex Group Ltd	England	As above
Croydex Ltd	England	As above
Eurobath International Ltd	England	As above
H & R Johnson (Overseas) Ltd	England	As above
H & R Johnson Tiles Ltd	England	As above
Lincolnshire Properties (Norfolk Street) Ltd	England	As above
Merlyn Industries UK Ltd	England	As above
Metlex Industries Ltd	England	As above
Norcros (Trustees) Ltd	England	As above
Norcros Adhesives Ltd	England	As above
Norcros Developments Ltd	England	As above
Norcros Estates Ltd	England	As above
Norcros Group Trusteeships Ltd	England	As above
Norcros Industry (International) Ltd	England	As above
Norcros Securities Ltd	England	As above
Norcros Services Ltd	England	As above
Plumbex UK Ltd	England	As above
Samuel Booth and Company Ltd	England	As above
Stonechester (Stoke) Ltd	England	As above
Taps Direct Ltd	England	As above
Triton Industry Ltd	England	As above
Triton plc	England	As above
UBM Pension Trust Ltd	England	As above
Vado UK Ltd	England	As above
Cronors Insurance Ltd	Guernsey	Dorey Court, Admiral Park, St. Peter Port GY1 2HT, Guernsey
Merlyn Industries Ltd	Ireland	Merlyn House, Purcellsinch Industrial Estate, Dublin Road, Kilkenny, Ireland
Christa 271 (Pty) Ltd	Namibia	3rd Floor, 344 Independence Avenue, Windhoek, Namibia
Tile Africa Windhoek Property (Pty) Ltd	Namibia	15 van Zyl Street, Suiderhof, Windhoek, Namibia
Ceracon (Pty) Ltd	South Africa	4 Porcelain Road, Olifantsfontein 1665, South Africa
General Adhesives (Pty) Ltd	South Africa	As above
Johnson Tiles Pty Ltd	South Africa	As above
Lesatsi Trading (Pty) Ltd	South Africa	As above
Norcros SA (Pty) Ltd	South Africa	As above
TAL (Pty) Ltd	South Africa	As above
Talcor Properties (Pty) Ltd	South Africa	As above
Tile Adhesives (Pty) Ltd	South Africa	As above
Tile Africa Group (Pty) Ltd	South Africa	As above
Triton SA (Pty) Ltd	South Africa	As above
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 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 of Annual General Meeting

Notice is given that the 2021 Annual General Meeting of the Company ("AGM") will be held at 11.00 am on 21 July 2021 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU, for the purpose of considering and, if thought fit, passing the resolutions set out below.

COVID-19

We recognise that the AGM is a very important occasion for the Board to engage with shareholders and answer any questions that shareholders might have.

The health and wellbeing of our shareholders is of paramount importance to us and we are monitoring the situation and having regard to the measures required or advised by the UK Government in relation to the COVID-19 pandemic.

In light of the current situation, including UK Government advice and related public health guidance, we have taken the decision to hold a very limited AGM this year. As such, pending any material change in the situation and subject to the limited exceptions mentioned below, we will not permit any shareholder entry to or attendance at the AGM with the exception of two Directors who hold shares, so that they can form a quorate meeting and duly record the proxy votes.

If, despite the above, any shareholder would nevertheless like to attend the AGM in person, they may request permission to do so by email to the Company Secretary (info@norcros.com) and it may be possible for the Company to permit a very small number of shareholders to do so provided that they comply with whatever arrangements the Company may require to ensure compliance with the above-mentioned UK Government advice and related public health guidance. In light of the above, the Company reserves the right to refuse such permission and, if such permission is granted, to revoke such permission at any time (whether before or during the AGM) if the Director who is chair of the AGM (Chair) considers this necessary, including if any shareholder who is permitted entry to and attendance at the AGM fails to comply with the above-mentioned arrangements.

As shareholders will not be able to physically attend the AGM this year, subject to the above-mentioned limited exceptions (and, even if permitted entry to the AGM, may not be able to physically attend the AGM throughout), 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 they can vote and be represented at the AGM. In light of the above, any proxy other than the Chair may not be permitted entry to or attendance at the AGM, so they may not be able to vote. Details of how to complete and submit your proxy votes are set out below.

UK Government advice and related public health guidance in relation to COVID-19 remains subject to change and the Board intends to keep the arrangements of the AGM under close review during this period. 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 2021" section of the Company's website (www.norcros.com) and, where appropriate, announced via a Regulatory Information Service.

In light of the above, it is unlikely that a formal question and answer session will be held. Instead, shareholders are encouraged to submit any questions relating to the business of the AGM in advance of the AGM by email to info@norcros.com and the Board will attempt to ensure, to the extent practicable, that answers are provided by 11.00 am on 16 July 2021. If the Board considers it appropriate and practicable, answers to any commonly asked or particular questions may be published on the "AGM 2021" section of the Company's website (www.norcros.com).

Notwithstanding the exceptional arrangements for this year's AGM the Company encourages engagement with its shareholders and if any shareholder wishes to engage with the Directors concerning any of the business to be conducted at the AGM please contact the Company Secretary by email: info@norcros.com. The Company will endeavour (but does not commit) to communicate with shareholders concerning the AGM in such manner as is reasonably practicable.

The following resolutions will be proposed at the meeting. Resolutions 1 to 9 (inclusive) will be proposed as ordinary resolutions and resolutions 10 to 13 (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 2021.
2. To declare a final dividend of 8.2 pence per ordinary share for the year ended 31 March 2021.
3. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 March 2021 set out in the Annual Report and Accounts for the year ended 31 March 2021.
4. To re-elect Alison Littley as a Director.
5. To re-elect David McKeith as a Director.
6. To re-elect Nick Kelsall as a Director.
7. 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.
8. To authorise the Audit and Risk Committee of the Board of Directors to agree the remuneration of the auditor of the Company.
9. 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 £5,392,469.20 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 21 October 2022 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.
10. That, subject to the passing of resolution 9 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 9 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 £404,435.00 (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 9 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.

11. That, subject to the passing of resolution 9 in the notice of this meeting (the Notice) and, in addition to the power contained in resolution 10 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 9 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 £404,435.00; 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 9 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.

12. 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 8,088,700;

    (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 21 October 2022 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.

13. 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

RH Collins

Richard H. Collins
Company Secretary
9 June 2021

Registered in England and Wales company number 3691883

Registered office:
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

Notes

1. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting. A proxy need not be a member. **AS STATED ABOVE, IN LIGHT OF THE ONGOING CIRCUMSTANCES RELATING TO COVID-19 AND THE RELATED UK GOVERNMENT ADVICE AND PUBLIC HEALTH GUIDANCE ("COVID-19 RESTRICTIONS"), SHAREHOLDERS ARE STRONGLY ENCOURAGED TO APPOINT THE CHAIR OF THE AGM ("AGM CHAIR") AS THEIR PROXY AND ANY PROXY OTHER THAN THE AGM CHAIR MAY NOT BE PERMITTED TO ATTEND THE MEETING.**

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 19 July 2021 in order to be entitled to attend and vote at the meeting as a member in respect of those shares. **AS STATED ABOVE, IN LIGHT OF THE COVID-19 RESTRICTIONS, SHAREHOLDERS ARE STRONGLY ENCOURAGED TO APPOINT THE AGM CHAIR AS THEIR PROXY AND ANY SHAREHOLDER OR SHAREHOLDER'S REPRESENTATIVE, OR ANY PROXY OTHER THAN THE AGM CHAIR, MAY NOT BE PERMITTED TO ATTEND THE MEETING.**

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. **AS STATED ABOVE, IN LIGHT OF THE COVID-19 RESTRICTIONS, SHAREHOLDERS ARE STRONGLY ENCOURAGED TO APPOINT THE AGM CHAIR AS THEIR PROXY AND ANY SHAREHOLDER OR SHAREHOLDER'S REPRESENTATIVE, OR ANY PROXY OTHER THAN THE AGM CHAIR, MAY NOT BE PERMITTED TO ATTEND THE MEETING.**

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. **AS STATED ABOVE, IN LIGHT OF THE COVID-19 RESTRICTIONS, SHAREHOLDERS ARE STRONGLY ENCOURAGED TO APPOINT THE AGM CHAIR AS THEIR PROXY AND ANY SHAREHOLDER OR SHAREHOLDER'S REPRESENTATIVE, OR ANY PROXY OTHER THAN THE AGM CHAIR, MAY NOT BE PERMITTED TO ATTEND THE MEETING.**

   A member can appoint a proxy by:

   - logging on to 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 19 July 2021 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, or email Link at shareholderenquiries@linkgroup.co.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 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. **AS STATED ABOVE, IN LIGHT OF THE COVID-19 RESTRICTIONS, SHAREHOLDERS ARE STRONGLY ENCOURAGED TO APPOINT THE AGM CHAIR AS THEIR PROXY AND ANY SHAREHOLDER OR SHAREHOLDER'S REPRESENTATIVE, OR ANY PROXY OTHER THAN THE AGM CHAIR, MAY NOT BE PERMITTED TO ATTEND THE MEETING.**

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 2021" section of the Company's website (www.norcros.com).

7. As at 8 June 2021 (being the latest practicable date prior to the printing of the Annual Report and Accounts 2021), (i) the Company's issued share capital consisted of 80,887,039 ordinary shares carrying one vote each and (ii) the total voting rights in the Company were 80,887,039.

Notes continued

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 2021" 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 2021 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. **AS STATED ABOVE, IN LIGHT OF THE COVID-19 RESTRICTIONS, SHAREHOLDERS ARE REQUESTED TO SUBMIT QUESTIONS TO THE BOARD IN ADVANCE OF THE MEETING**.

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. **AS STATED ABOVE, IN LIGHT OF THE COVID-19 RESTRICTIONS, SHAREHOLDERS ARE REQUESTED TO SUBMIT QUESTIONS TO THE BOARD IN ADVANCE OF THE MEETING**.

10. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in the CREST voting service section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a CREST proxy appointment instruction) must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited (Euroclear) and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Link Group (ID RA10), as the Company's issuer's agent, by 11.00 am on 19 July 2021. 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 2021" section of the Company's website (www.norcros.com). **SHAREHOLDERS ARE ENCOURAGED TO REGULARLY REVIEW THE "AGM 2021" 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

The 2021 Annual General Meeting of the Company will take place at 11.00 am on 21 July 2021 at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. 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 8 June 2021 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 2021 (Annual Report and Accounts 2021).

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 2021.

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' recommendation is 8.2 pence per ordinary share. If the meeting approves resolution 2, the final dividend of 8.2p per ordinary share will be paid on 30 July 2021 to ordinary shareholders who are on the register of members at the close of business on 25 June 2021.

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 2021. 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 60 to 78 of the Annual Report and Accounts 2021. For the purposes of this resolution, the Directors' Remuneration Report does not include the Directors' Remuneration Policy which is set out on pages 63 to 70.

Resolutions 4 to 6

Election and re-election of Directors

Resolutions 4 to 6 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. There are no such Directors at this AGM.

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 2021 Annual General Meeting in line with best practice recommendations of the UK Corporate Governance Code. Each of the Directors intends to stand for re-election by the shareholders, with the exception of Shaun Smith who will retire from office at the AGM and not be seeking re-election as he will be retiring as a Director.

The Board confirms that, following formal performance evaluation of all of the Directors, each of the Directors standing for 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). Brief biographical details of all of the Directors standing for re-election can be found on pages 48 and 49 of the Annual Report and Accounts 2021.

Resolutions 7 and 8

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 7 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 8 follows best practice in giving authority to the Audit and Risk Committee to agree the remuneration of the Company's auditor.

Resolution 9

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 2021 Annual General Meeting. In accordance with best practice, this resolution seeks to renew the Directors' authority to allot shares.

Resolution 9, if passed, will renew the Directors' authority to allot shares in the capital of the Company up to a maximum aggregate nominal value of £5,392,469.20. This represents approximately two thirds of the Company's issued ordinary share capital as at 8 June 2021 and is within the limits prescribed by The Investment Association. Of this amount, ordinary shares up to an aggregate nominal value of £2,696,234.60 (which represents approximately one third of the Company's issued ordinary share capital as at 8 June 2021) can only be allotted pursuant to a rights issue.

Resolution 9 continued

Authority to allot shares continued

As at 8 June 2021, 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 21 October 2022 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 10 and 11

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 2021 Annual General Meeting and, in accordance with best practice, resolutions 10 and 11 (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 10 will be limited to ordinary shares up to a maximum aggregate nominal value of £404,435.00. This amount equates to approximately 5% of the issued ordinary share capital of the Company as at 8 June 2021.

In line with the Pre-Emption Group's Statement of Principles, the Directors are also seeking (at resolution 11) 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 £404,435.00 (representing 5% of the issued ordinary share capital of the Company as at 8 June 2021) 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 21 October 2022 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 12

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 8,088,700 ordinary shares which represents approximately 10% of the Company's issued ordinary share capital as at 8 June 2021 and sets minimum and maximum prices. The renewed authority will, if passed, remain in force until the close of business on 21 October 2022 or, if earlier, the conclusion of the Company's next annual general meeting.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares, but will keep the matter under review, taking into account other investment opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would promote the success of the Company and be in the best interests of its shareholders generally. To the extent that any shares so purchased are held in treasury (see below), earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. If any shares are purchased, they will be either cancelled or held in treasury. Any such decision will be made by the Directors at the time of purchase on the basis of the shareholders' best interests. Shares held in treasury can be cancelled, sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes. Any shares held in treasury would not be eligible to vote nor would any dividend be paid on any such shares. If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares, then such shares would be immediately cancelled, in which event the number of ordinary shares in issue would be reduced.

The Directors believe that it is desirable for the Company to have this choice. Holding the repurchased shares as treasury shares gives the Company the ability to re-issue them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base.

As at 8 June 2021, there were options over approximately 3,796,806 ordinary shares in the capital of the Company, which represent approximately 4.7% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent approximately 5.2% of the Company's issued ordinary share capital. As at 8 June 2021, the Company did not hold any shares in treasury.

Resolution 13

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 13 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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