ANNUAL REPORT & ACCOUNTS 2024

FOR THE YEAR ENDED 31 MARCH 2024

NORCROS

WELCOME TO THE NORCROS ANNUAL REPORT 2024

THE UK & IRELAND'S NO.1 BATHROOM PRODUCTS GROUP

We craft design-led, sustainable bathroom and kitchen products. But even more than that, our business is about people – our customers, our employees, our society and the way we live.

SUSTAINABLE DEVELOPMENT GOALS

READ MORE **HOW OUR ESG STRATEGY MAPS TO THE UNSDGS** ON **PAGES 52 TO 55**

WE OFFER A POWERFUL CHOICE FOR BETTER LIVING.

Who we are

We are a group of market-leading brands that design and supply sustainable bathroom and kitchen products in the UK, Ireland and South Africa in addition to selected export markets.

What we offer

We go to market through product-specialist brands. They each supply high-quality, design-led products aimed at the mid to premium end of the market.

How we're differentiated

We stand out from the crowd because our in-house design teams create innovative and sustainable products and we offer outstanding customer service. Our brands are strong individually, and even better together.

Our culture

We have an inclusive and growth-focused culture. We foster a caring, collaborative and innovative environment in which our people can bring ideas to life, build long-lasting relationships and fulfil career and personal goals.

READ MORE ABOUT OUR **PEOPLE PILLAR** WITHIN THE SUSTAINABILITY SECTION ON **PAGES 56 TO 66**

Welcome from our CEO

I am delighted to present the Annual Report and Accounts for my first full year as Chief Executive Officer of Norcros plc. It has been an incredible year full of development and progress, which will continue to accelerate as we build on our strong track record and move into our next phase of growth.

Our journey

Our organic growth and strong M&A strategy have built us into the UK and Ireland's number one bathroom products group, but we're not stopping there. We have big ambitions of continued growth with our updated strategy and emphasis on putting people first.

GROUP HIGHLIGHTS

Q & A

with Chief Executive Officer Thomas Willcocks

Q This was a robust performance given market conditions – what were the main drivers of this outperformance?

A The main driver was a record performance in the UK and Ireland, where, although revenue was 3.2% lower than the prior year on a like for like basis (adjusting for Grant Westfield and Norcros Adhesives), we managed to profitably grow organic market share. We benefited from a strong focus on new product development and collaborative cross-selling initiatives. In addition, our brands were able to collectively leverage our scale in terms of controlling costs.

Q What were some of the major challenges the Group faced this year?

A The market remained challenging in both our core geographies, with specific energy-related challenges in South Africa. There are three key takeaways from this. Firstly, the South African management team did an excellent job proactively managing the business through exceptional energy interruptions. Secondly, our results reemphasised the importance of a diversified customer and geographic base. Thirdly, it underscored the benefit of our mid-premium positioning of our market-leading brands and the overall resilience of our business.

Our management teams have again responded well and we are well-positioned to continue growing market share in our core markets.

Q Your cash generation remains strong — any insights here?

A We have a proven track record when it come to cash generation, and, given market conditions, this remained a key focus area for all our teams through the year. Pleasingly, we remain well-invested when it comes to stock and service levels, which differentiates us from a large number of our competitors.

Our balance sheet is in excellent shape, allowing us to continue to invest in profitable business growth and scale-based efficiencies.

Financial highlights

REVENUE
£392.1M
2023: £441.0m

UNDERLYING OPERATING PROFIT
£43.2M
2023: £47.3m

PROFIT BEFORE TAX
£32.6M
2023: £21.7m

NET DEBT[1]
£37.3M
2023: £49.9m

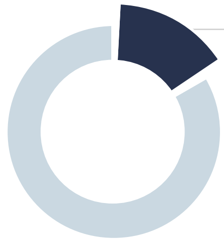
1 pre-IFRS 16

UNDERLYING OPERATING MARGIN
11.0%
2023: 10.7%

OPERATING CASH CONVERSION
123%
2023: 89%

Regional highlights

Existing UK & Ireland market share (core categories only)

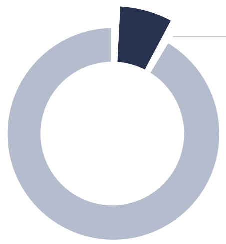


We are the UK and Ireland's number one bathroom products group.

Our UK business delivered a record performance driven by new product launches, collaboration and outstanding customer service. Underlying operating profit increased by £1.2m to £38.4m.

We are well-placed to continue growing market share and winning new customers in our target market segments by leveraging our strong new product development pipeline, Group relationships and collaboration and superior customer service.

Existing South Africa market share



We are South Africa's second largest bathroom products group.

Against challenging conditions, our South Africa business delivered a resilient performance in the year by delivering high levels of customer service and through excellent stock availability. Due to market challenges, underlying operating profit decreased by £5.3m to £4.8m.

We remain in a strong competitive position and well placed to gain market share as conditions and consumer confidence gradually improve.

Sustainability highlights

Science Based Targets initiative (SBTi)

Our emission targets for near-term and long-term net zero emissions have been validated and approved by the Science Based Targets initiative (SBTi) and we continue to make progress to reduce our emissions.

We continue to invest in carbon reduction initiatives and minimise our environmental impact

Our Triton, VADO and Abode businesses have achieved Carbon Neutral status. Grant Westfield has achieved certification of their Environmental Management system to the ISO 14001 standard. Johnson Tiles UK achieved Gold status at the Supply Chain Sustainability School and became the first tile factory in the world to achieve BES6001 (Responsible Sourcing in Construction) certification.

Sustainable Products Framework

We are developing a framework and methodology to classify our products as sustainable, based on both environmental and social criteria, which will allow us to track and monitor sales of our sustainable products going forward.

READ MORE IN THE **SUSTAINABILITY SECTION** ON PAGES **48 TO 89**

NORCROS – DESIGN-LED...

What Design-led means for Norcros

We are fully focused on designing outstanding products. This starts with focusing on the consumer.

We align our people, processes and systems with achieving fashionable design, well-engineered products and a culture of innovation.

Our in-house design teams are crucial in achieving this. They are responsible for understanding trends in fashion, regulatory requirements, and continuing to develop new products and new ranges. They develop bespoke designs and work with our carefully selected suppliers to ensure they meet consumer needs and wants.

Our specialist engineering teams are increasingly focused on solving the sustainability challenges associated with energy and water. These teams develop sustainable products, including electric showers. They work with our design teams and supply chain to ensure our products are well-engineered – safe, durable, ergonomic and sustainable – as well as fashionable.

We continue to innovate. We focus on investment in new products and closely monitor our product vitality rates (revenue in the last year derived from products launched in the last three years). This is a key driver of our ahead-of-market organic growth.

Case Study

Award-winning taps by Abode

Abode's Pronteau hot water taps are exclusively designed in the UK by their technical design team, who are renowned for crafting award-winning tap designs paired with technical superiority. The latest addition, the Pronteau Scandi collection, won the prestigious Ideal Home Kitchen Award (2024) for the best hot water tap.

The Pronteau Scandi collection is the UK's first Scandinavian-style instant hot water tap. It is designed with a distinct monobloc silhouette, real FSC® Approved beechwood handles, and three on-trend finishes in Matt White, Matt Black and Scandi Grey. The Scandi collection offers 4-in-1 functionality with hot, cold, filtered cold and 98° instant hot water.

The Pronteau Scandi collection is just one of Abode's trend-inspired instant hot water taps, boasting truly traditionally-styled products, industrial-inspired design and streamlined contemporary styles. There's a design for every household.

...SUSTAINABILITY DRIVEN

Sustainability driving our competitive advantage

We are increasingly focused on the sustainability of our product portfolio.

As a leading bathroom and kitchen products supplier, it is our responsibility to play a leading role in making products more sustainable. This is the right thing to do. Importantly, it also enhances our competitive advantage and growth opportunities.

Competitive advantage. Developing more sustainable products is attractive for our customers. For our business-to-business customers, we reduce their scope 3 emissions and enable them to provide more sustainable products for their customers. Products with lower carbon and lower lifetime energy and water usage are more attractive to consumers from an environmental and cost perspective.

Growth opportunities. We see an increasing market for sustainable products in the future. This includes products with enhanced environmental characteristics and products that meet the needs for the ageing population. We will lead these growth markets as we continue to focus on sustainable products.

In the current year, we will publish our Sustainable Products Framework. We will use this to assess the relative sustainability features of our product portfolio and to provide ESG information on our products to our customers and prioritise where we invest in new product development.

Case Study

Triton achieves a King's award for Enterprise

Triton Showers has been honoured with a King's Award for Enterprise in recognition of its outstanding commitment to Sustainable Development, which places sustainability at the heart of its long-term business strategy and net zero ambitions.

First established in 1965, the King's Awards for Enterprise are one of the most prestigious awards for UK businesses, celebrating the success of exciting and innovative organisations that are leading the way.

Triton has set ambitious targets for reducing its carbon footprint and impact on the environment, whilst embedding sustainability at all levels of the business – from the top down.

David Tutton, Managing Director at Triton, commented: "Given our market-leading position, we believe it is our responsibility to champion the water, energy and carbon-saving benefits of showers at every opportunity. We are, therefore, delighted to receive a King's Award for Enterprise in Sustainable Development, which is testament to the hard work of everyone within our organisation who is contributing towards delivering change.

Going forward, we are committed to achieving an ambitious 'Net Zero by 2035' target, with a near-term alignment target of 2028. There is a lot more to do, but we are moving the dial and delivering solid progress, which makes the recognition we have received from the King's Award for Enterprise so very special."

This prestigious award is the latest in an award-winning year for Triton, including being recognised by PlanetMark as a Carbon Neutral business and winning their "Sustainability campaign of the year" award, a Silver rating from EcoVardis, and BMA's Carbon Reduction Award.

GROUP AT A GLANCE
OUR BRANDS

OUR DIVERSIFIED PORTFOLIO IS A GREAT PLATFORM FOR GROWTH

We have developed a balanced portfolio of bathroom and kitchen products brands.

Approximately two-thirds of Group revenue is delivered from the UK and Ireland with the balance in South Africa. Our regional footprint gives our brands and product ranges a range of routes to market. The regional balance also helps to manage the cyclical nature of regional economies.

We have developed our Group by acquiring and growing great brands.

We operate as a Group of autonomous brands that manage complementary, product-based businesses. In the UK and Ireland, our brands cover most product categories in the bathrooms market in addition to kitchen taps and sinks. In South Africa, we are a vertically integrated designer, manufacturer, supplier and retailer of tiles, adhesives and other bathroom products.

Each brand is driven by product and sector specialists. This specialism is crucial and helps us to differentiate.

We collaborate across our brands to drive scaled-based growth and efficiency. We have put in place growth accelerators in cross-selling, key account management, new product development and marketing that facilitate collaboration and knowledge share across the Group to drive growth. We regularly collaborate across the Group where we can use our collective scale to drive efficiency, lower costs and improvements to customer service.

Our brands are orientated towards the more resilient mid-premium price point where we deliver high-quality, fashionable products through trade, retail and online channels.

Our diversified portfolio is a great platform for growth.

Our brands

UK & Ireland

TRITON
MERLYN
GRANT WESTFIELD
VADO
Croydex
abode

South Africa

TILEAFRICA
tal
HOUSE OF PLUMBING
JOHNSON TILES

Case Study

Norcros accelerating the growth of Merlyn

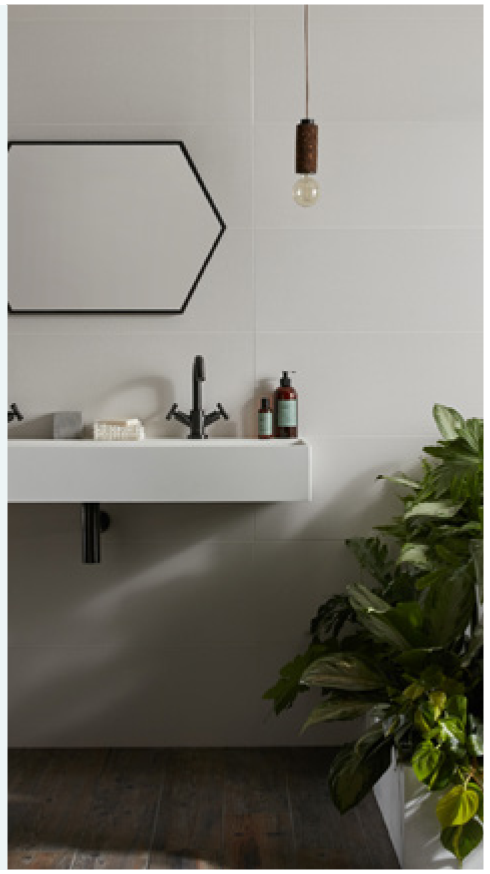
The perfect fit – Merlyn and Norcros are more than the sum of the parts

Norcros acquired Merlyn in 2017. Since this time, Merlyn has grown revenue from £30.7m (in financial year ending March 2017) to £56.5m (in financial year ending March 2024), whilst maintaining leading operating margins.

Merlyn has benefited from four key growth drivers by being part of the Norcros Group and collaborating with our other brands:

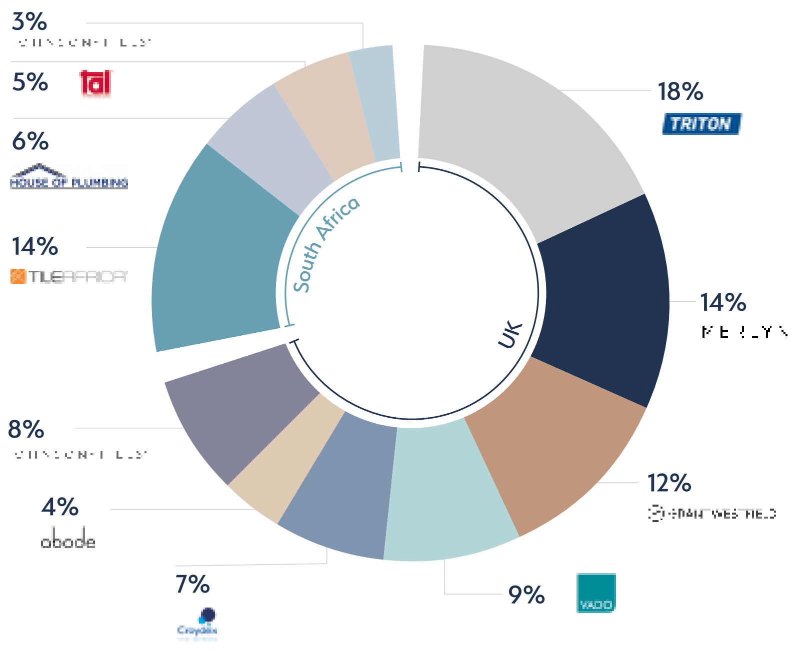
- Continued Group investment in people, new product development and brand
- Cross-selling, including introductions for Merlyn into housebuilders (e.g. Barratt Homes) and new channels (e.g. Wickes) where they have developed new customer relationships
- Utilising other brands across the Group to develop new routes to market, for example, Merlyn entered Screwfix under the Triton brand
- Group financial strength has enabled Merlyn to quickly establish commercial relationships with large customers and invest in customer service

This case study demonstrates how the Group adds value to newly acquired businesses and how we are more than the sum of our parts.

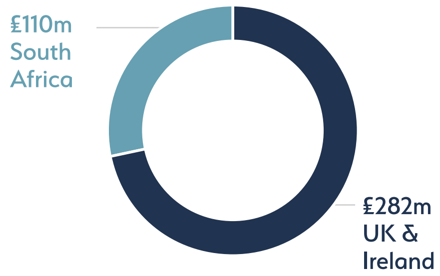


Our segmentation

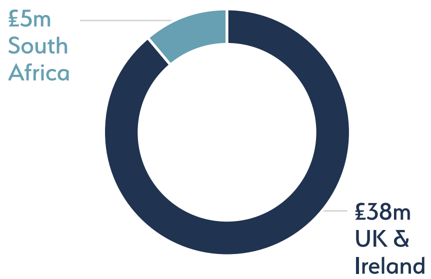
Revenue split by brand



Revenue split by UK & Ireland and SA



Underlying operating profit split by UK & Ireland and SA



GROUP AT A GLANCE
OUR CURRENT PRODUCT OFFERING

Product-focused brands cover most categories in the bathroom and kitchen market

Brassware (bathroom)

Beautifully-designed taps and accessories in a range of styles and finishes

TILEAFRICA abode VADO

Wall coverings

A modern alternative to tiles. Looks like tile, performs like a panel. Now also available outside of the bathroom with Naturepanel

GRANTWESTFIELD

Showers

Sustainable electric showers, mixer showers and shower accessories

TRITON VADO TILEAFRICA

Enclosures and trays

Expertly crafted shower screens, doors and trays in a range of finishes. Bespoke design service for made to measure enclosures

MERLYN TILEAFRICA

Bathroom tiles

Top-quality tiles for flooring and walls, supported by expert advice

TILEAFRICA JOHNSON·TILES

Accessories

Toilet seats, cabinets, mirrors and more. Patented easy-fit systems for simple installation

Croydex VADO TILEAFRICA

Plumbing materials

A wide range of plumbing materials and fittings for professional and DIY use

HOUSE OF PLUMBING VADO

Tile and building adhesives

Quality tiling installation material such as screeds, grouts and adhesives and the necessary tools. Made in South Africa and perfect for the local climatic conditions

tal

The complementary nature of our portfolio provides opportunities for cross-group product ranges. For example, for specific ranges, we match finish colours across products so customers can purchase a matching VADO or Triton shower with a Merlyn shower enclosure.

The complementary portfolio also provides opportunities to bundle products together in product displays and for specific customer projects. For example, we often bring together wall panels, showers and shower enclosures from our different brands into a single trade display; this drives demand for the collection rather than just an individual product.

As we continue to develop our Group, there are opportunities to develop our position in bathroom furniture and sanitaryware. Given the large and fragmented nature of the bathroom products market, this could be through organic or acquisitive growth.

Brassware (kitchen)

Beautifully-designed taps and accessories in a range of styles and finishes. WRAS-approved steaming hot water taps under the Pronteau brand by Abode

TILEAFRICA abode VADO

Kitchen tiles

Top-quality tiles for flooring and walls, supported by expert advice

TILEAFRICA JOHNSON·TILES

GROUP AT A GLANCE
OUR DIVERSIFIED CUSTOMER BASE

Breadth and depth of customer relationships provides opportunities for growth

UK and Ireland

We have broad routes to market across trade, retail and online channels and a significant export business, and a strong customer list with over 1,000 blue chip customers and with many long-term relationships. Norcros brands are often selected because of strong product design, quality and customer service.

Trade and specification

64%

Independent, specialist and online

14%

Export

12%

DIY retail

10%

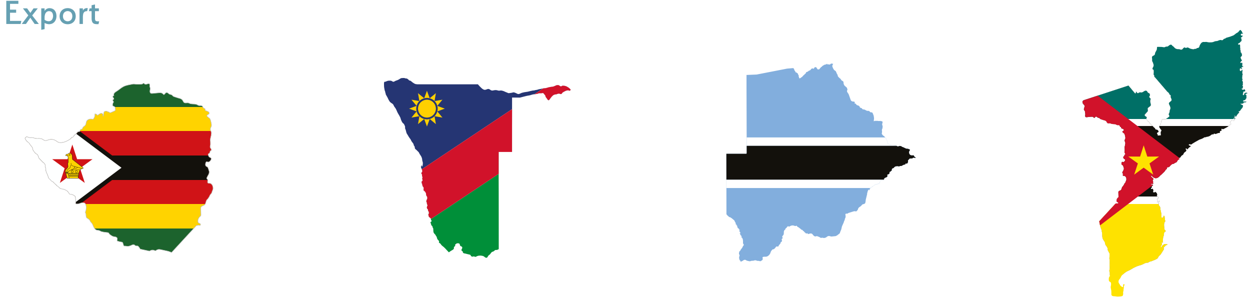
South Africa

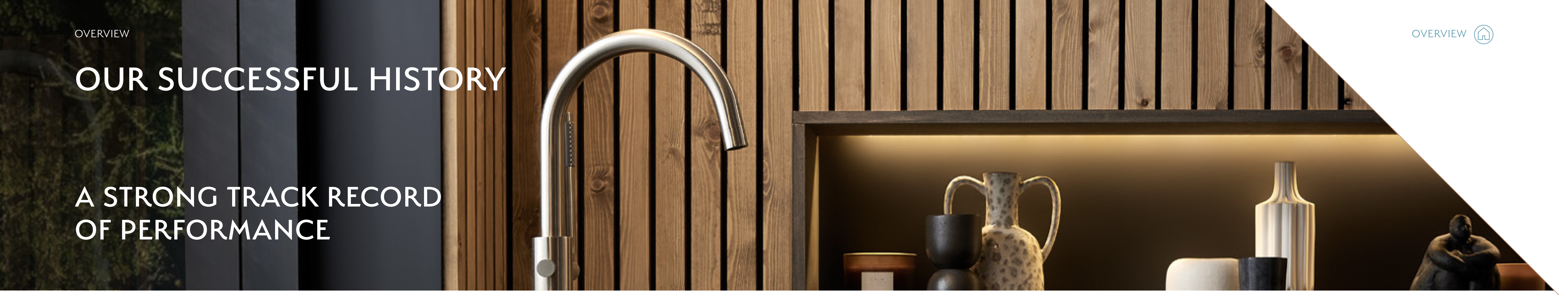
In South Africa, we go to market through similar channels, in addition to directly to consumers through our Tile Africa retail and House of Plumbing specialist plumbing supply businesses.

Retail and trade

Commercial, including Supply & Fit

Export





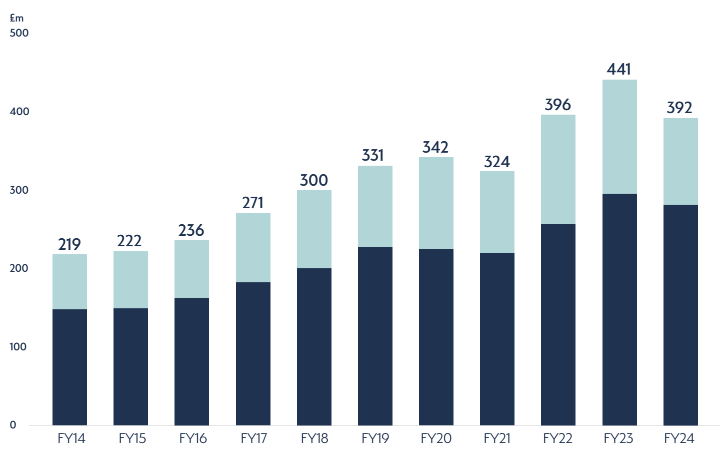
OUR SUCCESSFUL HISTORY

A STRONG TRACK RECORD OF PERFORMANCE

REVENUE (£M)

- UK & Ireland
- South Africa

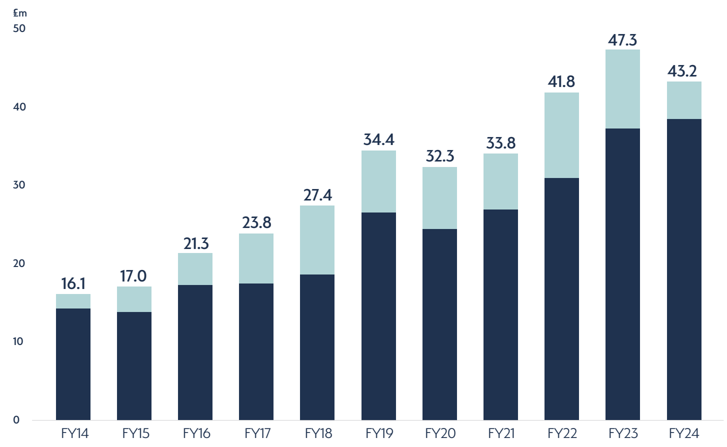
Organic growth enhanced by successful acquisitions



UNDERLYING OPERATING PROFIT (£M)[1]

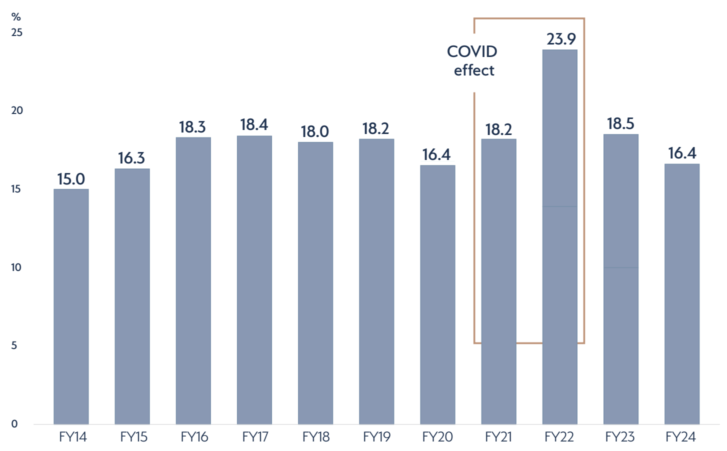
- UK & Ireland
- South Africa

Strong profit post pandemic enhanced by Grant Westfield



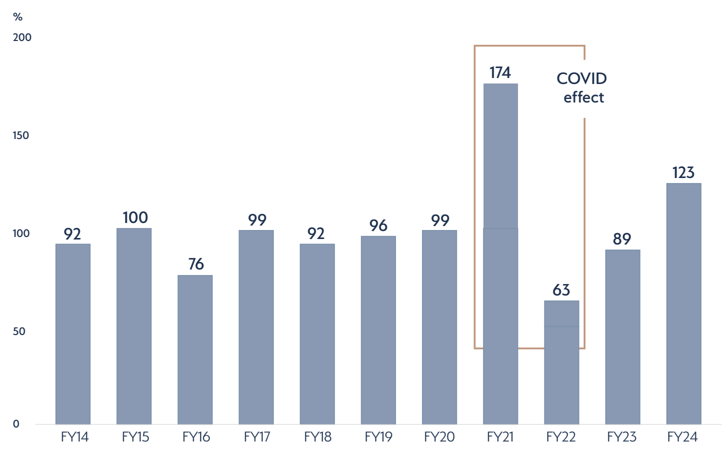
UNDERLYING RETURN ON CAPITAL EMPLOYED (%)[1]

Consistently achieved a strong return on capital



PRE-CAPEX CASH CONVERSION (% OF UNDERLYING EBITDA)

Consistently high cash conversion



1 Definitions and reconciliations of alternative performance measures are provided in note 8.

WHY INVEST IN NORCROS

Market leader in design-led, sustainable bathroom and kitchen products

01
Market-leading brands
- Design-led, sustainable product development
- Leading positions in UK & Ireland and South Africa

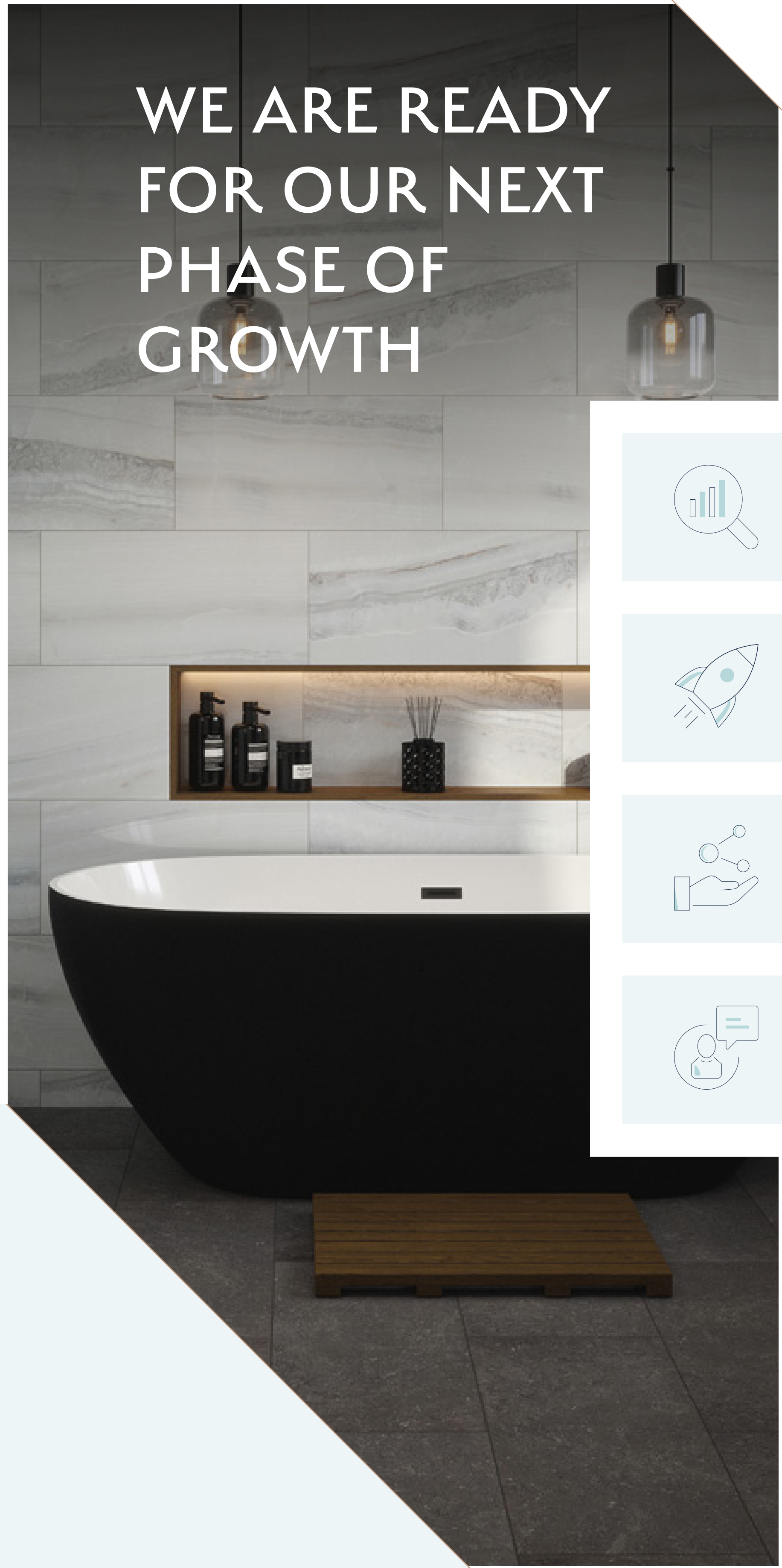
02
Benefits of scale
- Leading positions and investments in customer service drive organic growth
- Scale and collaboration across Group enable growth and operational excellence

03
Resilient model
- Diversified portfolio enables resilience through the cycle
- Mid-premium positioning reduces exposure to cost of living pressures

04
Proven track record
- Successful M&A track record
- Revenue and profit growth with excellent cash performance
- Disciplined capital allocation
- Progressive dividend policy

Significant opportunity to accelerate organic and M&A growth and quality of earnings

- Large and fragmented market
- Growth in sustainable products markets
- Opportunities to drive efficiency and share gains



WE ARE READY FOR OUR NEXT PHASE OF GROWTH

- Track record of M&A and organic growth
- Market-leading brands
- Diversified products and channels
- Differentiated by design and customer service

CHAIR'S STATEMENT

"I was attracted to Norcros because it is a great and differentiated business with significant growth opportunities and, most importantly, it has the talented people to deliver them."

STEVE GOOD
Chair

Results in line with market expectations

In my first year as Chair, I am pleased to report a robust performance for the Group with underlying operating profit in line with market expectations, despite challenging macro conditions. The strong operating profit performance was supported by another year of excellent cash conversion, a key attribute of our business.

The team has once again demonstrated the strength of our business model and, especially, our ability to perform through the cycle. The focus on the more resilient mid-premium positioning of our brands means that we are less cyclical, which sets us apart from many other building product businesses.

Clear Strategy

Our Capital Markets Event in May 2024 saw the launch of the Group's updated strategy and the communication of new, ambitious, and deliverable medium-term targets, outlined on page 27. The business has successfully developed a position as the number one bathroom and kitchen products business in the UK and Ireland, and has proven growth accelerators that will advance the quality and the level of the earnings going forward.

Thomas Willcocks summarises the updated strategy in his Chief Executive Officer's Review on pages 30 to 32, and for additional information I would encourage you to watch the Capital Markets Event video on our website www.norcros.com where you will see and hear about our strategy, including our key growth accelerators, from the talented team that are driving our business forward at both a Group and brand level.

ESG

ESG is a broad and integral part of who we are and what we do, and underpins our business strategy. We are proud of our history of environmental and social leadership, our achievements in setting industry-leading standards with our products, and the support we provide to the communities that we live and work in. Our culture of putting in more than we take out ensures how we do things is just as important as what we do.

The Board is committed to the key role that sustainability plays, and will increasingly play, in our business strategy given changing consumer preferences for the products they purchase and increasing regulatory drivers, such as the Future Homes Standard in 2025. Of particular note, I want to recognise and congratulate the team at Triton, our market-leading shower brand, for being honoured with the King's Award for Enterprise in recognition of its outstanding commitment to sustainable development. This is a fantastic achievement and demonstrates our commitment to placing sustainability at the core of our long-term business strategy.

Strength and depth of talent

Given our decentralised business model, we recognise the importance and quality of the teams that are managing and growing each of our brands. On behalf of the Board, I would like to specifically thank these teams both individually and collectively for their efforts, which helped generate further momentum on the Group's strategic objectives over the last 12 months.

When I look at our broader management team, there is an excellent balance between homegrown talent, as evidenced by our Chief Executive Officer and Chief Financial Officer, and our ability to recognise and attract the very best people outside of the Group. We continue to invest in our existing teams and recruit exceptional new talent. In particular we were pleased, at Group level, to have welcomed Helen Gopsill, Chief People Officer, and Helene Roberts, Managing Director of the UK and Ireland, to our senior Norcros leadership team in the past year.

As we go about what we do every day, we are committed to ensuring a safe and positive working environment within our open, collaborative and low-ego culture.

Board changes

I would like to thank David McKeith, who retired in July 2023, for his invaluable contribution to the Board over many years with Norcros. I am pleased that Rebecca DeNiro will be joining the Board as an additional Non-executive Director from 1 July 2024. Rebecca brings a wealth of relevant experience in well-known consumer brands such as Dyson and Regatta and we are delighted that she is as excited about the future of Norcros as we are.

Dividend

For the year ended 31 March 2024, the Board is recommending a final dividend of 6.8p (2023: 6.8p) per share. When combined with the interim dividend of 3.4p (2023: 3.4p) per share, which was paid on 16 January 2024, this will make a total dividend for the year of 10.2p (2023: 10.2p) per share, in line with the previous year and maintaining an appropriate level of dividend cover.

Acting responsibly

The Board leads an ongoing program to ensure the highest standards of corporate governance and integrity across the Group and has remained abreast of developing governance standards. The Board's interaction and communication with Executive Management is excellent and, as a result, the Board is well placed to challenge, guide, and support the executive team in the delivery of our growth strategy.

We continue to pay particular attention to the provision of a safe working environment for our staff across all locations and to the empowerment of our employees. The Board also acknowledge the benefits of diversity, including gender and ethnicity, and is committed to setting an appropriate tone from the top in all diversity and inclusion matters.

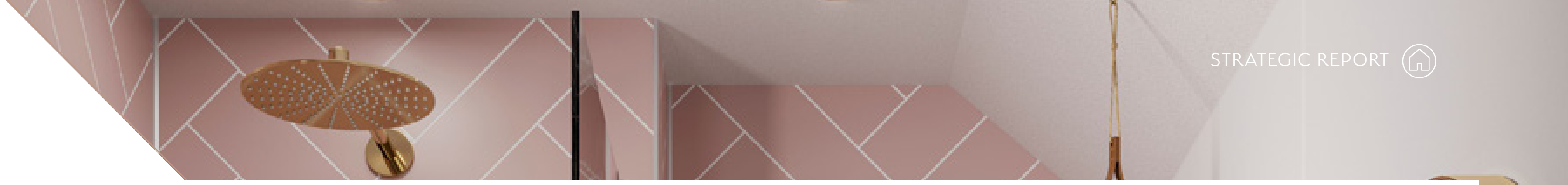
Looking to the future

The Group has delivered another robust performance despite the ongoing economic challenges. The Board is confident that the ongoing implementation of our strategic initiatives will continue to drive the development of the business in line with its expectations in the year ahead.

STEVE GOOD
Chair

12 June 2024

STRATEGIC REPORT



BUSINESS MODEL

BRAND BUSINESS MODEL

Our individual brands are experts in in-house design, managed sourcing and customer service. They are positioned in the mid-premium segment of the market and are differentiated from the competition by great design and outstanding customer service. Our brands benefit from being part of the Norcros Group through our financial support, organic growth accelerators and scale-based operational efficiencies.

GROUP BUSINESS MODEL

We acquire and grow capital-light, sustainable and design-led bathroom and kitchen products brands with strong, complementary and resilient market positions. Our decentralised model ensures that decision making is close to our customers and supply chain. We are focused on generating cash and reinvesting in our growth as well as growing shareholder returns.

Inputs and key resources

Our people and culture
READ MORE ON PAGES 56 TO 66

Portfolio of market-leading brands
READ MORE ON PAGES 6 TO 9

Positioned in attractive, complementary geographies
READ MORE ON PAGES 22 TO 25

Positioned towards resilient RMI and mid-premium segments
READ MORE ON PAGES 22 TO 25

Strong customer relationships
READ MORE ON PAGES 10 AND 11

Deep supply chain partnerships
READ MORE ON PAGES 72 AND 73

Financial strength
READ MORE ON PAGES 12 TO 15

BRANDS

01 Design

In-house product design teams

Each of our brands specialises in niche, mid-premium, bathroom and kitchen products. Tacit category expertise, consumer insight and market knowledge drive product design and development. Group knowledge sharing enhances new product development, which boasts a robust pipeline and impressive annual vitality rates.

Technology and I.P.

Through the process of new product development, the brands within the Group develop technologies and intellectual property that drives competitive advantage. Brands within the Norcros Group can benefit from these inventions within their own product design and product innovations.

Sustainable products

Global megatrends, including climate change, energy transition and ageing populations, are creating an increasing focus on sustainability. In the future, there will be an increasing demand for bathroom and kitchen products that are less carbon-intensive, make more economical use of water and energy and cater for the needs of ageing consumers. Our focus on reducing energy consumption, social benefits and a circular economy drives our competitive advantage through sustainable products and ESG focus.

02 Source

Deep sourcing

We leverage deep sourcing to thoroughly understand our suppliers' operations and networks. By engaging with suppliers and sub-suppliers, we ensure a resilient, transparent and strategically-aligned supply chain, proactively manage risks, maintain high-quality standards and foster strong supplier relationships, which enhances performance and competitiveness.

Quality and reliability

Our commitment to quality and reliability is unwavering. Our products undergo rigorous testing to meet stringent quality and safety standards. We're proud of our record, with less than 0.5% of customer products being recalled for quality issues and 0.001% for safety concerns. Our reputation as a reliable supplier is built on this dedication.

Assurance

We excel in product assurance through meticulous planning, aligning quality standards with customer needs and regulatory requirements. In partnership with our manufacturers, we ensure consistent quality through robust process controls and inspections. Our culture of continuous improvement ensures customers receive reliable, high-quality products they can trust..

03 Service

Routes to market

We primarily go to market through B2B channels. These include trade (merchants), specification (residential and commercial), retail and online, where we have many long-term customer relationships. In South Africa, we have a vertically-integrated model where, in addition to B2B channels, we have a retail division direct to consumers. We also export products from the UK and Ireland and South Africa, typically using local distributors or retailers.

Technical support

Providing exceptional technical support to partners is a priority. We offer dedicated teams for swift, accurate issue resolution, technical drawings, product specifications, and installation instructions. Support is available through a variety of channels. Proactive follow-ups ensure satisfaction, and our feedback mechanism enhances support quality. Our tailored, responsive approach strengthens partnerships.

Excellent customer service

We are differentiated by our ability to provide timely, accurate and quality delivery of our products. This is enabled by our investment in stock, warehousing and logistics, customer communications and dedicated after-sales support.

GROUP

M&A

Our dedicated in-house corporate development team develops our M&A pipeline and leads transactions and integration. We target successful, capital-light businesses with strong management teams and growth plans that align with our strategy and culture. We deliver dedicated integration plans that realise growth synergies and drive benefits of Group scale.

Growth accelerators

We enable our brands to accelerate growth through a range of cross-Group resources, processes and programs. These include key account management, cross-selling programs, new product development coordination and a Marketing Forum. Each are focused on collaborating across our Group to increase sales and brand awareness.

Operating platform

We enable our brands to be more efficient and effective by collaborating across our Group on sourcing, warehousing and logistics, and technology and data. Our model is based on a culture of continuous improvement, collaboration and innovation. As we increase the level of collaboration, we are able to realise the benefits of scale.

ESG policy and process

Our business model is underpinned by an ESG framework that focuses on our people, sustainable products and our impact on the environment and communities. We have a consistent set of policies, processes and systems that underpin this framework that we apply across the Group.

Value we create for stakeholders

Employees
Opportunity to develop skills and careers in an inclusive, collaborative and innovative environment

Customers
Exceptional customer service and long-term relationships

End consumers
On-trend, design-led sustainable products that make great bathroom and kitchen spaces

Society
Supporting communities as an employer and through local development projects

Environment
Providing innovative sustainable products with reducing carbon, energy and water usage

Supply chain
Long-term trusted partnerships with multiple strong routes to market

Shareholders
High quality of earnings with progressive returns

ESG drives competitive advantage

People · Product · Planet

READ MORE ON PAGES 48 TO 89

OUR MARKETPLACE

STRATEGIC REPORT

SIGNIFICANT OPPORTUNITY FOR ORGANIC AND M&A GROWTH IN LARGE, FRAGMENTED MARKETS

We operate in the bathroom and kitchen products markets in the UK & Ireland and South Africa.

We consider our market in three groups:

Core Addressable Market

This covers the core product categories that we serve today in the UK & Ireland and South Africa.

Total Addressable Market

This covers a range of complementary bathroom product categories that we are not materially serving today, but where we have the routes to market to be successful.

Extended Addressable Market

This covers a range of geographies where we are not currently based, but where we have some experience of operating in. It also includes a wider range of adjacent product categories.

Market in numbers

The diagram shows how our total market is broken down.

Core addressable market

UK & Ireland bathroom and kitchen products:

- c. £1.7bn[1]
- Showers, enclosures and trays, brassware, accessories, wall coverings, kitchen sinks

South Africa:

- c. £1.6bn[2]
- Coverings, adhesives, bathroom and plumbing

c. £3.3bn[1,2]

Total addressable market

= Core Addressable Market + c. £2.1bn[1]

Additional complementary UK bathroom and kitchen product categories: bathroom furniture, sanitaryware, lighting, ventilation, decorative radiators, underfloor heating, plumbing products

= c. £5bn - £6bn

Extended addressable market

Total Addressable Market + >£5bn[3]

New regions including Gulf region, Nordics, mainland Europe

= >£10bn

1 Source: BRG: Norcros estimates based on BRG, proprietary information and management estimates
2 Source: Norcros estimates based on proprietary information and management estimates
3 Source: BRG country reports in western Europe and Nordics (reports range from 2019–2020) and Norcros management estimates for Gulf Region

OUR MARKETPLACE
CONTINUED

Market drivers

UK and Ireland

End markets

Demand for bathroom and kitchen products is split between repair, maintenance and investment (RMI), residential new build and commercial (for example, hotels and commercial buildings).

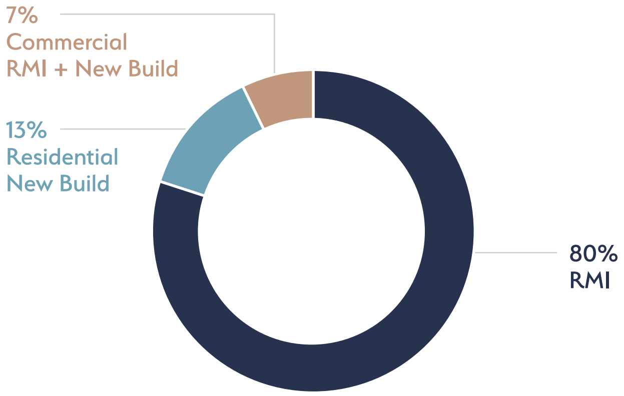
RMI is the main driver of the bathroom market, accounting for approximately 80%[1] of demand. Small renovation projects and replacement purchases are the typical consumer reasons for RMI demand. This area of the market also includes larger renovation projects. Given that most of RMI spend is driven by need, it is somewhat resilient to economic conditions.

New build accounts for approximately 13%[1] of the market. Demand is driven by the need to fit out bathrooms in new houses. The bathroom products market (both new build and RMI) benefits from the trend of having more bathrooms in the home. New build demand is more cyclical and depends on the housing market. Recent inflationary pressures and higher interest rates have seen challenges in this part of the economy. However, with a growing population, ageing housing stock and an undersupply of housing, we expect to see the housing market improve over the medium term. This market is important and attractive for Norcros as it often includes larger-scale projects with multiple units.

Commercial new build and RMI accounts for approximately 7%[1] of the market. This is an attractive market to be in because it involves larger-scale projects (both RMI and new build). However, it is also typically cyclical in line with the regional economy.

Norcros' revenue mirrors the RMI / new build / commercial split, with approximately 78% of Group UK revenue focused towards the RMI market.

RMI/New Build/Commercial Share[1]



[1] Source: BRG: The European Bathroom & Kitchen Product Markets UK 2023
[2] Source: BRG: The European Bathroom & Kitchen Product Markets UK 2024

Quality/price point

The market is typically viewed in three segments: premium, middle and economy.

The mid-premium segments account for approximately 71%[1] of the market. These segments are typically more resilient to cost of living pressures as consumers are less price sensitive. They also offer higher margins for high-quality, sustainable and in-fashion products.

Norcros is mainly focused on the mid-premium segment.

Market dynamics

The market has contracted in 2024, primarily driven by the downturn in residential new build construction, exacerbated by the negative impact on residential RMI due to cost of living pressures.

Recent housebuilder announcements indicate that there is an emerging recovery in the housebuilding market and RMI should benefit from improving consumer sentiment as the economy recovers.

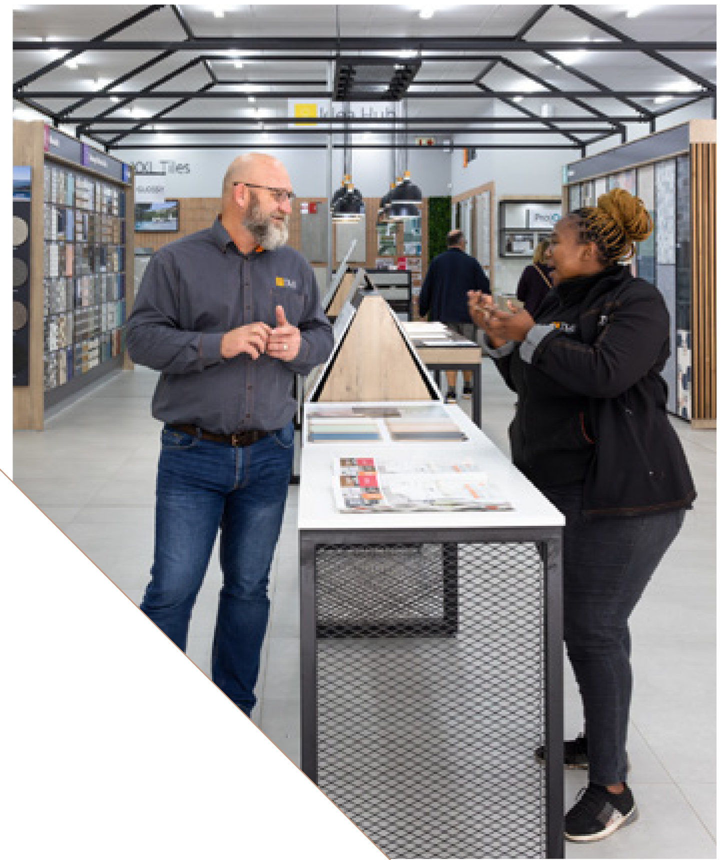
The medium-term outlook remains positive, given the shortage of houses and consumer demand for quality and environmentally-friendly products.

The BRG report (released May 2024) indicates that our Total Addressable Market declined by circa 8%[1,2] between 2023 and 2024.

The bathroom products market remains highly fragmented. Norcros is the largest UK and Ireland group, but there is no single dominant player across all categories.

Norcros positioning in the UK & Ireland

- Largest bathroom products group in the UK and Ireland
- Market-leading positions in most bathroom products categories (but very limited presence in the large furniture and sanitaryware categories)
- Orientated towards higher margin, more resilient mid-premium segment
- Indexed in line with end-market split (RMI circa 80% of market and circa 80% of Norcros revenue)
- Large target market (circa £1.7bn in current categories with a further circa £2bn in complementary adjacent categories, including furniture and sanitaryware)
- Housing stock: growing population, ageing housing infrastructure, shortage of housing
- ESG and ageing population trends resulting in growth market for sustainable and adaptive products
- Fragmented by product and channel
- **Further opportunity to grow share in fragmented markets**



South Africa

The market in South Africa is large with a total size of circa £1.6bn and covers the coverings, adhesives and bathroom and plumbing segments.

As in the UK, the market is driven by RMI, residential new build and commercial. In South Africa, there is a shortage of housing and, whilst construction levels remain lower than their 2007 peak, we expect to see increases in demand in residential and commercial new build.

The South African economy has been subject to challenges in cost of living pressures and energy infrastructure in recent years and this has continued to impact demand.

The market is more concentrated than the UK with a smaller number of larger players. In the bathroom and plumbing segment, the market is regional and more fragmented with few national players.

Norcros South Africa is one of the market leaders with a vertically integrated business model covering design, manufacturing, sourcing and retail. Both Norcros and the other market leader deploy similar integrated business models from production to retail to reach all segments and channels.

Norcros positioning in South Africa

- One of two national market leaders in tiles, adhesives and bathroom products
- Integrated model with design, manufacture, sourcing and retail
- Also go to market through trade routes
- Shortage of housing
- Favourable long-term socio-economic demographics
- Large target market (circa £1.6bn)
- Regional fragmentation in bathroom and plumbing segment
- **Further opportunity to take market share**

OUR STRATEGY

"Our ability to bring together the specialist knowledge of all our people from every part of the bathroom and kitchen sector makes us stand out from the crowd."

THOMAS WILLCOCKS
Chief Executive Officer

Over the last decade, our organic and M&A consolidation strategy has resulted in Norcros becoming the UK & Ireland's number one bathroom products group. As we move into the next strategic cycle, we have updated our strategy and set ambitious new medium-term targets. Our strategic plan builds on our core strengths and will accelerate our growth.

We are already a successful and scalable platform.

Over the last decade, through a mix of organic growth and successful M&A, we have developed a portfolio of leading brands in the bathroom and kitchen products market. Our brands are differentiated by product design and quality and outstanding customer service. We have carefully positioned the Group to be diversified across regions, categories and channels and orientated towards the more resilient mid-premium segment to manage our exposure to economic headwinds. As a result, we have consistently delivered growth, excellent cash performance and shareholder returns and we are well positioned to invest in the future.

We have a significant opportunity to develop and grow.

We continue to operate in large and fragmented markets that provide opportunities for growing our market share and further consolidation through M&A. We are well positioned in emerging and high-growth markets such as sustainable products. Whilst we are performing well today, there are opportunities to modernise our operations and take advantage of our Group scale to drive efficiency and customer service.

We are implementing a clear strategy to build on our current platform and address these opportunities.

The strategy is focused around four pillars: M&A, organic growth, operational excellence and ESG. We are taking action in each of these areas to evolve and accelerate the growth of our Group. As a result, we will: become renowned for design and sustainability; deliver leading, digitally-enabled customer service; continue to develop an inclusive and growth-focused culture; and increase our scale with market-leading returns.

CRAFTING DESIGN-LED SUSTAINABLE BATHROOM AND KITCHEN PRODUCTS

STRATEGIC OBJECTIVES

- Renowned for design and sustainability
- Leading, digitally-enabled service
- Inclusive and growth-focused culture
- Scale with market-leading returns

STRATEGIC INITIATIVES

- M&A
- Organic growth
- Operational excellence

ESG – DRIVING OUR COMPETITIVE ADVANTAGE

People – Product – Planet

We have introduced new medium-term targets for the Group:

- Organic growth at 2%–3% ahead of the market
- Operating margin to 15% over the medium term
- Cash conversion greater than 90%
- Return on capital employed greater than 20%
- Science-based carbon emissions targets to be delivered by 2028 on a base year of 2023

In addition to this, selective acquisitions will accelerate our growth and enhance our operating margin as we have recently seen with our acquisitions of Merlyn and Grant Westfield.

We are more than the sum of our parts, and this will increasingly differentiate us.

As a Group, we will increasingly add value by driving the benefits of our scale, developing growth accelerators and embedding our performance-enhancing operating platform. Collaboration across our operating brands is critical to achieve this. Our ability to bring together the specialist knowledge of all our people from every part of the kitchen and bathroom sector makes us stand out from the crowd.

We are already making significant progress against our strategy and we have highlighted examples of this throughout this report.

STRATEGIC REPORT

OUR STRATEGY
PROGRESS ON OUR STRATEGY

Link to KPIs

1 Total revenue
2 Underlying operating profit
3 Underlying return on capital employed
4 Dividend per share
5 Underlying operating cash flow
6 Return on sales

Link to Risks

1 Acquisitions
2 Stakeholder requirements and reporting requirements
3 Staff retention and recruitment
4 Market conditions
5 Loss of key customers
6 Competition
7 Reliance on production facilities
8 Loss of key supplier
9 Exchange rate risk
10 Funding and liquidity risk
11 Pension scheme risk
12 Cyber security

Medium-term targets

Organic growth	Operating margin	Cash conversion	ROCE	Science-based carbon emission targets
2–3% per annum above market	15% Over medium term	>90%	>20%	2028

M&A

Accelerate growth through selective acquisitions

Progress in 2024
- Integration of Grant Westfield
- Completed disposal of Norcros Adhesives
- Sale of Johnson Tiles UK completed in May 2024
- Well-developed strategically aligned M&A pipeline

Priorities for the medium term
- Continue to develop and manage pipeline in target themes:
  - Filling the gaps in the UK and Ireland
  - New capabilities (sustainable products and digital)
  - New markets (geography and adjacent product categories)
- Deliver synergies from recently acquired businesses
- Smooth carve-out plan from Johnson Tiles UK sale

READ MORE IN THE CASE STUDY ON PAGE 7

Link to KPIs 1 2 3 4 5 6

Link to Risks 1 3 4 6 9 10 11

Organic growth

Grow ahead of the market by establishing growth accelerators and energising our entrepreneurial culture

Progress in 2024
- Cross-selling achieving market share gains, including Grant Westfield introduction to new customers
- Well-developed new product development pipeline; key releases in 2024 in Grant Westfield, Triton and VADO
- Specification Forum driving market share gains
- Marketing Forum established

Priorities for the medium term
- Cross-selling program with top customers
- New product development program and Group coordination
- Driving growth in specification channel with particular focus on sustainable products
- Marketing centre of excellence and cross-Group Forum

READ MORE IN THE CASE STUDY ON PAGE 39

Link to KPIs 1 2 3 4 5 6

Link to Risks 2 3 4 5 6 7 8 9 10 11

Operational excellence

Drive operating margin, customer service and organic growth by maximising the benefits of our scale and modernising our operating platform

Progress in 2024
- Brands driving cost and service synergies
- Cross-Group freight consolidation
- VADO warehouse consolidation
- Digital transformation in Croydex

Priorities for the medium term
- Realise further benefits from freight plan and VADO warehouse consolidation
- Further supply chain collaboration and efficiencies
- Further opportunities for consolidated logistics and warehousing
- Enhance data capabilities to improve operational effectiveness and customer service

READ MORE IN THE CASE STUDY ON PAGE 37

Link to KPIs 1 2 3 4 5 6

Link to Risks 3 4 5 6 7 8 9 10 11

ESG

Investing in our people, products and planet to drive our competitive advantage

Progress in 2024
- Carbon emissions targets set across all scopes and validated by SBTi
- First disclosure to Climate Disclosure Project
- Drive talent and diversity, equity and inclusion programs
- Industry awards for product design and sustainability

Priorities for the medium term
- Deliver Net Zero Transition Plan
- Agree and publish Sustainable Products Framework
- Drive investment in sustainable products
- Roll out and embed Supply Chain Policy

READ MORE IN THE CASE STUDIES ON PAGES 48 TO 89

Link to KPIs 1 2 3 4 5 6

Link to Risks 2 3 4 6 8

CHIEF EXECUTIVE OFFICER'S REVIEW

"Norcros is about delivering design-led, sustainable bathroom and kitchen spaces that excite and enrich the lives of the people we live and work with, and the places we live and work in, in an intentionally responsible manner."

THOMAS WILLCOCKS
Chief Executive Officer

On behalf of the Norcros team, I am pleased to share my review for my first full year as Chief Executive Officer of Norcros plc. Thanks to the passion of our team and partners, we have collectively delivered another robust set of results for the year.

As we have grown our market share, we have focused on the quality of our businesses and earnings, growing faster and more efficiently together. Importantly, our path forward is consciously focused on operating in a way that contributes positively to the communities that we live and work in.

Building off a strong foundation

Over the last ten years, we have developed and delivered on our goal to consolidate the fragmented bathroom and kitchen product markets we operate in, reaching a point where we are the number one UK and Ireland bathroom and kitchen products business and the second largest in South Africa. Our strategy has been evenly balanced between organic and acquisitive growth, with the Group developing key competencies in both areas.

I am delighted with the performance over this period and excited by the significant opportunities that remain in the more resilient mid-premium market segments that we hold leading positions in. Our strategy is building from a position of strength and scale as we actively leverage the customer and operational synergies within the Group.

The growth and development of the business comes, and will continue to come from, four key and already 'in play' strategic initiatives:

- Portfolio development (including M&A)
- Organic growth (in-house design, collaboration, and service)
- Operational excellence (efficiencies and service)
- ESG (a powerful choice for better living)

Portfolio development

The first important step was to review our portfolio, recognising that our increasing focus on building a capital-light and higher operating margin structure meant that we had businesses that would not form part of the Group's future. Over the last 18 months, we have carefully completed the closure of Norcros Adhesives and sold Johnson Tiles UK to the existing management team, with this sale completing in May 2024. I am really pleased that we were able to put a deal together that has seen the 123-year-old Johnson Tiles UK business continue its journey under new ownership.

When considering potential acquisitions, we have a strong pipeline of opportunities to which we will continue to apply our clear and rigorous decision-making framework as we develop our capital-light and high operating margin business.

Organic growth

Norcros drives ahead-of-market organic share growth by leveraging two principal accelerators. The first is our agile in-house design capabilities that ensure we have a reliable stream of high-quality and on-trend new products coming into the market on a regular basis. These products are increasingly leveraging the clear opportunities in sustainable living to take market share. Our second driver comes from our scale and especially the ability to cross sell, through brand collaboration, as demonstrated by the introduction of Grant Westfield to Wickes, Topps Tiles and Screwfix, post-acquisition. Both accelerators incorporate significant opportunities that we are actively pursuing and converting.

Operational excellence

Our scale allows us to access operational synergies not available to many of our smaller competitors. Early but strong progress is being made in the Group, helping to ensure improved service levels to our customers that are delivered more efficiently. This is a key focus area for Norcros with investment in systems, and warehousing and distribution efficiency projects that are now underway at VADO and Grant Westfield; both are progressing to plan.

ESG — investing in our people, products and planet to drive our competitive advantage

Our sustainability program is broadly grouped into three interrelated areas, namely our people, our products and the world that we live and work in.

Our ESG credentials are a maturing and sustainable competitive differentiator. We have made excellent progress over the last two years. In a structured and measured manner, we are increasingly able to give our customers a powerful, sustainable choice for better living. Increased investment in our people and product development is driving clear market share gains, as demonstrated by our Triton brand in particular. Further detail of what we are doing in this area and how we are measuring this is explained in detail in the ESG section on pages 48 to 89.

We are also pleased to report that our emission targets have been validated and approved by the Science Based Targets initiative (SBTi) in the period. Norcros is committed to reach net zero greenhouse gas emissions across our value chain by 2040 and we are making good progress to delivering our 2028 near-term targets.

As a team, we are fortunate to be able to build on what makes us great today and leverage our strong, scale-based growth accelerators to unlock further value.

A unique market leader

Norcros is the UK and Ireland's number one bathroom products group, with clear differentiators from our smaller bathroom product peers. We have market-leading bathroom and kitchen products, positioned in the more resilient mid-premium segment of the market, with a design-led business that delivers exceptional service across a blue chip customer base. Our capital-light and cash-generative business model provides a quality of earnings and enhanced margin profile. Our focused but decentralised business model is a key enabler; we have the best talent in the market operating where it counts – in the field. These exceptional teams focus on what sets their brands apart, namely in-house product design, deep sourcing relationships and excellent customer service. Our ability to do this day in and day out is demonstrated by our exceptional product vitality levels, and our ability to not only retain, but consistently grow, our customer base and market share.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

Recognising the central part that our people play in the Group's success, we have placed increased emphasis on investing in our talent this year. This investment has taken place at all levels and is a key driver in the development of our market-leading teams. We are committed to being the employer of choice in our markets and work hard to ensure that our Group attracts and retains talented, diverse and inclusive teams.

We have, over the last year, strengthened our award-winning teams through further investment and increased collaboration, and also brought in new talent as needed. I am confident that we are successfully developing the talent and leadership required to grow our business ahead of the market in the coming years.

Norcros is different, and we are able to do what we do because of our dedication to the design and service of branded products with a team of remarkably skilled and committed people across our business. This anchors and drives our business model; we never take this for granted.

Looking forward to the year ahead

The year ahead of us will be a year of further development and focused implementation of our strategic objectives. A significant level of this development will come from increased collaboration. Each of our brands is formidable in its own right, but together they have proved that we are more than the sum of our parts.

Underlying what we do is a deep understanding of our customers and end users. Consumer insights help us understand not only what our customers want now, but also what they will need in the future. Our design and product teams will continue to develop on-trend, high-quality and sustainable products that our customers and end users love to use and feel confident choosing. We all have a sustainable choice, and we believe that doing the right thing is not only right but will drive our business growth and profitability ahead of our competitors in the years ahead.

To support the wider customer experience, we will focus on making it easier for our suppliers, staff and customers to engage in a straightforward and seamless manner, right through the product journey, through increased investment in our processes and operations. This is a journey that has started with promising and meaningful progress in the period.

The encouraging part of the year ahead is that all four key growth initiatives are already up and running. There are no standing starts. Given the progress we have already made, we are confident that we will make real advancement towards our ambitious new medium-term targets in the year ahead as outlined on page 27.

Recent trading

Group revenue in the two months to the end of May 2024 was encouragingly 2.2% ahead on a constant currency like for like basis, adjusting for Johnson Tiles UK and Norcros Adhesives (UK and Ireland +2.0%, SA +2.5%). Group revenue was 2.9% below the prior year comparator on a reported basis. Although market conditions are likely to remain uncertain, the Group continues to make further strategic progress and the Board's expectations for FY25 remain unchanged.

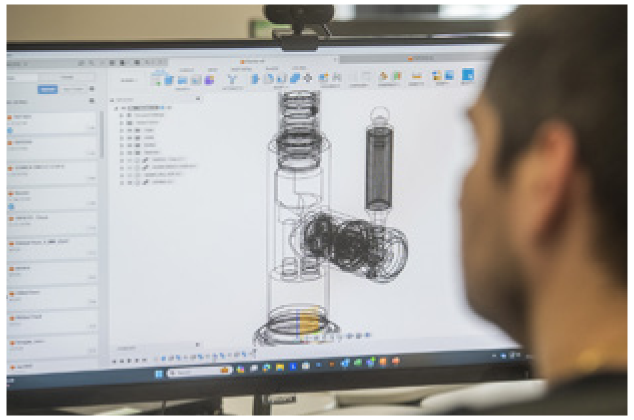
To sum it all up

The Norcros business is not only about exceptional products and experiences but also about people, the places we live and work, and the way we interact and engage with our communities and the environment. Putting these together means that sustainability at the core of our business is not just a tagline; it is fundamental to the way we operate. It is the right thing to do, and we believe that it will help deliver the best possible return to our shareholders.

We are committed to providing a powerful choice for better living, and I am excited and confident about the journey ahead.

THOMAS WILLCOCKS
Chief Executive Officer

12 June 2024



Q & A

with Chief Executive Officer Thomas Willcocks

Q What were your observations from your first year as Chief Executive Officer?

A I have been with the business since 2006 and have watched the business and our teams develop into the market-leading business that Norcros is today. In transitioning into the CEO role, I had the benefit of having managed both core regions and inheriting excellent teams that I knew well.

Norcros is a differentiated business and we are building on a strong foundation of design-led, market-leading brands that have been positioned in the more resilient mid-premium market segments. This makes us less cyclical, with this resilience in our performance showing through strongly over what have been a turbulent last three or four years.

Our decentralised but collaborative business model ensures not only that we have the best people where it counts, but also that we are able to leverage our scale, which we are doing. This is underpinned by a low ego, supportive but driven culture in which each of our teams will go above and beyond, including for their sister companies to the benefit of each other and the Group as a whole. There is no monetary compensation for this – it is just built into our DNA. Stepping up to lead a business and team like this is not something that I will ever take for granted.

Q Where do you think the biggest opportunities lie?

A The markets that we operate in are large and fragmented. Our consolidation growth strategy, evenly balanced between organic growth and acquisitions, works well. We have proven track records in both areas and, as we have started to reach the scale that we now enjoy, we are able to leverage this scale both on the demand and cost side to accelerate our growth in large and fragmented markets, faster and more profitably. Leveraging our scale in this collaborative manner is where the single biggest opportunity lies. As we do this, we are increasingly leading the way in sustainability and I believe that sets us further apart from our competitors.

Q What makes Norcros stand out from the crowd?

A Our business model, the quality and commitment of our teams, and our collaborative culture sets us apart. Norcros is not easy to replicate and we are really excited about our ability to grow ahead of the market in a way that not only rewards our stakeholders, but does it in a way that make a positive difference.

Q What does "powerful choice for better living" mean to you?

A It means giving our customers a clear choice around sustainability when selecting products for their bathrooms or kitchens. Making a clear and powerful choice requires easy-to-understand ratings and options. We are not only offering sustainable products and experiences, we are also developing clearer information to help customers make the powerful choice for better living.

KEY PERFORMANCE INDICATORS

We use the following key performance indicators (KPIs) to measure our progress against our strategic priorities and enable investors and other stakeholders to measure our progress.

READ ABOUT OUR ESG KPIS ON PAGES 52 TO 55

Financial KPIs

1 TOTAL REVENUE (£M)

£392.1M

2024	392.1
2023	441.0
2022	396.3
2021	324.2
2020	342.0

Link to strategy

Definition

Reported Group revenue for the year

Performance

Total revenue for the year decreased by 11.1% on a reported basis and by 6.0% on a constant currency like for like basis.

2 UNDERLYING OPERATING PROFIT (£M)

£43.2M

2024	43.2
2023	47.3
2022	41.8
2021	33.8
2020	32.3

Link to strategy

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 decreased by £4.1m (8.7%). This reflected a robust performance in the UK and Ireland, offset by challenging market conditions in South Africa.

3 UNDERLYING RETURN ON CAPITAL EMPLOYED (%)

16.4%

2024	16.4
2023	18.5
2022	23.9
2021	18.2
2020	16.4

Link to strategy

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.

Link to strategy

M&A

Organic growth

Operational excellence

ESG

4 DIVIDEND PER SHARE (P)

10.2P

2024	10.2
2023	10.2
2022	10.0
2021	8.2
2020	3.1

Link to strategy

Definition

Total of the interim dividend and the proposed final dividend for the financial year

Performance

In line with the Board's progressive, albeit prudent, dividend policy, although earnings reduced in the year, the dividend per share has been maintained at 10.2p per share.

5 UNDERLYING OPERATING CASH FLOW (£M)

£56.4M

2024	56.4
2023	44.8
2022	28.6
2021	65.8
2020	38.4

Link to strategy

Definition

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

Performance

Underlying operating cash generation increased to £56.4m reflecting a strong trading performance and a reduced investment into working capital.

6 RETURN ON SALES (%)

11.0%

2024	11.0
2023	10.7
2022	10.5
2021	10.4
2020	9.4

Link to strategy

Definition

Underlying operating profit as a percentage of revenue

Performance

Return on sales increased by 300bps to 11.0%.

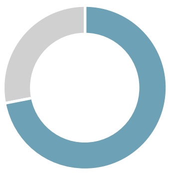
BUSINESS REVIEW UK & IRELAND

RECORD OPERATING PROFIT

Our UK business delivered a record performance driven by new product launches, collaboration and outstanding customer service. We are the UK & Ireland's number one bathroom products group.

Highlights 2024

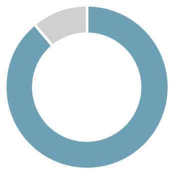
UK & IRELAND REVENUE



£281.9M

72% SHARE OF GROUP

UK & IRELAND UNDERLYING OPERATING PROFIT



£38.4M

89% SHARE OF GROUP

Our UK and Ireland business achieved revenue of £281.9m (2023: £295.8m), representing a decrease of 4.7% on a reported basis, but delivered a record level of underlying operating profit in the year. On a like for like basis, adjusting for Grant Westfield (acquired 31 May 2022) and Norcros Adhesives (closed in June 2023), revenue was 3.2% lower than the prior year. Reductions in volume were broadly offset by price increases.

Repair, maintenance and improvement (RMI) activity remains the largest component in the UK and Ireland bathroom market and our market-leading brands are positioned in the mid-premium segment, which remained relatively resilient throughout the year. Although we experienced a reduction in housebuilding activity, there remains a significant shortage of homes in the UK and Ireland and we continue to take share in this sector and are well-placed for the recovery. Representing a relatively small part of the UK and Ireland business, export sales were slightly below the prior year.

Triton, Merlyn and Grant Westfield all performed strongly, further growing their market-leading positions with well-received new product launches. As noted at the half year, VADO's performance was impacted by delays in new product launches. Encouragingly, VADO has taken the first important step towards being able to offer a complete bathroom solution following the recent launch of its Cameo collection, which includes bathroom furniture for the first time. Cameo was introduced to customers at the Kitchen, Bedroom and Bathroom (KBB) tradeshow event in March 2024, and was recognised as one of the top innovative products there.

On 25 April 2024, the Group announced that it had entered into an agreement to sell Johnson Tiles UK to its existing management team. The sale completed in May 2024. Revenue of £31.1m (2023: £35.3m) and underlying operating profit of £0.7m (2023: £0.5m) have been included in the underlying results for the current and prior year. Further detail can be found in the Chief Financial Officer's Review on pages 40 to 43.

The UK and Ireland brands made significant investments in systems (including ERP, supply chain and customer-facing digital systems) in the year. Operational efficiency projects were also delivered through warehouse and distribution changes, such as the move to a single warehouse location at VADO, consolidating four warehouses into a single modern facility, driving efficiencies.

Our market-leading product vitality again saw the business, not only growing share, but also being recognised by the industry, winning a number of prestigious awards during the year. These included Triton's ENVi® shower (Housebuilder Product's Best Kitchen and Bathrooms Product), Grant Westfield's Multipanel Tile Collection (Ideal Home's Best Bathroom Surface Award) and the Pronteau Scandi-X tap in Abode (Ideal Home's Best Hot Water Tap). Merlyn also won a number of awards in recognition of the brand's outstanding customer service and was recognised as Shower Brand Supplier of the Year from the Fortis Buying Group.

Strong progress has also been made on our ESG strategy as we embed sustainability initiatives to drive further competitive advantage. More detail is included in the Sustainability section on pages 48 to 89.

UK and Ireland underlying operating profit for the year was 3.2% higher than the prior year, increasing by £1.2m to £38.4m, with the operating margin increasing to 13.6% (2023: 12.6%). This was a record performance for the UK and Ireland business. Operating cash conversion was significantly ahead of the prior year, supported by our continued and successful focus on working capital management.

Our UK and Ireland business is well placed to continue growing market share and winning new customers in our target market segments by leveraging our strong new product development pipeline, scale-based collaboration and superior customer service.

Case Study

Group freight agreement

Leveraging our growing scale, we have been able to streamline our inbound supply of products and components from overseas by working directly with global shipping companies. A Group shipping agreement has now been reached encompassing inbound supply for Merlyn, VADO, Croydex, Triton, Grant Westfield and Abode.

The Group fixed rate, secured until 31 March 2025, has helped us achieve significant cost savings as will be reflected in margin improvements over the coming year. This will also provide protection against the escalating freight rates currently experienced, driven by the tight supply of containers due to disruption in the Red Sea, port congestion and increased demand from Asia.

It is our scale that allows us to talk directly to these global players, which differentiates us from our smaller competitors and helps drive our market share by providing that crucial reliability of stock availability to our customers.

Being assigned priority booking status from the shipping lines and having protection over our container capacity requirements allows us to improve both the predictability and flexibility of our incoming products – helping us to mitigate associated risks to our businesses.

The next step will be to manage our carbon emissions associated with freight to reduce our footprint through utilising methanol-fuelled ships and consolidation to drive a higher percentage of 40-foot containers, improving our shipping utilisation.

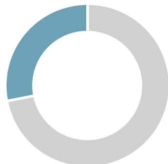
BUSINESS REVIEW SOUTH AFRICA

A RESILIENT PERFORMANCE

Our South Africa business delivered revenue of £110.2m (2023: 145.2m), 12.3% lower on a constant currency basis, as macroeconomic uncertainties impacted consumer confidence in the year. Against the challenging conditions, this was a resilient performance in the year.

Highlights 2024

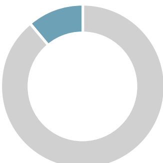
SOUTH AFRICA REVENUE



£110.2M

28% SHARE OF GROUP

SOUTH AFRICA UNDERLYING OPERATING PROFIT



£4.8M

11% SHARE OF GROUP

Our South African business delivered revenue of £110.2m (2023: £145.2m), 12.3% lower on a constant currency basis, as macroeconomic uncertainties impacted consumer confidence in the year. This was a resilient performance despite challenging and sustained national energy supply interruptions which impacted at a time when consumers, world-wide and in South Africa, were already struggling with cost of living pressures.

The business, run by a highly experienced team, reacted early and decisively ensuring that the business was able to work through the challenges at hand. Whilst the energy interruptions have improved to more manageable levels, the impact that they had on consumers and the new build cycle will take longer to unwind. The business remained profitable and is well positioned to benefit from what we expect will be a gradual recovery. The underlying growth drivers, in what is a meaningful market, remain. These include a young and growing population, a diversified economy and a shortage of housing.

Case Study

Alternative flooring from Tile Africa

Whilst Tile Africa is best known for its retail shops and top-quality tiles, they also offer a significant range of alternative floor coverings that can be used in many settings.

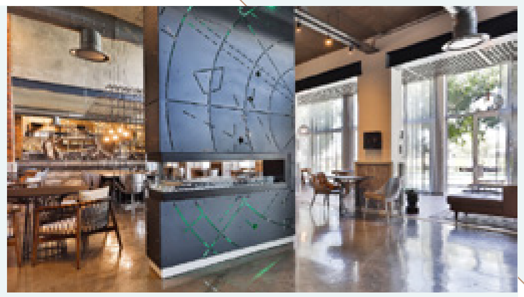
Tile Africa, along with significant collaboration with sister company TAL, recently completed a significant project with Protea Hotel at OR Tambo International Airport, just outside of Johannesburg.

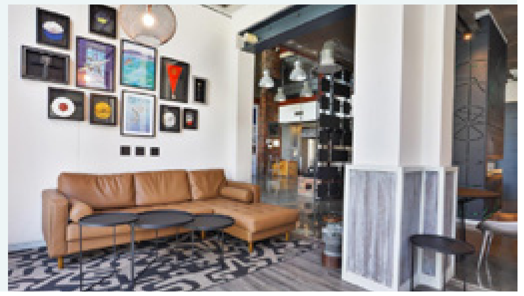
TAL's technical department provided full method and material specifications and signed off on all sub-floor preparation works. Substantial sub-floor remedial work was completed before installing Stone Plastic Composite vinyl flooring and carpeting.

The existing concrete in the hotel reception, main restaurant and bar area was in a poor state. The client wanted to keep the rustic aircraft "hangar look" so the team repaired cracks in the concrete, ground down the surface of the floor and applied a clear epoxy coating to turn the cracks into part of the design, whilst giving it an updated feel.

Interlocking vinyl flooring was also installed in the main restaurant and bar, gym and meeting rooms. Belgotex carpet tiles were used in the reception offices and Belgotex Sportec rubber flooring was used in the weights section in the gym.

This project involved multiple flooring products and applications and resulted in a prestigious finish and an extremely happy customer experience.





New product development remains a key focus with encouraging vitality rates across our South African business, particularly in Johnson Tiles SA with extensive investment in new product designs, finishes and size formats in the year. Tile Africa's brand strength resulted in key account wins across a variety of sectors, mainly with new housing developers, hospitality (hotels) and automotive showrooms. TAL, our market-leading adhesive business in South Africa, continues to benefit from the development of internal and external waterproofing products, with year on year growth and ongoing new product development. House of Plumbing opened their first new store as part of a wider national rollout in Cape Town. These initiatives are underpinning our organic growth focus.

As with our UK and Ireland brands, we are investing in driving operational efficiencies and improved service levels through targeted investments in our infrastructure and systems, starting with a new ERP system for Tile Africa that is expected to go live in the first half of the current financial year.

In line with the rest of the business, sustainability is a core strategic driver for our South African business, and there are a number of environmentally-focused initiatives in progress. Further detail is included in the Sustainability section on pages 48 to 89.

As a result of the market challenges, underlying operating profit decreased to £4.8m (2023: £10.1m), with the underlying operating margin at 4.4% (2023: 7.0%). Operating cash conversion was ahead of the prior year due to early self-help interventions in working capital as the market slowed. Our South African business remains in a strong competitive position and is well-placed to gain market share in its respective markets as conditions gradually improve. We anticipate energy supply constraints to further stabilise, driven by the investment of private energy generation, and expect to benefit from the improved levels of consumer confidence in due course.

CHIEF FINANCIAL OFFICER'S REVIEW

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

JAMES EYRE
Chief Financial Officer

Highlights 2024

- Group revenue decreased by 11.1% to £392.1m (2023: £441.0m)
- Group underlying operating profit decreased by 8.7% to £43.2m (2023: £47.3m)
- Group operating profit was £39.9m (2023: £27.5m)
- Group underlying profit before tax was £36.4m (2023: £41.8m)
- Diluted underlying earnings per share of 32.1p (2023: 37.4p)
- Return on Capital Employed of 16.4% (2023: 18.5%)
- Underlying operating cash flow of £56.4m (2023: £44.8m), 123% of underlying EBITDA (2023: 89%)
- Net debt of £37.3m (2023: net debt of £49.9m)
- Pension scheme in a surplus position of £16.5m (2023: £14.9m)

Excellent cash conversion and low leverage

Revenue

Group revenue at £392.1m (2023: £441.0m) decreased by 11.1% on a reported basis and by 6.0% on a constant currency like for like basis after adjusting for Grant Westfield, acquired on 31 May 2022, and Norcros Adhesives, closed in June 2023.

Underlying operating profit

Underlying operating profit decreased by 8.7% to £43.2m (2023: £47.3m). Our UK and Ireland businesses delivered a record performance with an underlying operating profit of £38.4m (2023: £37.2m), and our South African businesses recorded an underlying operating profit of £4.8m (2023: £10.1m). Group underlying operating profit margin was 11.0% (2023: 10.7%).

Acquisition related costs

A cost of £4.3m (2023: £8.4m) has been recognised in the year with the majority of the cost relating to intangible asset amortisation of £6.5m (2023: £6.2m). A credit of £3.0m has been reflected, representing a release of an element of deferred contingent consideration resulting from the acquisition of Grant Westfield.

Exceptional operating items

An exceptional operating credit of £2.3m (2023: charge of £9.8m) has been recognised in the year.

	2024 £m	2023 £m
Restructuring costs	**(1.7)**	(4.8)
Reversal of impairment	**4.0**	–
Impairment	–	(5.0)
	2.3	(9.8)

Restructuring costs

The £1.7m (2023: £4.8m) exceptional restructuring costs relate to Johnson Tiles UK moving to a single kiln operation in the first half of the year and the move to a single site in VADO.

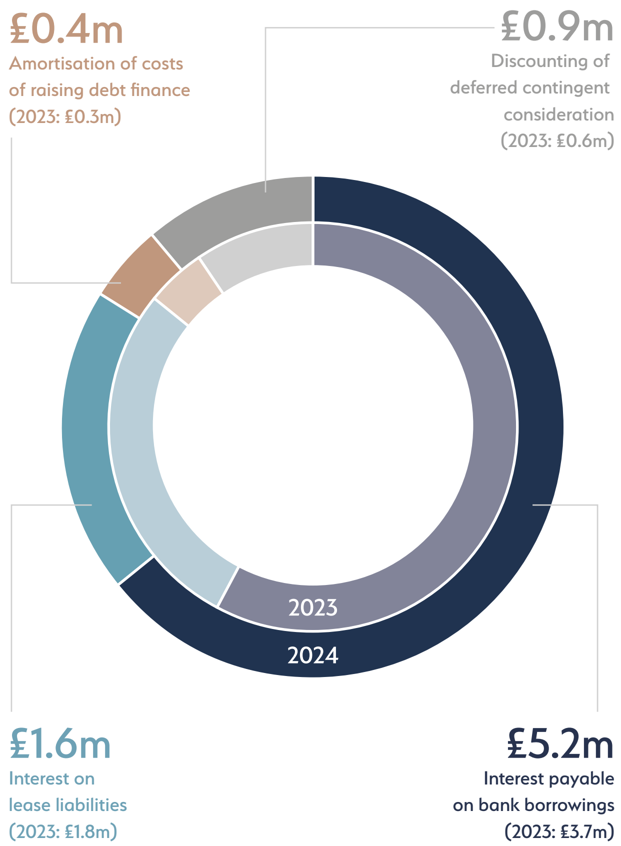
Sale of Johnson Tiles UK and reversal of impairment

The sale of Johnson Tiles UK completed in May 2024. This completed after the year end at a consideration lower than the carrying value of the assets of the business. In the next financial year, we expect to recognise a non-cash exceptional cost of circa £20m. The cash costs associated with the transaction are expected to be less than £1m.

A £4.0m credit has been recognised in the year relating to the reversal of previous impairments on land and buildings. The Johnson Tiles UK site in Stoke-on-Trent has been professionally valued in the year at a level exceeding its carrying value. As a result, previous impairments, less an amount of subsequent depreciation, have been reversed. This site has been retained following the post-year end sale of Johnson Tiles UK.

Revenue in the year of £31.1m, representing approximately 8% of Group revenue (2023: £35.3m), and the underlying operating profit in the year of £0.7m (2023: £0.5m) have been included in the underlying results for the current and prior year.

Finance costs



Net finance costs for the year of £7.3m compares to £5.8m in 2023. This movement is mainly due to the increase in Bank of England base rates in the UK, partially offset by a reducing net debt.

The Group has recognised a £0.8m IAS 19R interest credit in respect of the UK defined benefit pension scheme surplus (2023: credit of £0.6m) due to this accounting surplus throughout the year.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

Underlying profit before tax
Underlying profit before tax was £36.4m (2023: £41.8m), mainly reflecting the increase in underlying operating profit noted above, and increased interest costs.

Taxation
The tax charge for the year of £5.8m (2023: £4.9m) represents an effective tax rate for the year of 17.8% (2023: 22.6%). The decrease in the effective tax rate mainly relates to the increased proportion of taxable profits in the UK and Ireland compared to South Africa.

The standard rates of corporation tax in the UK, South Africa and Ireland in the period were 25% (2023: 19%), 27% (2023: 27%) and 12.5% (2023: 12.5%) respectively.

Dividends
Although underlying earnings have reduced in the year to £28.8m (2023: £33.5m), the Board recommends a final dividend of 6.8p per share (2023: 6.8p). This, combined with the interim dividend of 3.4p per share (2023: 3.4p), results in a total dividend of 10.2p per share (2023: 10.2p). The total dividend is equivalent to a dividend cover of 3.1 times, slightly lower than the year ended 31 March 2023 (3.7 times). The cash cost of the total dividend is £9.1m.

This final dividend, if approved at the Annual General Meeting, will be payable on 2 August 2024 to shareholders on the register on 28 June 2024. The shares will be quoted ex-dividend on 27 June 2024. 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 12 July 2024.

Cash flow and net debt
Underlying operating cash flow was £11.6m higher than in the prior year at £56.4m (2023: £44.8m).

	2024 £m	2023 £m
Underlying operating profit	**43.2**	47.3
Depreciation and underlying amortisation (owned assets)	**4.3**	5.0
Depreciation of right of use assets	**4.7**	4.6
Lease costs	**(6.5)**	(6.4)
Underlying EBITDA (pre-IFRS 16)	**45.7**	50.5
Net working capital movement	**3.3**	(13.3)
IFRS 2 charge add-back	**0.9**	1.2
Lease costs	**6.5**	6.4
Underlying operating cash flow	**56.4**	44.8
Underlying operating cash conversion[1]	**123%**	89%

1 Represents Underlying EBITDA (pre-IFRS 16) as a percentage of underlying operating profit.

The main driver of the improvement in underlying operating cash flow was the continued focus on working capital. Underlying operating cash conversion in the year was 123% of underlying EBITDA (2023: 89%).

The Group ended the year with net debt of £37.3m (2023: net debt of £49.9m) on a pre-IFRS 16 basis. This represents a leverage of 0.8 times underlying EBITDA (2023: 1.0 times). Net debt inclusive of IFRS 16 lease liabilities was £59.5m (2023: £74.6m).

Balance sheet
The Group's balance sheet is summarised below.

	2024 £m	2023 £m
Property, plant and equipment	**28.1**	24.8
Right of use assets	**18.0**	20.0
Goodwill and intangible assets	**161.2**	167.1
Deferred tax	**(13.4)**	(15.0)
Net current assets excluding cash and borrowings	**77.1**	80.6
Pension scheme surplus	**16.5**	14.9
Lease liabilities	**(22.2)**	(24.7)
Other non-current assets and liabilities	**(5.6)**	(7.4)
Net debt	**(37.3)**	(49.9)
Net assets	**222.4**	210.4

Total net assets increased by £12.0m to £222.4m (2023: £210.4m). Net current assets (excluding cash and borrowings) decreased by £3.5m largely reflecting the reduction in working capital in the year.

Property, plant and equipment increased by £3.3m to £28.1m and included a reversal of a previous land and building impairment of £4.0m and additions of £6.2m (2023: £5.4m). The depreciation charge was £4.0m (2023: £4.9m) and foreign exchange losses were £1.1m (2023: loss of £1.7m) relating to assets held in South Africa. Disposals of £1.2m of assets were reflected in the year as part of the closure of Norcros Adhesives. Other movements totalled £0.6m.

Right of use assets decreased by £2.0m to £18.0m (2023: £20.0m), primarily reflecting net additions of £3.7m, offset by right of use depreciation of £4.7m (2023: £4.6m) and exchange losses of £0.8m (2023: loss of £1.5m).

The deferred tax liability decreased by £1.6m to a liability of £13.4m (2023: liability of £15.0m). The decrease is primarily the result of the amortisation of acquired intangible assets and actuarial losses on the pension scheme.

Pension schemes
On an IAS 19R accounting basis, the gross defined benefit pension scheme valuation of the UK scheme showed a surplus of £16.5m compared to a surplus of £14.9m last year. The present value of scheme liabilities decreased by £10.0m primarily due to benefit payments made in the year offset by a decrease in the discount rate to 4.85% (31 March 2023: 4.90%). The value of scheme assets decreased by £8.4m largely due to benefit payments made in the year.

As agreed at the 2021 triennial valuation, additional contributions are £3.8m per annum from 1 April 2022 to March 2027 (increasing with CPI, capped at 5%, each year). The additional contributions in the current year were £4.0m. The 2024 triennial valuation is underway.

The Group's contributions to its defined contribution pension schemes were £3.9m (2023: £4.0m).

Funding and liquidity
The Group extended its multicurrency revolving credit facility by a further year in the period. The Group has committed banking facilities of £130m (plus a £70m uncommitted accordion) with a maturity date of the facility of October 2027.

JAMES EYRE
Chief Financial Officer

12 June 2024

CHIEF PEOPLE OFFICER'S REVIEW

"We want to ensure all our people feel valued and welcome in Norcros, and that we appreciate their uniqueness and capabilities."

HELEN GOPSILL
Chief People Officer

Overview

I am pleased to present my first Chief People Officer's Review. What a wonderful year it's been! When I was asked to join as the Group's first Chief People Officer, it was clear that this was a business with a number of excellent teams across the Group. The belief in the quality and importance of these teams to Norcros was clear. Just as important was the business's desire to facilitate closer collaboration to collectively leverage this inherent strength.

Initial observations

After joining in April 2023, and as I started to meet more of our people across the businesses, my excitement about the future for Norcros Group grew. The energy, optimism and desire to develop together was evident everywhere.

It is obvious our people enjoy being part of both their individual businesses and the wider Group, and that they are really proud to deliver great customer service. They have a huge desire to see us go from strength to strength, and to play their individual part in making our mark in our industry and for our customers.

I fundamentally believe that people want to do a great job at work – and being part of a team that is focused on delivering this is energising and exciting and gives us reasons to bring our best selves to work each day. People thrive when they are part of a successful business, and it is vital that we make sure we provide all our people with the opportunity to make a real difference at work.

It is a real privilege for me to be leading our work relating to this, along with Thomas and the rest of the Executive and Leadership team.

Focus in 2024

The year under review has been a year of strengthening our foundations – in particular, addressing some of the key opportunities that a group-wide talent management process offers, and putting in place the solid building blocks in relation to modern and cohesive processes within our HR operations to support the Group's ambitions.

We have attracted some wonderful new talent into the Group, and we have combined this with a focus on developing the capability of many of our team members who had been with us for some time. We create a much stronger organisation when we invest in our people like this.

In partnership with our Managing Directors, we have repositioned and elevated certain roles and responsibilities, allowing those business leadership teams to improve their focus and dedication on key areas of their business strategies for the future.

having the right people in the right roles, → with the right skills and attitude, → working together on the right priorities, → supported by the right framework of reward, benefits and culture.

Retain an entrepreneurial approach, but shift towards increased Group alignment

One of our greatest cultural aspects is our focus on collaboration. For some time now, the Group has operated a system of what we call Forums – opportunities for our teams to come together and network, share innovations and successes, learn from each other and exchange great practices. We have extended our Forums across new teams in the last year and they are proving to be a hugely valuable mechanism for us. Our people tell us regularly how much they value them, and we get great participation and sharing at each one we operate.

Baseline core people processes

A business relies on its processes as well as the passion and talent of its people, and we have been focusing on elevating our talent management processes. This includes how we attract people into the Norcros Group, development and career programs, reward frameworks and succession planning.

We have also worked to improve consistency in how we measure our successes. This consistency in measurement is already providing improved insights at both brand and Group level, and is helping us identify where we need to focus our energies, and how we can add real value to the business performance.

Diversity, equity and inclusion

Developing an inclusive culture where everyone feels valued and can be themselves, bringing their best to their work, is a critical focus area for us throughout the Group. The more diverse our people are, the more we can benefit from their unique perspectives, skills and qualities at work.

This focus on creating a deep culture where diversity, equity and inclusion are integral to us, comes from the very top and has full Board and Executive team support and drive.

Over the last year, we have been working across our brands and teams to further embed this key part of our culture, partnering with experts like Teresa Boughey, CEO at Jungle HR. With her guidance we are working through a coherent program to enable every brand to become increasingly inclusive. We want to ensure that all our people feel valued and welcomed and that we appreciate their uniqueness and capabilities.

Our teams in South Africa have significant experience in this area with the benefits of increased diversity, equity and inclusion being clear. Working with Marcy Murwa (Director of People and Talent for Norcros South Africa), we are already drawing upon their learnings for our work in the UK and Ireland – yet another example of collaboration at work within Norcros.

Our teams have responded brilliantly to the challenge of nurturing the talents of all our people, and we have a much improved mindset now – it is clear we are already a more inclusive and welcoming organisation to work in than ever before.

Putting our people first

We are focused on driving increased engagement across Norcros because we know that a real sense of purpose and belonging to a larger organisation will ensure that we further develop the cohesion of our teams, which is already a key business strength. We want our people to feel proud of being part of both the Group and their own brands. As we increase engagement and capture more of this from our highly-talented teams, we will work even more magic together.

CHIEF PEOPLE OFFICER'S REVIEW
CONTINUED

Priorities in the year ahead

Our updated strategy underlines the critical role that our teams will play, both now and in the future. Key focus areas from a Group perspective will centre on consistency of the work experience and engagement, continuing to build our people policies, and further deepening our work in creating a truly diverse and inclusive culture.

Measure engagement consistently across the whole Group

Building on our culture is at the core of our people strategy. In the past, we have measured engagement at brand level, but will be working with Great Places to Work to complete our first Group-wide engagement survey in the current year. We are looking forward to learning from what our people have to tell us and being able to measure engagement across the Group in a consistent way. The key will be to translate these learnings into actions – and we are fully committed to doing so.

Critically analysing our people policies

We will be continuing our policy work this year, with an emphasis on creating more 'life- and family-friendliness' within our HR policies. This includes ensuring our policies are appropriate for our people across the whole span of their lives, recognising that needs change depending on life stage and priorities and responding to our people's needs for flexibility and balance.

Through reviewing our policies, we are working to ensure we support our employees to find real and practical ways to juggle life and its complexities, alongside their careers with us.

Diversity, equity and inclusion

Attracting and retaining the best talent is critical to our business. We continue to build a business and environment that gives us access to a wide pool of talent, with an intentional focus on improving the diversity and inclusion culture within each of our workplaces. The work being done through our HR Forum and Women's Leadership Forum in particular is proving invaluable, so we will continue to support these groups and ensure we learn from the insights they bring to us. We will also focus on creating more transparency and opportunities for feedback at all levels across the Group to show us where we need to improve. We know everyone has something to say, and we want all our people to know they work in a culture where openness and transparency are highly valued, and their opinion and views are welcomed. Ultimately, our teams should fairly represent the richness of the communities that we live and work in.

Longer-term vision

Careers

Looking toward the future, we have ambitious plans. We want to provide greater visibility for all our people of how their career can grow and evolve within the Group, to showcase examples of where colleagues develop, try new things and learn new skills.

We will also support and encourage more fluidity and movement across our businesses, allowing people to stay within the Group whilst enjoying a much richer career experience than might be possible within any single business. We currently operate in the UK, Ireland and South Africa, and it will be fantastic to see increasing numbers of our people exchanging and partnering with internationally-based colleagues.

Transforming towards excellence

We are pushing at pace to improve across all areas of our business, and our people strategy underpins all of it. We have exceptional leaders with genuine, authentic care for their people and a desire to delight their customers through innovation and great service.

Every employee in our Group deserves to work for an excellent manager or leader. As we look ahead, we will be doing even more in this area to equip our management teams with the skills they need to help them excel in their roles. We want people to join our Group and to stay with us, as they grow personally and professionally, evolving and maturing throughout their career.

Summary

We are mindful that the world is changing, family and home life is evolving and our customers' needs are shifting.

In order for us to continue delighting our customers with our innovation and great service, we are always looking ahead to ensure that our focus is on developing the required skills for the future and making sure that within Norcros we have the talent and capabilities to always meet and exceed customer expectations.

I am excited about what the future of Norcros holds, and I am delighted to be working with such an inspiring group of people as we go on this journey together.

HELEN GOPSILL
Chief People Officer

12 June 2024

Q & A

with Chief People Officer Helen Gopsill

Q What impressed you the most when you joined Norcros?

A It was really the successful track record of the Group, which indicates that we currently sit on very strong foundations. It is a huge privilege to be part of a team focused on taking the business to the next level of excellence. For a group of devolved businesses, there's still a real appetite to work collaboratively – so it is a wonderful mix.

Q What stood out the most?

A The capability of the business teams. We have a great team of Managing Directors across the Group, and they have strong teams around them running their own businesses. They really own the relationships with their customers and are passionate about working better for them.

It takes very special people to feel that sense of ownership over their own businesses and to also want to be part of something bigger as a Group – we have a real "special something" within our teams!

Q Where do you think the biggest opportunities lie?

A We still have so much to gain by bringing our people even closer together and creating ways in which they can learn from each other across the Group. We have many talented and highly-knowledgeable people with unique experiences and skills, and the more we can bring this out and learn from each other, the more we will all win.

OUR APPROACH TO SUSTAINABILITY
ESG DRIVING COMPETITIVE ADVANTAGE

SUSTAINABILITY IS AT THE HEART OF OUR BUSINESS. IT UNDERPINS OUR STRATEGY. IT DRIVES OUR COMPETITIVE ADVANTAGE.

We have set a strategic objective to be renowned for sustainability. This means that we are committed to managing our impact on the environment and designing sustainable products that minimise the use of water and energy. It is also about sustainability in the widest sense, including our people, governance and communities. This is not just the right thing to do; this is about driving growth and operating margins in our business as we improve our ability to win a larger market share in the high-growth sustainable products market and with our business-to-business customers who are depending on suppliers like us to reduce carbon impact in bathroom and kitchen products.

Over the last two years, we have developed a dedicated ESG program that is focused around three elements:

- **People** — this includes investing in our talent and developing a diversity, equality and inclusion program.
- **Product** — this involves driving our new product development program and enhancing product design and innovation.
- **Planet** — this includes engaging with and investing in the communities in which we work. It also includes delivering our Net Zero Transition Plan and reducing our carbon emissions across all scopes, which involves reducing our impact upstream with our supply chain and downstream with our customers and end consumers.

Within these elements, we focus on ten ESG priority themes. In 2024, we added two new priority themes: circular economy and social and community engagement. The elements and themes are shown in the diagram.

We monitor progress across these elements in our ESG Management Information (MI) Framework outlined on pages 52 to 55.

These elements and ESG priority themes are the lifeblood of our business. They enable our culture, our strategy, our competitive advantage and our performance. By embracing sustainability as a strategic imperative, we demonstrate our commitment to delivering value not only to our shareholders but also to the planet and future generations.

People	Health and safety	Talent and workforce development	Diversity and inclusion	Ethical conduct and integrity
Product	Innovative and efficient products	Product quality and safety	Supply chain management	
Planet	Climate change and emissions	Circular economy	Social and community engagement	

OUR SUSTAINABILITY STRATEGY

Achievements and priorities

Key achievements this year include:

Approval of science-based targets

Our emissions targets have been approved by the Science Based Targets initiative (SBTi). This covers our long-term target of net zero emissions across our value chain by 2040 and near-term targets for scopes 1, 2 and 3 for 2028 (from a 2023 base year).

Published the Group's first Net Zero Transition Plan

We have formalised the Group's SBTi targets and action plans into a Transition Plan Taskforce (TPT) aligned Net Zero Transition Plan. A summary is included on pages 80 to 83 and full details will be published on our website at www.norcros.com in the current year.

We continue to invest in carbon reduction initiatives as part of delivering our Net Zero Transition Plan

Recent examples include increasing the percentage of company fleet that is either electric or hybrid, installing LED lighting and energy efficient air conditioning units.

Submitted to CDP for the first time

We achieved a B grade in CDP Climate Change.

Created our Sustainable Products Framework

We are developing a framework to classify our products as sustainable, based on both environmental and social criteria, and working with our brands to understand what proportion of our revenue comes from products classed as sustainable and the implications on future revenue growth.

Enhancing supply chain management

We have published our first Supply Chain Policy and Supplier Assessment Form, which set out our expectations of suppliers in relation to environmental and social issues. We plan to continue our discussions around the development of internal and external KPIs associated with our supply chain in the rest of 2024. Of note this year, Triton achieved EcoVadis silver in its first submission.

We continue to innovate in the development of low carbon products

Our brands and products play an increasingly meaningful role developing products that reduce and recycle. Abode's Naturalé was shortlisted for 'Water Saving Domestic Product of the Year' at the Energy Saving Awards 2023.

Launch of Triton's next generation electric shower, ENVi®

ENVi® became a ClimatePartner certified product through performing a full carbon life cycle analysis and was awarded a special commendation at the BMA Sustainability Awards. The ENVi® shower is expected to generate up to 70% less carbon emissions than a mixer shower connected to an A rated combi boiler. We plan to drive sales of this product in all channels in financial year 2025.

Embedded our ESG Forum

This team meets regularly throughout the year to develop and review our ESG program. They have worked together to develop our Net Zero Transition Plan and we review progress against milestones each quarter.

Looking forward, our ESG priorities are to:

- Continue to deliver against our Talent and DE&I program
- Continue to deliver against our Net Zero Transition Plan
- Refine and publish our Sustainable Products Framework and create our Sustainable Products Index. This will start to drive more investment towards sustainable products
- Continue to improve our ESG data. This will provide added value for customers as it helps them measure and mitigate their scope 3 emissions. It also helps us to drive improvements in sustainable product development
- Report against CDP for the second time, building on last year's first submission
- Monitor the implementation of our new Supply Chain Policy and Assessment by ensuring that our suppliers follow the same sustainability standards as the Group
- Monitor progress against the metrics reported in our MI Framework and look to set additional targets on our material topics
- Development of a Group Environmental Policy to outline our expectations on the key environmental issues we already monitor through our MI Framework
- Explore options to link Executive remuneration to ESG performance

Sustainability governance

The Board of Directors is responsible for ensuring key sustainability policies, such as the Code of Ethics and Standards of Business Conduct, are communicated, understood and observed by all Group brands, employees and associates. Day-to-day responsibility for promoting and implementing these policies is delegated to brand senior management.

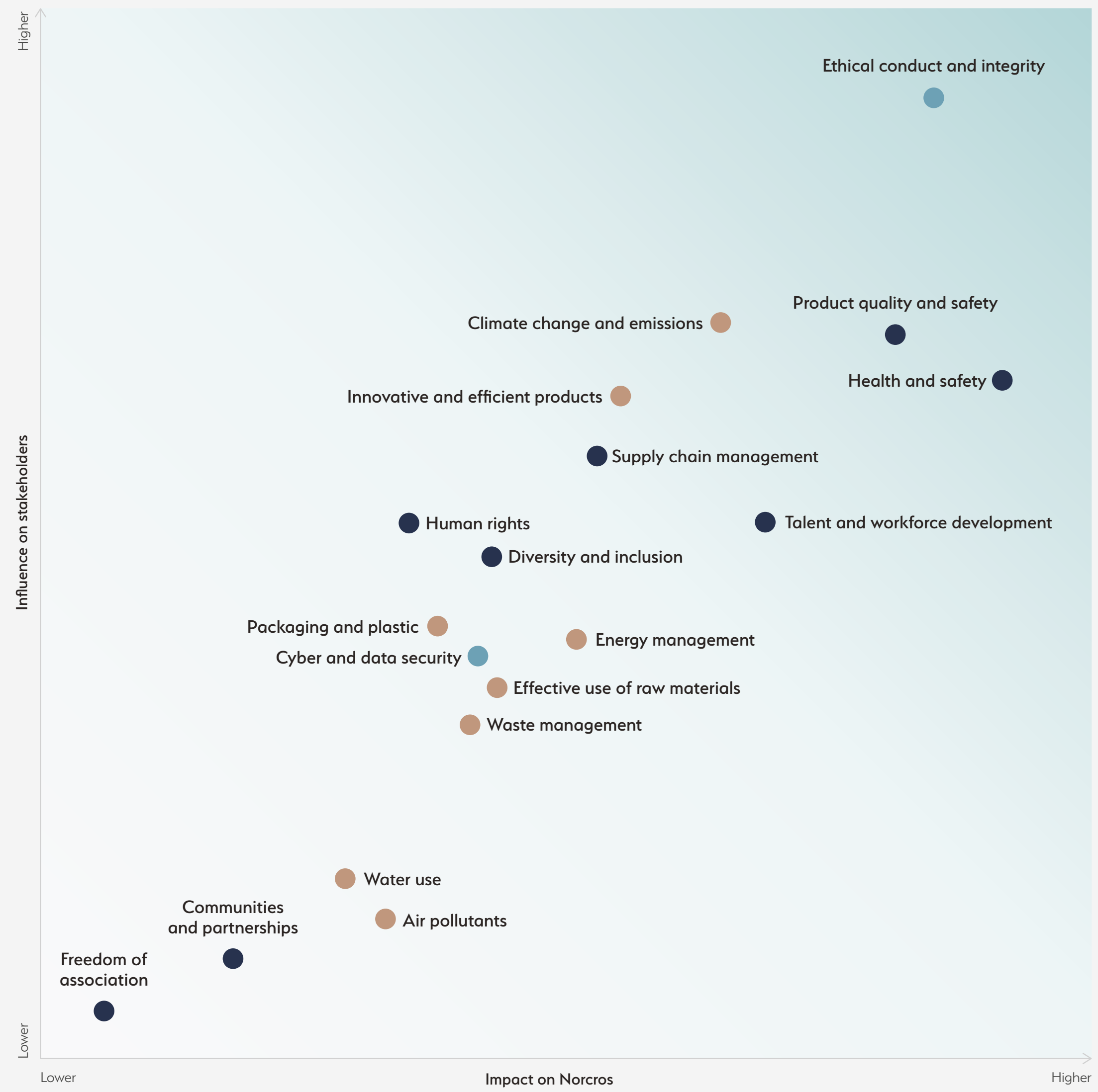
Our Group ESG Forum, made up of representatives from each of our brands, enables sustainability-related information to be discussed freely across the Group. We hold quarterly ESG Forum meetings, which allow us to prioritise our impact through organisational workstreams and to monitor progress against our plans across the Group. The continuity of the ESG Forum has accelerated the development of our sustainability strategy and has enabled sharing of best practice across the Group. Full details of our sustainability governance model and its responsibilities are outlined in the TCFD Report on page 90.

ESG MI Framework

Our MI Framework enables us to monitor our ESG journey and ensure we execute our strategy. This is our second year of reporting against our MI Framework, and we will assess our progress in more detail on pages 52 to 55. The table shows our ten priority ESG themes and the metrics used to track each theme.

We have grouped our material issues into three broad categories:

Environment   Social   Governance



OUR SUSTAINABILITY STRATEGY
CONTINUED

Priority ESG themes

ESG pillar	Priority theme	Our ambition	Key performance indicator	2024	2023	Read more
People	Health and safety	Working to be incident and injury free	1. Accident Incident Rate (reportable injuries per 100,000 employees)	259	781	Page 57
			2. Fatalities	0	0	Page 57
	Talent and workforce development	Employer of choice in the kitchens, bedrooms and bathrooms (KBB) sector	1. Average number of training hours per employee	57	52	Page 61
			2. Total employee turnover	18%	14%	Page 61
	Diversity and inclusion	Diversity and inclusion are at the heart of who we are; we continue to build and develop a team with a variety of backgrounds, skills and views	1. Gender diversity	Male: 67% Female: 33%	Male: 68% Female: 32%	Page 63
	Ethical conduct and integrity	Operate with integrity and respect to regulation and laws in all dealings	1. Proportion of eligible employees who received training in bribery and corruption	79%	76%	Page 65
			2. Total number of reported breaches of Code of Ethics and Standards of Business Conduct in total (and those specifically relating to bribery)	89	14	Page 65
			3. Total number of investigated breaches of Code of Ethics and Standards of Business Conduct in total (and those specifically relating to bribery)	89	14	Page 65
			4. Total number of upheld breaches of Code of Ethics and Standards of Business Conduct in total (and those specifically relating to bribery)	30	14	Page 65
			5. Percentage of staff disciplined or dismissed due to non-compliance with Anti-Bribery/Corruption Policy	0.59%	0.37%	Page 65

OUR SUSTAINABILITY STRATEGY
CONTINUED

STRATEGIC REPORT

Priority ESG themes

ESG pillar	Priority theme	Our ambition	Key performance indicator	2024	2023	Read more
Product	Innovative and efficient products	Drive growth through high-quality, design-led and sustainable products	1. Revenue from sustainable products	n/a	n/a	Page 68
			2. Proportion of revenue from products that have been launched in the last three years	22%	24%	Page 68
	Product quality and safety	Design, manufacture and/or supply high-quality and safe products	1. Customer products recalled due to safety issues as a proportion of total products sold	0.001%	0.003%	Page 69
			2. Customer products recalled due to poor product quality as a proportion of total products sold	0.49%	0.91%	Page 69
	Supply chain management	Ensure our supply chain operates in line with our ESG standards by applying our new Norcros Supply Chain Policy	1. Monitor the number of suppliers that conform to the Group Supply Chain Policy	n/a	n/a	Page 72
Planet	Climate change and emissions	A sustainable business, reducing our impact on the environment • Net zero by 2040 • Reduce energy use at our sites • Increase proportion of electricity from renewable sources • Minimise toxic emissions	1. Total scope 1, 2 and 3 emissions (tCO_2e)	911,038	872,498	Page 77
			2. Total energy consumption (kWh)	261,595,842	295,435,941	Page 77
			3. Percentage of electricity from renewable sources	37%	38%	Page 77
	Circular economy	Make the most efficient use of material resources across our business • Minimise waste to landfill and increase recycled waste • Reduce water use at our sites • Operate at or work towards Environmental Management standard ISO 14001	1. Total waste (tonnes)	12,697	15,656	Page 86
			2. Water withdrawal (m^3)	178,439	195,266	Page 86
			3. Water consumption (m^3)	144,210	135,865	Page 86
			4. Percentage of packaging used from recycled materials	40%	40%	Page 86
	Social and community engagement	Engage our wider community to achieve sustainable outcomes	1. Establish an appropriate KPI for community engagement	n/a	n/a	Page 87

OUR SUSTAINABILITY STRATEGY
PEOPLE

We recognise the importance of doing the right thing for people – our employees, customers and stakeholders.

We are committed to investing in our workforce and recognise the importance of their opinions to our success. We are continuously working towards a sustainable, safe and diverse working environment to help move the Group forward.

RELEVANT SDGs

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Key areas and commitments

- HEALTH AND SAFETY
- TALENT AND WORKFORCE DEVELOPMENT
- DIVERSITY AND INCLUSION
- ETHICAL CONDUCT AND INTEGRITY

HEALTH AND SAFETY

Our ambition: Working to be incident and injury free

3 GOOD HEALTH AND WELL-BEING

Safety first

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

Five of our brands, covering 47% of turnover, are externally certified to the Health and Safety Management System ISO 45001 standard and we are looking to expand this coverage across the Group. Many of our employees have access to online health and safety training, which provides a range of training modules as required. In addition, where hands-on or specialist training is required, we use regular "toolbox talks" and provide specific training.

Safety performance

We have a proud track record of safety performance, and we are committed to raising awareness of health and safety issues across the workplace. There were no fatalities recorded in the year (2023: nil) and there have been no fatalities recorded over the last decade. We record the Accident Incidence Rate (AIR) monthly for each location and for the whole Group, which includes all reported accidents, however minor. We recorded a total of three serious reportable accidents in 2024 (2023: 18; 2022: 5).

Accident Incidence Rate (AIR) — serious reportable accidents

	2024	2023	2022	2021
AIR per 100,000 employees	**259**	781[1]	232	205

[1] Improved monitoring and reporting and the addition of Grant Westfield (manufacturing).

The majority of accidents in 2024 were caused by handling, lifting or carrying, or by slips, trips and falls. Last year we improved our safety procedures and refocused our efforts on good health and safety management, which has contributed towards a reduction in our AIR.

We are committed to learning safety lessons from these experiences and to improve our health and safety performance. All accident statistics and their causes are regularly reviewed by the Group Health and Safety Managers' Forum. We maintain externally-managed whistleblowing reporting lines that are available to all employees where they can report confidentially, and anonymously should they want to, any concerns they may have in respect of health and safety matters.

Case Study

Norcros South Africa Health and Safety

Norcros South Africa has implemented a hazard identification QR code system which facilitates the reporting of near misses. All colleagues have access to the system via custom reporting slips or scanning a QR code on their smart phone. Posters have been placed in easily accessible locations in stores, warehouses and office spaces and training provided to all staff.

The collection of this data enabled Norcros South Africa to understand its potential accident "hot spots" and implement risk mitigation procedures for unsafe areas.

OUR SUSTAINABILITY STRATEGY
PEOPLE CONTINUED

HEALTH AND SAFETY (CONTINUED)

Health and wellbeing

We treat everyone with respect and encourage them to be themselves. We promote employee wellbeing and reduce stress through several initiatives and support mechanisms. Support is provided to all UK and Ireland employees through our Employee Assistance Program that extends to all aspects of wellbeing, including free access to various independent support helplines (e.g. stress, health, lifestyle, etc.). Employees in South Africa receive support through a comprehensive wellness centre available to all staff. Across the Group, we have various other health and wellbeing initiatives that aim to improve the mental wellness of our teams. These include additional wellness days off, on-site welfare facilities, Medicash health plans and mental health first aid training. Several of our brands have also introduced the "Help at Hand" app, which includes mental health support, GP access, physiotherapy access, financial support and discounts to employees.

Case Study

nourish@norcros

To boost employee morale and engagement, the nourish@norcros program was designed and implemented over a five-week period across Norcros South Africa. Keeping their purpose and values in mind, the aim was to create a safe space for all employees, appreciating and recognising them, communicating the business strategy and encouraging overall employee wellbeing.

Each week had a specific theme and, whilst some people particularly appreciated sharing their inspiring stories and receiving thank you notes from their team members during lunches, others were motivated as they understood their division's strategy. "It matters how you do it at Norcros" videos captured the spirit of our organisation. Teams also competed in a step challenge as well as supporting our TAL and Johnson Tiles SA soccer teams.

Most teams participated enthusiastically in the planned weekly events, receiving great prizes tailored specifically to the program. More than 60% of employees joined the WhatsApp channel, a newly-introduced communication approach to ensure all employees stayed informed.

Feedback received from teams indicated that nourish@norcros provided a platform for meaningful conversations, team support and employees purely enjoyed coming to work. The key takeaway was that it doesn't matter what you do, it matters how you do it. The way we treat each other and having passion for what we do is what truly matters.

TALENT AND WORKFORCE DEVELOPMENT

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

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

Our talent strategy is based on:

having the right people in the right roles, → with the right skills and attitude, → working together on the right priorities, → supported by the right framework of reward, benefits and culture.

We have a strong team of passionate, talented, driven people across our businesses and Group office, and we know that they are the key to our continued and growing success. We are committed to educational and career development, and to building the capabilities of our existing teams, attracting new talent into the business, and empowering our people to take ownership and accountability in their individual roles and businesses, as well as coming together to be part of something greater.

As the world continues to change at rapid pace, our people and customers will have different requests of us, and we are committed to investing in the skills for the future to make sure we have the talent and capabilities that we need to continue to meet and exceed their expectations.

Workforce engagement and communication

We engage and communicate with employees across the Group through our brand structure. This ensures that all communication and engagement is appropriate to each brand and location. We have a very effective approach to cascading information about business changes, key issues and business performance updates through the organisation using a variety of channels including the line management structure, emails and Microsoft Teams calls. Additionally, many of our brands create and share regular employee communications through written content including "The Pulse" employee magazine at Croydex and Abode's "Year in Review", or in-person gatherings such as VADO's V-Team Briefs.

In many of our brands, employee surveys are undertaken on a regular basis, allowing our local management teams to directly hear what would make our workplaces better for our employees. Going forward, we will be partnering with Great Place to Work and will measure employee engagement consistently across the Group. Our collective focus will be on driving improvements in the levels of employee engagement that we see.

Great Place To Work®

The Board primarily engages with employees via Alison Littley, the Non-executive Director for workforce engagement, together with the Executive team. Throughout the year, Alison conducts site visits to tour the brands' operations and meet with management and employees. She gathers feedback and reports back to the management teams and the Board, and follows up to ensure appropriate action is taken.

STRATEGIC REPORT

OUR SUSTAINABILITY STRATEGY
PEOPLE CONTINUED

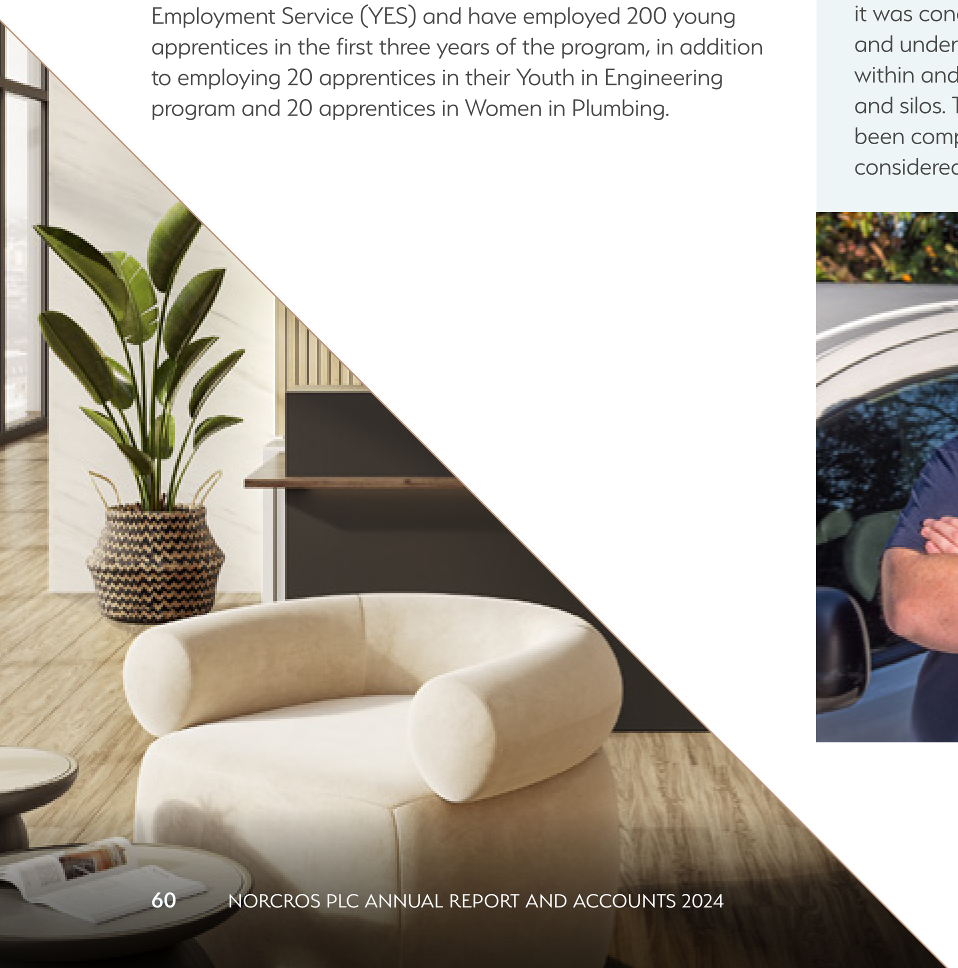
TALENT AND WORKFORCE DEVELOPMENT (CONTINUED)

Talent and career management

One of our key priorities this year has been investing in talent development, and many of our senior leaders across the Group are participating in their own mentoring and/or individual development programs. This focus on personal development starts at the top and cascades down throughout the entire organisational structure. All our brands have staff training programs that are suitable for the development of appropriate technical and people skills. Coaching and mentoring programs are focused on further developing the individual's unique work challenges and opportunities, as well as on the individual's personal style and behaviour. We acknowledge that the world of work is changing for many, and we commit to staying relevant in our approach to careers and talent development.

We continue to invest in our online learning platform, Flick, which includes training modules on Anti-Bribery and Corruption, Information Security and GDPR. There are a range of other training modules, such as Cyber Security and Equality and Diversity, which are also available to the Group's UK employees.

Several of our brands also provide apprenticeships and support for external courses such as accounting qualifications. Our South African brands support the Youth Employment Service (YES) and have employed 200 young apprentices in the first three years of the program, in addition to employing 20 apprentices in their Youth in Engineering program and 20 apprentices in Women in Plumbing.



Case Study

Using personality profiles to better understand ourselves and our teams

"Service Animals" is a personality profiling tool that helps people understand their natural service style, how to recognise others' profiles and develop techniques to adapt in order to build stronger relationships and improve team dynamics.

Triton trialled this tool with their Customer Service team and received outstanding feedback from employees.

Utilising their training, the team felt better able to understand how to adjust their communications with external customers and adapt their behaviour depending on what type of personality they identify they are likely engaging with. It has also generated many internal benefits, including more collaborative teams and a more agreeable and tolerant culture, resulting in an improved working environment and better work efficiencies throughout Triton.

The feedback was shared with the Triton board, and it was concluded that having a common language and understanding would help communication both within and across teams, helping break down barriers and silos. The Service Animals workshop has now been completed for the majority of employees and is considered a great success.

Training time	2024	2023
UK and Ireland		
Proportion (%) of employees who received training	**100%**	100%
Total number of training hours	**29,860**	39,507
Average number of training hours per employee	**27**	34
South Africa		
Proportion (%) of employees who received training	**41%**	66%
Total number of training hours	**105,599**	86,368
Average number of training hours per employee	**84**	69
Group total		
Proportion (%) of employees who received training	**69%**	71%
Total number of training hours	**135,459**	125,875
Average number of training hours per employee	**57**	52

The table above outlines the Group's training statistics for 2024. This year, we have increased our average training hours per employee across the Group, which reflects increased usage of Flick, our online training portal, and our additional training on Group policies, as well as ERP training requirements in South Africa. As part of our ESG MI Framework and our developing People strategy, we will monitor training KPIs, consider targets and manage our business towards the optimum type of training to achieve our strategic objectives.

Labour policy

All employees are entitled to a fair salary and other terms and conditions of employment, as appropriate. Our policy is to comply, at the very least, with minimum wage legislation for any job role for all employees and we seek to be competitive as is appropriate to the role and business in question. Legally required benefits such as annual leave, sick leave, maternity leave and normal working patterns and hours are, of course, applicable to all. All UK and Ireland employees have access to a save as you earn scheme. Employees are encouraged to be involved in the Company's performance through employee share schemes, and other means of incentivisation and reward. As per UK regulation, all UK employees have the option to enrol in our workplace pension scheme.

Employee turnover

	2024	2023
UK	**20%**	16%
South Africa	**17%**	12%
Total	**18%**	14%

With our increasing focus on staff retention, we continue to monitor this KPI and will take appropriate actions to reduce the employee turnover rate. We want to grow our people's careers with us for the long term, retaining the very best talent from the industry for Norcros. This year, we have seen an increase in our employee turnover, which reflects the general economic situation in both South Africa and the UK.

OUR SUSTAINABILITY STRATEGY

PEOPLE CONTINUED

DIVERSITY AND INCLUSION

Our ambition: Diversity and inclusion are at the heart of who we are; we continue to build and develop a team with a variety of backgrounds, skills and views

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

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

In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the Group continues, and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of an able bodied person. The Group makes the workplace as accessible to people with disabilities through initiatives such as stair evacuation chairs, accessible store and flexible working.

The Group promotes diversity and inclusion through several initiatives and support mechanisms. Our brands have varying special leave policies including compassionate leave, flexible working, carer leave and study leave, which help employees balance the demands of domestic and work responsibilities at times of urgent or unforeseen need. We already deliver a range of diversity and inclusion initiatives across our brands and, as we further develop our diversity and inclusion program, we are introducing more Group-wide coordination and increasing focus on how diversity and inclusion can contribute to our employee value proposition and improve employee engagement. We will be introducing new KPIs and targets, including ethnicity.

We know that our people live complex lives, with many demands upon them personally and professionally. If we are to attract and retain the best talent, we must support our people to balance their lives effectively, thereby enabling them to bring their very best selves to work each day. We are committed to working in partnership with our employees, in particular when the demands of life are at their most challenging.

We have supported a number of employees recently by mutually agreeing changes such as temporarily reduced or increased working hours, amendments to shift and working patterns, adjusting working locations to accommodate either permanent or temporary change in physical abilities, and by exploring the use of working from home in many instances.

In this way, we are able to demonstrate to our people, and to those who may join us in future, that we care about their needs, and will be a fair and reasonable employer for the long term, valuing their contributions and supporting them to succeed and thrive.

Number of staff by year by region at 31 March

	2024	2023	2022	2021
UK & Ireland	**1,158**	1,092	1,002	983
South Africa	**1,099**	1,266	1,194	1,072
Total	**2,257**	2,358	2,196	2,055

Gender diversity statistics

	2024					2023				
	Male	Female	Total	% Male	% Female	Male	Female	Total	% Male	% Female
Senior management	**48**	**15**	**63**	**76%**	**24%**	46	15	61	75%	25%
Total employees	**1,509**	**748**	**2,257**	**67%**	**33%**	1,596	762	2,358	68%	32%

1 Table outlines senior manager and employee numbers and gender split as required under the Companies Act. Senior manager is defined in line with the Companies Act as a person who: (a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company; (b) is an employee of the company. These figures are accurate as of 31 March 2024.

2 Total employee figures include senior management and Directors as of 31 March 2024.

OUR SUSTAINABILITY STRATEGY
PEOPLE CONTINUED

DIVERSITY AND INCLUSION (CONTINUED)

Case Study






Norcros South Africa's Women's Forum

The Norcros South Africa Women's Forum was established in recognition of the fact that the Group operates in an industry that has been historically male dominated, and therefore the structures and facilities in place have generally been designed to accommodate men. The Forum sets out to assist in improving and raising awareness for women within the manufacturing and retail space, working with businesses to improve working structures and facilities and eliminate identified barriers that hinder the desired representation of women within the space.

These barriers include:

- wage gap;
- career advancement limitations;
- home and work commitments;
- hostile work environments; and
- facilities and tools.

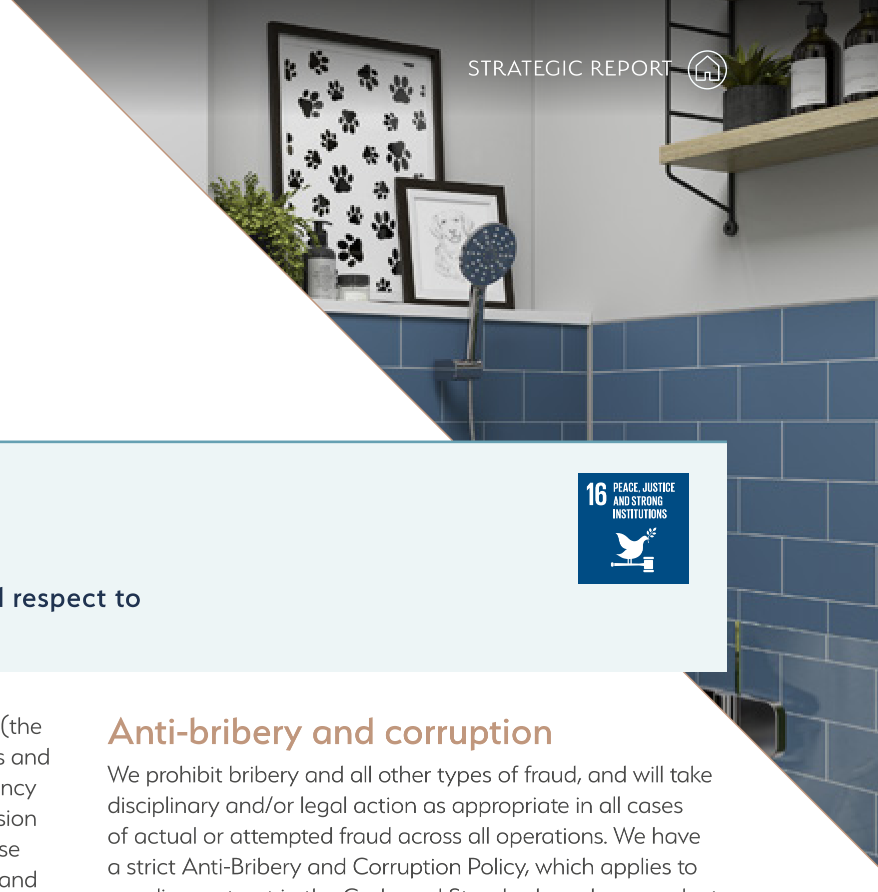
The Forum was created to identify and systematically eliminate these barriers, increasing diversity within the business and promoting equity and inclusion.

The Forum focuses on:

- building a community for internal networking opportunities for females within the business;
- empowering women to become advocates for themselves and other women in the business;
- advising on the recruitment and retention of females in the business;
- advocating for the interests and concerns affecting women; and
- promoting professional development.

The Forum includes representatives from women across all four South African brands, and includes women from diverse backgrounds, age, occupational levels and race.

The establishment of the Norcros South Africa Women's Forum is a pivotal step in fostering a more diverse and inclusive working environment. Norcros South Africa remains committed to creating safe workspaces that openly support the development of women into the leadership structures and other areas of the business.



ETHICAL CONDUCT AND INTEGRITY

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Our ambition: Operate with integrity and respect to regulation and laws in all dealings

The Code of Ethics and Standards of Business Conduct (the Code and Standards) applies in all areas of our business and to all officers, Directors, employees, contractors and agency staff employed by or working for Norcros plc or any division of Norcros plc. The Board is responsible for ensuring these business principles, such as anti-bribery and corruption and diversity, are communicated to, understood and observed by all Group brands, employees and associates. This Code and Standards will be made available to every employee at the start of their relationship with Norcros and will be communicated to all new employees of any business acquired by Norcros. This year, there were 89 reported breaches of the Code and Standards, with all of them occurring at South African brands. Of those 89 breaches, all were investigated and 30 were upheld. The introduction of Bribery and Corruption training, as well as other topics within the Code and Standards such as bullying and harassment, will help to reduce the number of future breaches.

Whistleblowing

We encourage an environment where honest and open communication is expected, with employees feeling comfortable bringing forward any concerns or violations of Group policies. This is embedded into the Code and Standards, and legal protection exists for all whistleblowers. We maintain a whistleblowing policy and engage two independent and confidential whistleblowing service providers — one covering South Africa specifically and the other covering all other locations. Both lines operate 24/7 and 365 days a year in the whistleblower's chosen local language. Concerns and reports can be made in confidence anonymously, and we will not discriminate or retaliate against any employee who reports suspected violations in good faith or who co-operates in any investigation or enquiry regarding possible violations. Reports on the use of these services, any significant concerns that have been raised, details of investigations carried out and any actions arising as a result are reported to the Audit and Risk Committee at each meeting. The Committee also receives papers on incidents of fraud, or attempted fraud, and reviews them at each meeting. At least annually, the Committee conducts an assessment of the adequacy of the Group's procedures in respect of compliance, whistleblowing and fraud.

Anti-bribery and corruption

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

During the year, 79% of eligible Group employees received training on bribery and corruption. There were 13 incidents of employees being disciplined or dismissed due to non-compliance with our Anti-Bribery and Corruption Policy. This accounts for 0.59% of total Group employees. All of these incidents occurred in our South African brands, and we have taken measures to reduce risk of similar incidents in the future.

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

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

OUR SUSTAINABILITY STRATEGY
PEOPLE CONTINUED

ETHICAL CONDUCT AND INTEGRITY (CONTINUED)

Human rights

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

Tax transparency

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

OUR SUSTAINABILITY STRATEGY
PRODUCT

We work closely with our key stakeholders and invest in research and development to ensure our products perform to the highest standards whilst creating a competitive advantage for our customers to help them achieve their sustainability goals.

RELEVANT SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Key areas and commitments

- INNOVATIVE AND EFFICIENT PRODUCTS
- PRODUCT QUALITY AND SAFETY
- SUPPLY CHAIN MANAGEMENT

OUR SUSTAINABILITY STRATEGY

PRODUCT CONTINUED

INNOVATIVE AND EFFICIENT PRODUCTS

Our ambition: Drive growth through high-quality, design-led and sustainable products

New product development is a key growth driver for our business. We invest in our in-house design and product engineering teams to take a design-led approach to product development. We focus on fashionable, ergonomic and sustainable designs and great sourcing. We also work across our Group to develop ranges where we match colours on different products (for example, matching the finish colours on brassware and shower enclosures). We also aim to improve the material efficiency of our products and production processes.

We measure our performance through a new product vitality index, the proportion of revenue over the last 12 months from products launched in the last three years. The vitality rate in the year was 22%, slightly lower than prior year, primarily due to delays in launching VADO's new Cameo collection, which launched for sale in April 2024.

We are also focused on developing more sustainable products for our portfolio. This year, we have started to develop a Sustainable Products Framework that will allow us to define and measure the sustainability of our products consistently. We are continuing to develop this framework and supporting methodology through the current year and we expect to publish the framework later in the year. This is a key driver for our Group as it will enable us to systematically focus our investment on sustainable products. We will then provide our customers with an increasing number of environmentally-beneficial products that are energy efficient, easily recyclable and durable in order to increase their longevity. This reduces the lifetime environmental impact as there is a reduced need for maintenance and replacement of products.

We continue to develop innovative solutions and we are always reviewing new products and technologies that align to customer and market demands, as well as investing in research and development to stay ahead of our competitors.

Sustainable design is embedded within our overall product development, and we already have an established set of products within our portfolio that are specifically designed with sustainability in mind, such as Triton's ENVi® shower.

PRODUCT QUALITY AND SAFETY

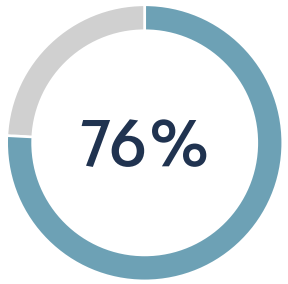
Our ambition: Design, manufacture and/or supply high-quality and safe products

We are committed to designing, manufacturing and supplying products that are reliable and safe to use. All our products are tested to ensure that they meet safety requirements in the countries in which they are sold, and information about safe use and disposal of Norcros products is provided through warning labels, manuals and other documentation where this is appropriate.

Eight of our brands, covering 76% of turnover, are externally certified to the Quality Management ISO 9001 standard. Through the implementation of this standard, we improve our customer experience and satisfaction. It also aims to improve our internal systems so we can produce quality services and products whilst promoting a culture that is aimed towards growth and continuous improvement.

As part of the brands' ISO 9001 compliance, testing is carried out to ensure safe and quality products. Testing electric products includes electrical safety test to the BS 60335 standard and air decay tests to identify leaking assemblies. In addition to testing, all areas of quality are monitored including supplier performance, product performance, internal audits and warranty activity. We pride ourselves on designing safe and high-quality products. Less than 0.5% of our products have been recalled due to poor quality, and less than 0.001% of products have been recalled due to safety issues.

% OF TURNOVER EXTERNALLY CERTIFIED TO THE QUALITY MANAGEMENT ISO 9001 STANDARD



PRODUCTS BEING RECALLED DUE TO POOR QUALITY

<0.5%

PRODUCTS BEING RECALLED DUE TO SAFETY ISSUES

<0.001%

Case Study

Grant Westfield's Naturepanel

Grant Westfield is proud to have obtained an Environmental Product Declaration (EPD) Certificate for their Naturepanel collection.

The EPD covers environmental impacts from cradle to grave and has been independently verified by EPD Hub in accordance with ISO 14025. The EPD certification enables suppliers to compare the impacts of materials at the product selection stage, ensuring that the most sustainable options are selected. The process required Grant Westfield to complete a full life cycle analysis of its Naturepanel collection, including raw materials, energy, transportation, use and disposal. Naturepanel is also FSC certified and 100% recyclable.

OUR SUSTAINABILITY STRATEGY
PRODUCT CONTINUED

Case Study

Triton's ENVi® shower

This year Triton launched their most ambitious product to date – the ENVi® electric shower.

Designed with style and sustainability in mind, ENVi® features a number of key functions that bring sustainable showering to users far more easily.

An integrated usage calculator tracks how much water and energy each shower uses, and estimates a cost per shower based on this information. Allowing people to see their usage helps them make informed decisions about the amount of time they spend in the shower, helping each of us to reduce our impact, both in our wallets, and on the planet.

What's more, ENVi® features a built-in timer and Eco-Mode, reducing shower time by one minute to encourage users to speed up and get clean, saving water and energy in the process.

Finally, ENVi® is Climate Partner Certified, meaning Triton, with Climate Partner's support, calculated the full life cycle of the product, from cradle to grave, and have set and implemented reduction measures.

70%

UP TO 70% LOWER CO_2 EMISSIONS[1] THAN A MIXER SHOWER CONNECTED TO AN A-RATED COMBI BOILER

[1] Calculated based on 3-person household, 5 showers pppw, 7.5 min average duration at 41°C

Case Study

Abode's Scandi-X tap

Abode's Scandi-X tap product is engineered with safety and quality at its core and designed for energy and water savings.

Featuring a two-stage safety handle, users can access filtered cold and steaming hot water without the need for a safety lock. To dispense steaming hot water, users simply push the lever down and then pull it forwards, whilst filtered water is accessed by pushing the lever backwards. The tap is equipped with the PROBOIL.2X, the next generation in intelligent hot water boilers, ensuring fast and trouble-free delivery of steaming hot filtered water at the touch of a handle. Cool touch technology located inside the tap creates a barrier between the flow of steaming hot water and surface of the spout so it's always cool to touch.

Featuring a flow limitation system, it provides aerated hot and cold water with optional 5l/m flow limitation, effectively minimising sink splashback and reducing overall water consumption. The tap is equipped with a cold start valve, significantly reducing energy wastage by ensuring that the tap only dispenses hot water when necessary.

Designed with 4-in-1 functionality, the tap allows users to access filtered cold drinking water directly, reducing the need for single-use plastic in the home. Additionally, Abode offers a free Filter Recycle Scheme, enabling users to return expired filters via Royal Mail, promoting both a cost-effective and environmentally friendly solution.

Case Study

VADO's Cameo collection

VADO launched its most significant new product range earlier this year: the Cameo collection.

The Cameo collection encompasses a wealth of product variety including brassware, bathroom furniture, ceramic and mineral basins, illuminated mirrors and accessories. Designed with meticulous attention to detail, each element in the collection has been formed to work harmoniously together, ensuring a cohesive and luxurious aesthetic throughout the entire bathroom. The collection is characterised by an echoed soft square design that delivers a premium finish and exudes contemporary style.

The Cameo collection has already been recognised by KBB Review magazine due to its innovative design appeal and ability to create a multitude of looks from one range.

Available in four brassware finishes and five furniture colourways, the product team collaborated closely with Merlyn throughout the design process to ensure the finishes were designed to coordinate with Merlyn products wherever possible, making it easier for our customers to meet all their bathroom needs in one place.

OUR SUSTAINABILITY STRATEGY
PRODUCT CONTINUED

SUPPLY CHAIN MANAGEMENT

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

The way our products are sourced has a significant impact on our environmental and social sustainability. We are committed to encouraging our suppliers to minimise their environmental impact and we also expect our suppliers to conduct themselves in line with Norcros' Group Supply Chain Policy and Code of Ethics and Standards of Business Conduct.

This year, we formalised our Group Supply Chain Policy. This policy outlines our expectations of our suppliers in relation to environmental and social issues such as climate change, water consumption, bribery, and health and safety amongst others. We have established our Supply Chain Policy to drive continuous improvement and environmental and social standards across our supply chain. Our aim is that our suppliers, and importantly our key suppliers, work towards the same ambitions and goals as our ESG strategy.

Our new policy has established formal mechanisms for compliance with our Safety, Environmental, and Human Rights policies by our suppliers. The policy, in tandem with our Supplier Assessment Form, will allow us to monitor suppliers' performance on a regular basis. Where a supplier does not currently adequately meet the standards set out in this policy, we will ask the supplier to put in place reasonable improvement plans.

We plan to continue our discussions around the development of internal and external KPIs associated with our supply chain in the rest of 2024.

We do not accept and will not tolerate the use of child labour or forced labour (i.e. modern slavery) anywhere in our own business or supply chain. We have issued a public statement to this effect, which can be found on our website at www.norcros.com. We also encourage our direct suppliers to promote human rights throughout the supply chain. Our supplier assessments include evaluation of policies and practices in this area.

Case Study

VADO's supplier engagement

VADO collaborates closely with their suppliers to ensure fair treatment, generous pay and excellent working conditions for all workers. Both new and existing suppliers must sign a code of conduct and complete an annual amfori BSCI social audit, with VADO expecting all suppliers to achieve at least a B rating. Additionally, VADO has a dedicated team that regularly visits suppliers to ensure high product standards and adherence to the code of conduct.

VADO met with all its major suppliers this year to discuss emissions reduction targets and how its suppliers can help achieve the targets. Suppliers are sharing individual product level material data, which will allow more accurate emissions reporting and help identify opportunities to collaborate with the suppliers to make meaningful reductions to emissions. This initiative will contribute towards both VADO and the Group's emissions reductions in the goods and services they are purchasing from suppliers.

Case Study

Triton's supplier engagement

Triton recognises the role it needs to play in collaborating with its supply chain partners to influence the full up-and-downstream carbon impact, and are working to give them focus and support so they can join its carbon reduction journey. In the last two years, Triton have carried out detailed supplier audits covering all areas of quality, health and safety, and environmental systems and practises, as well as desktop audits covering energy and water usage.

In 2023, Triton partnered with Contingent, an expert in the field of sustainable supply chains. With Contingent's support, Triton launched its Sustainability Operating System (SOS) to key suppliers. This engagement provides expert knowledge and an operating model that tracks actions and benefits, and provides Triton with a single view on all supply chain sustainability activity.

By working together this way, Triton are helping its partners take key steps towards their own carbon reduction journeys, whilst they help Triton on its net zero journey.

OUR SUSTAINABILITY STRATEGY
PLANET

We are committed to minimising the environmental impact of our operations, products and services wherever possible. We are working to improve our business and suppliers in a way that supports the future of our planet and local communities.

RELEVANT SDGs

Key areas and commitments

- CLIMATE CHANGE AND EMISSIONS
- CIRCULAR ECONOMY
- SOCIAL AND COMMUNITY ENGAGEMENT

CLIMATE CHANGE AND EMISSIONS

Our ambition: A sustainable business, reducing our impact on the environment

Our environmental goals:

1
Net zero by 2040

2
Reduce energy use at our sites

3
Increase proportion of electricity from renewable sources

4
Minimise toxic emissions

Making progress in improving our energy efficiency and reducing carbon emissions is important for our customers, staff and stakeholders. At this stage, our initiatives are delivered within our brands and include action in the following key areas:

Managing environmental performance

Our individual brands track and monitor their environmental impacts. The main vehicles for compliance and improvement across sites are our environmental management systems. Eight of our businesses, covering 76% of turnover, are certified to the Environmental Management ISO 14001 standard and our businesses report regularly on any environmental issues that arise. Amongst other issues, our ISO 14001 certified management system includes our handling of waste and hazardous materials. The Group has not had any environmental fines in the last 12 months (2023: none).

ISO 14001 COVERAGE

76%

Energy management and greenhouse gas emissions

Climate change is one of the biggest challenges of our time and the transition to a low carbon economy has the potential to significantly impact our business, as well as our clients and suppliers. We aim to minimise our impact on climate change by reducing our carbon emissions across all operations. We engaged with external advisors, CEN-ESG, to undertake a review of our carbon management practices in each of our brands. The findings of this review helped us determine the carbon hotspots in our operations and develop brand-level carbon reduction roadmaps, which supported the development of a Group Net Zero Transition Plan and emissions reductions in line with our reduction targets.

OUR SUSTAINABILITY STRATEGY
PLANET CONTINUED

CLIMATE CHANGE AND EMISSIONS (CONTINUED)

Energy efficiency initiatives

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

- Croydex has upgraded all but one of its company cars to electric vehicles and implemented a cycle to work scheme to incentivise employees to cycle to work as well as reducing commuting emissions.
- Fifteen of Merlyn's fleet have been converted to either hybrid or electric vehicles.
- VADO has fitted two electric car charging points at their Cheddar site and, in the last year, increased the proportion of its fleet that is electric from 18% to 50%.
- Triton has replaced their air conditioning units with more efficient dual heat and cool units, installed four electric vehicle charging points and upgraded 50% of emergency lighting to LED.
- Abode has installed two new air conditioning units and increased the number of hybrid or electric vehicles in its fleet.
- Norcros South Africa has fitted LED lighting at its new store in Rustenburg, phased out old, inefficient air conditioning units, and TAL specifically has improved their manufacturing equipment's overall efficiency to 75%, using less energy to produce the same amount of adhesive.

Absolute market-based scope 1 and 2 emissions decreased 9% and absolute energy consumption decreased 11% year on year, making us well on track for our scope 1 and 2 emissions target. This is, in part, due to load shedding issues in South Africa that have restricted manufacturing at Johnson Tiles South Africa, as well as the implementation of the energy efficiency measures discussed above. The Group's UK brands' scope 1 and 2 emissions have decreased year on year by 16%, which is principally due to Johnson Tiles UK moving from two kilns to one for tile manufacturing, which has resulted in reduced gas consumption. Absolute scope 3 emissions have increased 6% year on year, principally due to an increase in category 11 emissions from a change in mix in products sold, as well as an increase in the carbon intensity of the UK electricity grid factor used to calculate category 11 emissions. Overall scope 1, 2 and 3 market-based emissions have increased 4%.

We report our emissions and energy intensity as tonnes CO_2e/£m revenue and kWh/£m revenue. Emissions intensity has remained the same this year, whilst energy intensity has decreased 3%.

Carbon emissions

The tables on page 77 have been prepared for the reporting period of 1 April 2023 to 31 March 2024 (referred to throughout this section as 2024) using the reporting period of 1 April 2022 to 31 March 2023 for comparison (referred to as 2023). We report on all of the material emission sources in line with an operational control approach method, as required in Part 7 under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and under the UK's Streamlined Energy and Carbon Reporting (SECR) requirements.

Greenhouse gas (GHG) emissions are in CO_2e, including GHGs in addition to carbon dioxide and include our Group office and all brands. Scope 1 and 2 data has been calculated from monthly measured data (e.g. fuel and electricity use) using the appropriate conversion factors in accordance with the principles and requirements of the World Resources Institute (WRI) GHG Protocol: A Corporate Accounting and Reporting Standard (revised version) and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019). To calculate scope 1 emissions, DEFRA 2023 emissions factors have been used. Scope 2 emissions have been calculated using both a location-based and market-based approach, utilising DEFRA 2023, IEA 2023 or Association of Issuing Bodies (AIB) 2022 residual factors where appropriate. We have also factored in situations where sites produce their own renewable electricity or purchase electricity supported by contractual instruments, such as Renewable Energy Guarantee Origin (REGO).

We are reporting our scope 3 emissions with guidance from the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, as required.

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

	2024			2023		
	UK	Global (exc. UK)	Group total	UK	Global (exc. UK)	Group total
GHG emissions (tCO_2e)						
Total scope 1 (tCO_2e)	**11,701**	**29,664**	**41,365**	**13,898**	**32,253**	**46,151**
Scope 2 location-based (tCO_2e)	3,035	21,589	24,624	3,424	22,885	26,309
Scope 2 market-based (tCO_2e)	238	21,565	21,803	256	22,872	23,128
Total scope 1 & 2 location-based (tCO_2e)	**14,736**	**51,253**	**65,989**	**17,322**	**55,138**	**72,460**
Total scope 1 & 2 market-based (tCO_2e)	**11,939**	**51,229**	**63,168**	**14,154**	**55,125**	**69,279**
Upstream scope 3 (tCO_2e)	–	–	216,489	–	–	245,478
Downstream scope 3 (tCO_2e)	–	–	631,381	–	–	557,741
Total scope 3 (tCO_2e)	**–**	**–**	**847,870**	**–**	**–**	**803,219**
Total scope 1, 2 & 3 location-based (tCO_2e)	**–**	**–**	**913,859**	**–**	**–**	**875,679**
Total scope 1, 2 & 3 market-based (tCO_2e)	**–**	**–**	**911,038**	**–**	**–**	**872,498**
Scope 1 & 2 GHG emissions intensity ratio (per Group turnover) £m	–	–	162	–	–	162
Energy consumption (kWh)						
Total renewable fuels consumption (kWh)	**–**	**–**	**–**	–	–	–
Diesel	4,606,615	3,707,776	8,314,391	4,401,649	4,190,959	8,592,608
Petrol	738,614	187,318	925,932	940,479	158,429	1,098,908
Lubricants	125	–	125	–	–	–
Fuel oil	12,847	–	12,847	289,511	–	289,511
Natural gas	56,333,911	156,646,259	212,980,170	71,142,461	170,474,133	241,616,594
LPG	471,592	–	471,592	520,201	–	520,201
Total non-renewable fuels consumption (kWh)	**62,163,704**	**160,541,353**	**222,705,057**	**77,294,301**	**174,823,521**	**252,117,822**
Total fuels consumption (kWh)	**62,163,704**	**160,541,353**	**222,705,057**	**77,294,301**	**174,823,521**	**252,117,822**
Consumption of purchased or acquired electricity renewable	14,049,635	85,234	14,134,869	16,474,873	52,629	16,527,502
Consumption of self-generated non-fuel renewable energy (solar)	69,061	–	69,061	36,788	–	36,788
Consumption of purchased or acquired electricity non-renewable	660,194	24,026,661	24,686,855	1,188,498	25,565,331	26,753,829
Total electricity consumption (kWh)	**14,778,890**	**24,111,895**	**38,890,785**	**17,700,159**	**25,617,960**	**43,318,119**
Total renewable energy consumption (kWh)	**14,118,696**	**85,234**	**14,203,930**	**16,511,661**	**52,629**	**16,564,290**
Total non-renewable energy consumption (kWh)	**62,823,898**	**184,568,014**	**247,391,912**	**78,482,800**	**200,388,851**	**278,871,651**
Total energy consumption (kWh)	**76,942,594**	**184,653,248**	**261,595,842**	**94,994,461**	**200,441,480**	**295,435,941**
% renewable electricity from total electricity	96%	0%	37%	93%	0%	38%
% grid electricity from total electricity	100%	100%	100%	100%	100%	100%
Energy intensity ratio (per Group turnover) £m	–	–	669,557	–	–	692,374

OUR SUSTAINABILITY STRATEGY
PLANET CONTINUED

CLIMATE CHANGE AND EMISSIONS (CONTINUED)

Scope 3 emissions

Our scope 3 emissions have been calculated using the same methodology as last year, whilst also incorporating more granular data to improve the accuracy of calculations. Our evaluation confirmed, again, that our value chain emissions are significantly greater than our operational carbon footprint, with our scope 3 emissions accounting for 93% of our total emissions.

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

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

Category	Status	2024 tCO_2e	2023 tCO_2e
1. Purchased goods and services	Relevant, calculated	**178,333**	200,971
2. Capital goods	Relevant, calculated	**1,510**	1,502
3. Fuel and energy-related activities	Relevant, calculated	**13,040**	16,587
4. Upstream transportation and distribution	Relevant, calculated	**19,019**	22,168
5. Waste generated in operations	Relevant, calculated	**180**	264
6. Business travel	Relevant, calculated	**2,207**	1,661
7. Employee commuting	Relevant, calculated	**2,200**	2,306
8. Upstream leased assets	Not relevant, not applicable	**–**	17
Upstream emissions		**216,489**	245,478
9. Downstream transportation and distribution	Relevant, calculated	**6,564**	7,747
10. Processing of sold products	Not relevant, not applicable	**–**	–
11. Use of sold products	Relevant, calculated	**623,116**	548,553
12. End-of-life treatment of sold products	Relevant, calculated	**1,701**	1,440
13. Downstream leased assets	Not relevant, not applicable	**–**	–
14. Franchises	Not relevant, not applicable	**–**	–
15. Investments	Not relevant, not applicable	**–**	–
Downstream emissions		**631,381**	557,741
Total scope 3		**847,870**	803,219

OUR SUSTAINABILITY STRATEGY
PLANET CONTINUED

OUR EMISSIONS TARGETS AND NET ZERO PLAN

Recognising the urgent need to address climate change and reduce greenhouse gas emissions, we have developed ambitious net zero targets and a high-level decarbonisation pathway to manage our value chain emissions going forward. This aligns with our strategy of using ESG to drive our competitive advantage.

Targets

We have set science-based targets across scopes 1, 2 and 3, which affirm our long-term commitment to net zero by 2040, and we have introduced interim targets for 2028. Our targets were validated by the Science Based Targets Initiative (SBTi) in January 2024 and they provide a path for significant reduction in our emissions by 2028 and beyond.

By 2028, we have set the following targets:

- Reduce absolute scopes 1 and 2 GHG emissions by 33.6% (2023 base year)
- Reduce absolute scope 3 GHG emissions by 20.0% (2023 base year)

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

Business model implications

As the UK and Ireland's number one bathroom products group and a leading supplier of bathroom and kitchen products in our geographical markets, our business model already integrates certain emissions-reduction activities and products with sustainable attributes, and we will be increasing our focus on these areas to align our business and our products with a net zero world.

In developing our near-term decarbonisation plan for scope 1 and 2, we assumed no material changes in our business model, locations or asset footprint or value chain impacts. Our belief is that we can make the necessary emissions reduction to our operations within a business-as-usual environment, utilising typical replacement cycles or initiatives that do not incur material capital expenditure or operational disruption. Beyond our near-term target date of 2028, we are reliant on the development of new technologies to reduce operational emissions to zero, in particular in the production of ceramic tiles (where we manufacture tiles in South Africa). In order to meet our emissions reduction targets, we will need to transition to lower carbon intensive fuels for our kilns, such as biogas, hydrogen or electricity. Technologies utilising these fuels are under development or not currently commercially available and, in the meantime, we will focus on improving the efficiency of the firing process.

Our near-term targets for scope 3 emissions are also not predicated on any major shift in strategy. We anticipate taking steps to move our product portfolio towards the incorporation of lower embedded carbon materials and to improved operating efficiency in use. This year, we have started to develop a Sustainable Products Framework that enables us to classify our products against their sustainability attributes. This methodology will allow us to monitor and shift our revenue exposure to sustainable products over time.

Whilst we will need to increase and improve our supply chain engagement, we already engage with many of our suppliers to determine the embodied carbon for certain raw materials and work together to "design out" carbon products and processes. We will continue to roll out this approach to an increased number of suppliers.

We are committed to identifying and actioning every available opportunity to achieve our targets. We created a high-level net zero plan that would take us to our near-term and long-term net zero 2040 target based on our full value chain carbon footprint for 2023. Our top-down Group targets were then translated into targets for each of our brands, incorporating the particular emissions exposures and drivers of the brands. Our brands have responded by assessing and collating bottom-up initiatives for scopes 1, 2 and 3 emissions reduction. These initiatives are recorded centrally and provide a register of planned milestones by brand, which are tracked quarterly at the ESG Forum.

2024	2028	2040
Our targets were validated by the Science Based Targets initiative	Reduce absolute scopes 1 and 2 GHG emissions by **33.6%** (2023 base year)	NET ZERO GHG EMISSIONS ACROSS THE VALUE CHAIN
Base year (2023) scope 1 and 2 = **69,278** Base year (2023) scope 3 = **803,219**	Reduce absolute scopes 3 GHG emissions by **20.0%** (2023 base year)	

OUR SUSTAINABILITY STRATEGY
PLANET CONTINUED

CLIMATE CHANGE AND EMISSIONS (CONTINUED)

Our plan – scope 1 and 2 emissions

Scope 1

The majority of our scope 1 emissions relate to natural gas used in the kilns of our tile manufacturing businesses in both UK and South Africa. In the near-term we are focusing on operational improvements such as heat recovery systems and retrofitting energy efficient burners to kilns. In the UK, we have also recently consolidated to one kiln to fire our tiles, which results in less energy used in the production process. At the start of the financial year ending March 2025, we announced the sale of Johnson Tiles UK, which will lead to a significant reduction in the Group's scope 1 emissions in 2025 as Johnson Tiles UK currently accounts for around 24% of our scope 1 emissions.

Additionally, we are planning to decarbonise our vehicle fleet by replacing traditional internal combustion engine vehicles with electric or hybrid vehicles. Several of our brands have already increased the number of electric vehicles in their fleet and installed electric vehicle chargers on their sites. Triton, Merlyn and Grant Westfield have each set targets to make their entire fleets electric.

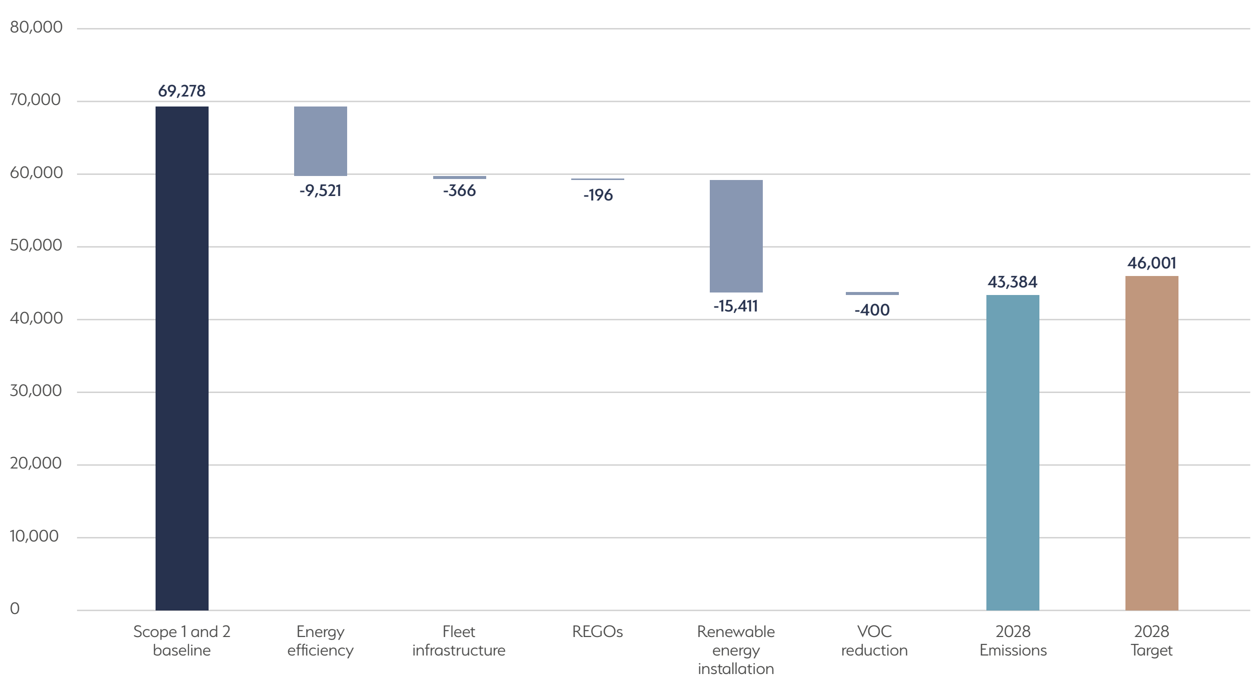
In the longer term, we will monitor technology development around kiln technologies such as electric, biogas or hydrogen kilns for our Johnson Tiles South Africa manufacturing facility. The Group will continue to support and contribute towards similar initiatives to provide us with options on transiting our kilns away from natural gas in the longer term.

Scope 2

The most significant reduction in our scope 2 emissions will come from switching to renewable electricity supply, either through on-site renewables (e.g. rooftop solar installation at our main South African production site, and possibly Tile Africa and House of Plumbing sites) or securing purchased renewable electricity supply. The renewable energy market in South Africa is less mature than the UK market and therefore there is less availability, so we expect the transition to be slower for our South African brands.

We also expect grid decarbonisation to play a significant role in meeting our scope 2 targets, especially in the long term – although, again, we expect the UK grid to decarbonise faster than the South African grid. We will also investigate the use of Energy Attribution Certificates (e.g. RECs and REGOs) to reduce our market-based scope 2 emissions, although these are not central to us reaching our near-term targets.

Scope 1 and 2 planned reductions



Our plan – scope 3

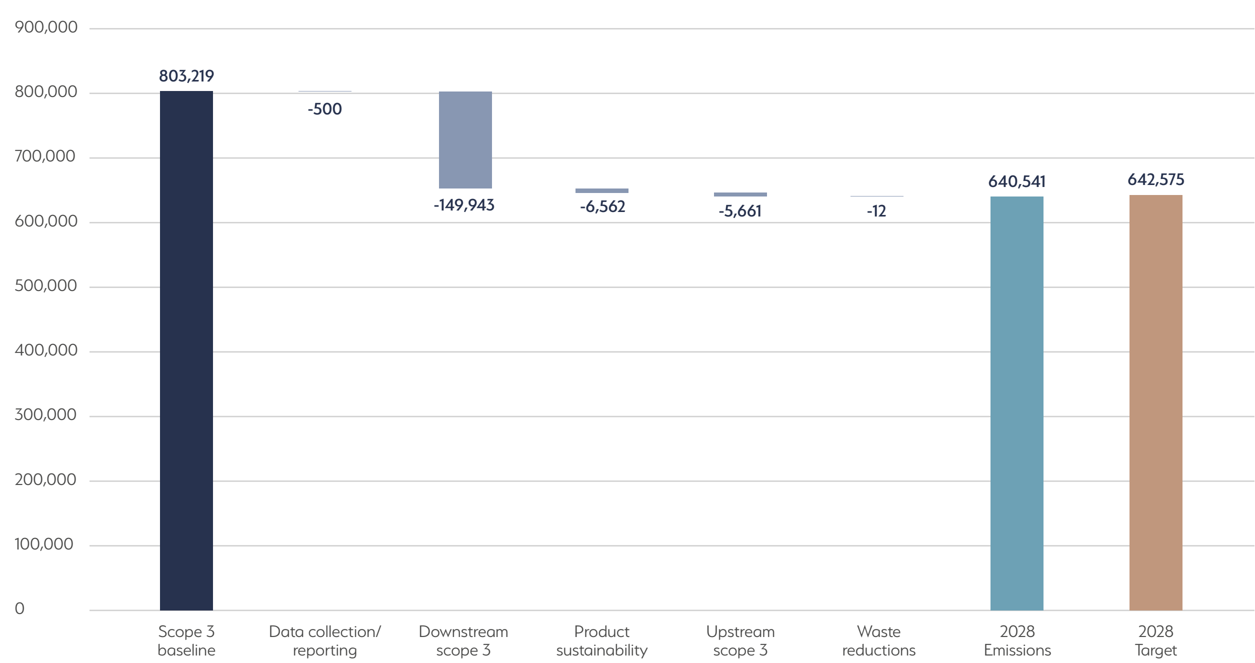
Purchased goods and services account for 21% of our total emissions footprint and represent the embedded carbon within the raw materials and purchased items we procure. In the near term, we are looking to design products that are more easily recyclable and have lower embedded carbon, whilst also engaging with our suppliers to provide materials with a lower carbon impact.

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

Our other main focus of scope 3 emissions reduction is product innovation and supplier collaboration. Through product innovation, and in collaboration with our suppliers, we can influence emissions not only in their use-phase, but also in embedded emissions in our purchased goods and end of life. By investigating alternative materials, such as recycled material or raw materials that have acceptable technical qualities with lower carbon emissions, reducing the weight or number of components in our products and increasing the overall use-phase efficiency of our products, we can reduce both the upstream and downstream impacts of our product range, including the associated packaging. We are also looking into use-phase optimisation of certain products, such as Triton's electric showers, by designing and manufacturing showering products to reduce the carbon footprint during use.

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

Scope 3 planned reductions



OUR SUSTAINABILITY STRATEGY
PLANET CONTINUED

CLIMATE CHANGE AND EMISSIONS (CONTINUED)

Air emissions management

Air emissions are an important part of Johnson Tiles UK and South Africa's tile manufacturing process. This will no longer be a factor in the UK following the disposal of Johnson Tiles UK in May 2024.

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

Ceramic tile manufacture produces less toxic emissions than other building materials. Both our South African and UK brands have consistently met the targets required for our permits in particulate matter and hydrogen fluoride measured for our kilns and spray dryers. These are monitored and independently measured at least annually. Johnson Tiles UK operates at around 10–20% of its target limit. This demonstrates our track record of meeting toxic emissions targets and we aim to maintain our levels of particulate matter and hydrogen fluoride below legal limits.

CIRCULAR ECONOMY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our ambition: Make the most efficient use of material resources across our Group

- Minimise waste to landfill and increase recycled waste
- Reduce water use at our sites
- Operate at or work towards Environmental Management standard ISO 14001

We understand how rising demands on natural resources pose an increasing threat to economic growth and environmental stability. Across the Group, we aim to utilise resources as efficiently as possible to design out waste and extend product lifetimes.

Although we are at the start of our circular economy journey, we are starting to embed decisions that impact circularity into the way we operate and design our products. For example, Triton subscribes to the Distributor Takeback Scheme, which facilitates return of product from direct purchasers, to avoid Waste Electrical and Electronic Equipment (WEEE) ending up in the household waste stream. Abode's products are also all specifically designed to be serviceable rather than replaceable.

Case Study

Triton's recycled plastic

Triton identified that a significant proportion of their scope 3 category 1 carbon emissions are linked to plastic used within their products, and ABS (a type of engineering plastic used in consumer products) in particular.

After researching alternatives, they decided to change to using 50% recycled content ABS within the backplate, a key component of their showers, as it was one of the largest contributors to the ABS carbon footprint. Trials were undertaken on products manufactured in black finish, given this was likely to be the most tolerant to potential changes with the aesthetic properties of the material due to the recycled content.

Following successful trials, this has now been implemented across all appropriate models and it is anticipated this change will help reduce Triton's carbon footprint by around 12–15 tonnes CO_2e during the coming year. Research into an appropriate white recycled ABS material is accelerating at pace, which would have a far greater impact on footprint reduction – estimated at potentially 120+ tonnes CO_2e per year.

Triton's ambitions don't stop there. As part of the remit of Triton's newly-implemented circularity department, investigations to utilise plastic material recovered from returned products directly into new products (as recycled content) are also underway. This would be a great step toward achieving true circular economy in action when implemented.

OUR SUSTAINABILITY STRATEGY
PLANET CONTINUED

CIRCULAR ECONOMY (CONTINUED)

Water

Water efficiency is an increasingly important issue for us. This includes, where possible, reducing the amount of water we use in all our operations and designing products that help our customers reduce the amount of water used for their domestic or commercial purposes. For example, Triton has implemented a continued program of total preventative maintenance to prevent water loss, including inspection of welfare facilities and pipework throughout the site and the installation of shut-off valves on the central heating system to detect and prevent leaks.

Water withdrawal

Water withdrawn (m^3)	2024	2023
UK	**34,677**	46,054
SA	**143,762**	149,212
Total	**178,439**	195,266
Intensity ratio m^3 per £m revenue	**456.7**	457.6

Water consumption

Water consumption (m^3)	2024	2023
UK	**28,247**	37,623
SA	**115,963**	98,242
Total	**144,210**	135,865
Intensity ratio m^3 per £m revenue	**369.1**	318.4

The tables above outline water withdrawal and consumption for all of our brands. Both our UK water withdrawal and consumption have decreased 25% year on year, which reflects our efforts to use water more efficiently. The Group's overall water withdrawal has reduced 9%, whilst water consumption has increased 6%.

Waste management

Reducing packaging and increasing the amount of recycling are important goals for all our brands from an operational, commercial and environmental perspective. Various initiatives aimed at reducing waste sent to landfill and encouraging recycling are in place such as on-site segregated recycling bins. Waste is also monitored through biannual ISO 14001 audits, which helps our certified brands minimise their hazardous and non-hazardous waste generation.

We encourage our brands to procure packaging that is made from recycled materials or can easily be recycled. As a Group, 40% of packaging that has been used is from recycled materials.

Case Study

Norcros South Africa recycling initiatives

Norcros South Africa has reduced their skip waste disposal costs by 32% in 2024 by recycling all possible plastics cardboard and paper. Broken tiles have also been sold instead of going straight to landfill, which has also reduced waste to skips. In addition, all Tile Africa stores were trained and are required to recycle any possible recyclable materials such as plastics, cardboard or paper.

Waste generation

Waste generation (tonnes)	2024	2023
Hazardous waste	**6**	21
Non-hazardous waste	**12,691**	15,635
Total waste	**12,697**	15,656

Waste treatment and disposal

Waste treatment/disposal (tonnes)	2024	2023
Hazardous waste recycled	**3**	1
Hazardous waste incinerated	**2**	0.18
Hazardous waste sent to landfill	**1**	20
Non-hazardous waste recycled	**2,927**	3,149
Non-hazardous waste incinerated	**50**	122
Non-hazardous waste sent to landfill	**9,714**	12,364
Total waste recycled	**2,930**	3,150
Total waste incinerated	**52**	122
Total waste sent to landfill	**9,715**	12,384
Total waste non-recycled	**9,767**	12,506
Total waste	**12,697**	15,656

The tables above outline waste generation and treatment across all of our brands. Total waste generated has decreased 19% year on year, which is a result of the Group's lower manufacturing output across both South Africa and UK brands.

SOCIAL AND COMMUNITY ENGAGEMENT

11 SUSTAINABLE CITIES AND COMMUNITIES

Our ambition: To engage and support the communities in which we work

Community partnerships

Our commitment to the society in which we operate is deep. All our brands have programs of social engagement, including many charitable activities, and will have a positive impact on the local communities in which they operate. We empower our businesses to support local charities and community projects, and provide local employment. Given our decentralised structure, brands within 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 brand's activities monthly.

OUR SUSTAINABILITY STRATEGY
PLANET CONTINUED

SOCIAL AND COMMUNITY ENGAGEMENT

COMMUNITY ENGAGEMENT CASE STUDIES

VADO

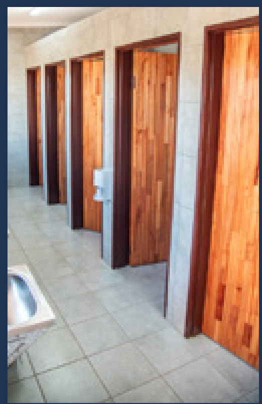
VADO actively supported the local community by creating a reverse advent calendar initiative for a nearby food bank. Through this effort, the team contributed essential items daily throughout the festive period, providing meaningful support to those in need within our community. This initiative reflects VADO's commitment to making a positive impact beyond the business operations, embodying values of compassion and community engagement.

Triton

Triton work with the Canal & River Trust to help clean up their local canal; in 2024, Triton completed three cleanups. In one visit, the team rode on a barge to catch any litter they could find in the water along the way. Along with many bottles, cans and wrappers, the team also managed to retrieve a discarded mattress and sofa, eventually filling a whole truck of waste.

Norcros South Africa

Norcros South Africa has partnered with the Department of Education to build toilet facilities for schools in rural areas who have previously relied on unsafe and unsanitary pit latrines. When a school is chosen, we provide the materials, construction labour and ongoing maintenance. Over the course of the partnership to date, over 1,200 students have benefited as four facilities were completed and major renovations were done on an additional four schools.



Abode

Abode's charity partner is Bluebell Wood Children's Hospice, which offers support and palliative care to families who have a child or young adult with a shortened life expectancy and complex medical needs. Through various fundraising events such as coffee mornings, sponsored runs and raffles, Abode has donated more than £3,000 to the charity.

House of Plumbing

House of Plumbing – Members of the Women in Plumbing program are on a mission to help end period poverty whilst educating high schoolers about trade qualifications and apprenticeships. The team has donated over 3,000 sanitary pads across six schools. The Women in Plumbing program aims to create opportunities for women in a male-dominated field whilst encouraging existing parties to accommodate women financially, systematically and in the working environment.

Croydex

Croydex support the Rainy Day Trust, a charity supporting the home improvement workforce and their families in times of need. For the last two years, Croydex has taken part in the Mad March Million challenge, where teams work together to raise funds and complete one million steps in the month of March. Along with other fundraising initiatives, Croydex has donated over £2,000 to the Trust over the past two years.

Tile Africa

Tile Africa participates in the Youth Employment Services Program, offering meaningful job opportunities to young people for a period of 12 months in order to gain meaningful work experience that can assist them in the quest for employment. In the first three years of the program, 200 young people were employed and 49 have taken on permanent employment following completion of the program.

TCFD

Introduction

This year we have made excellent progress in the Group's management of climate change. We have further developed our environmental, social and governance (ESG) strategy with the publication of our Net Zero Transition Plan and the development of a new Sustainable Products Framework. We continue to enhance our environmental data collection, collecting data on sustainable home products and reporting with a higher level of granularity through our ESG Forum. Last year, we set net zero targets and this year we built out our Net Zero Transition Plan (including a high level decarbonisation profile for the Group), which has been validated by the Science Based Targets initiative (SBTi) and is in line with the Paris Agreement for 1.5°C for our operational emissions. Our targets reaffirm the Group's ambition for net zero across the value chain by 2040 and provide ambitious near-term targets for the Group.

We recognise that climate change poses significant risks and opportunities to our business and stakeholders. Our TCFD Report demonstrates we incorporate climate-related risks and opportunities into the Group's risk management, strategic planning and decision-making processes, aligned to our net zero ambition. We continue to monitor our exposure to natural hazards such as heat stress, fire weather stress, flood risk, storms and drought with a detailed bottom-up site analysis using a geospatial climate hazard mapping tool, and monitor our transition risks from a top-down perspective.

In line with the requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and Listing Rule LR9.8.6R(8), the following pages set our compliance with all of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures, as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures" (2017) and the additional guidance as set out in the TCFD 2021 Annex "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" (TCFD Annex). Additionally, the Group has complied with the requirements of sections 414CA and 414CB of the Companies Act 2006 by including certain non-financial information within the TCFD Report. The Group has indicated in the following table which of the climate-related disclosures are addressed by the TCFD-recommended disclosures, alongside the pages where these are located.

We consider our disclosure to be consistent and compliant with all 11 of the TCFD recommendations.

TCFD recommendations reporting

Recommendation	Recommended disclosures	Reference
GOVERNANCE Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities.	Page 92
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Page 93
CLIMATE-RELATED RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	Page 93
	b) Describe the organisation's processes for managing climate-related risks.	Page 93
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 93
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Pages 96 to 105
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Pages 96 to 105
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 95
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Pages 96 to 105
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	Page 77
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 105

TCFD
CONTINUED

GOVERNANCE

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

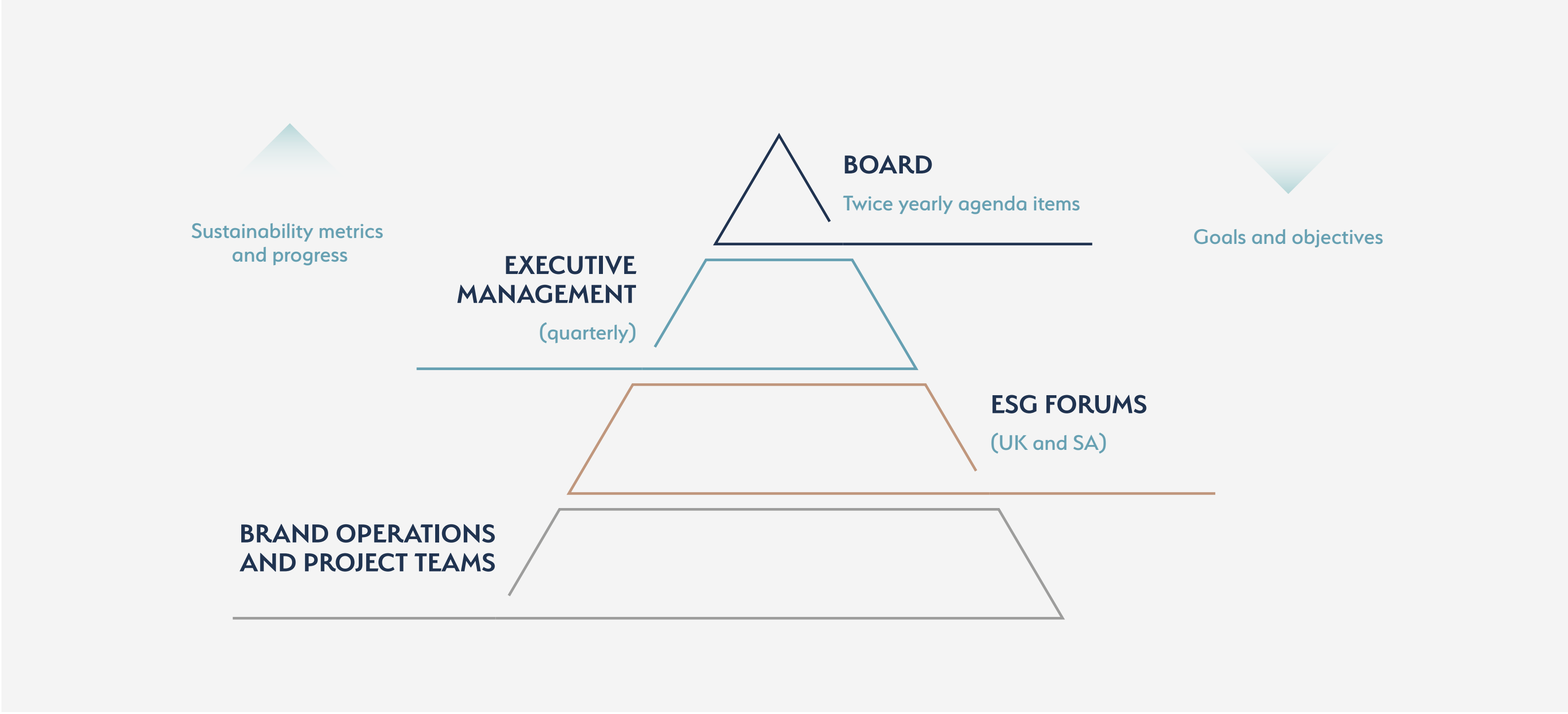
The Audit and Risk Committee supports the Board in ensuring climate-related issues are integrated into the Group's risk management process. Climate-related risk assessments are conducted twice a year and are fully incorporated into the Group's principal risk process. Materially significant risks, including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

Management
As climate-related issues are fundamental to the Group's business purpose, the Chief Executive Officer has overall responsibility for their oversight, ensuring climate-related issues are considered in the review of Norcros' strategy, budget and business. The Chief Executive Officer is also responsible for reporting on progress to the Board, which is done at two Board meetings a year. At a management level, the Group created a sustainability committee (ESG Forum) in 2022, comprised of representatives from each of the brands within the Group. The Chief Executive Officer and the Executive team are informed about climate-related issues on a quarterly basis by the Corporate Development and Strategy Director, who reports on the matters discussed at the ESG Forum. The Group-level net zero targets have been cascaded to each brand so there is accountability throughout the organisation. The costs of climate-related initiatives for each brand are included in their annual budgeting process, with net zero targets considered during new product development and associated capital expenditure. The Executive team will review the carbon reduction plans to deliver the emissions targets in each brand each year and monitor progress of key milestones twice a year in the ESG Forum.

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

Representatives of the ESG Forum are informed by operational and project teams within their brands. The brands have their own structures in place to monitor and implement carbon reduction programs.

With our Net Zero Transition Plan and wider ESG KPIs in place, we will consider the need for further KPIs and targets and aligning staff incentives.



CLIMATE-RELATED RISK MANAGEMENT

ESG risks, and particularly climate-related risks within this, are classed as a principal risk by the Group. Climate-related risks and opportunities were assessed and prioritised on the existing Group five-point risk scoring criteria for both financial impact and reputation impact (minimal, low, intermediate, high, severe) and for likelihood (remote, unlikely, possible, likely, certain).

Overall risk scores are calculated as the multiple of impact and likelihood. Likelihood is based on the probability of the risk crystallising and affecting the business at least once during a three-year period and the longer time horizon of some climate-related risks is thus reflected in a lower likelihood score. By using the existing Group risk framework, climate-related risks are fully integrated into the current risk management framework and the relative significance of climate-related risks in relation to other risks can be determined.

Climate-related transition risks tend to impact the Group in a top-down manner. These are identified and shortlisted in collaboration with internal stakeholders and senior management, in conjunction with the ESG Forum. This analysis includes a horizon scanning exercise to incorporate policy and legal risks, and is refreshed annually to include any changes to the business, external regulatory developments or operating conditions.

Climate-related physical risks were assessed using a bottom-up site-level risk assessment using geospatial natural hazard mapping software, the Munich Re Location Risk Intelligence Tool.

A summary of key risks in the individual brands and corporate risk registers is presented to the Audit and Risk Committee at each meeting. In addition, a Group-level risk review, which identifies and reviews Group-level strategic risks, is completed at least annually.

The decision to control or accept risks is partially determined by the nature of the risk and its scoring. Management regularly review risk exposure against defined acceptable risk appetite levels and develop remedial actions, with target dates, to address risks scoring higher than the accepted risk appetite level. Except for 'strategic', 'operational' and 'commercial' risks, which carry a medium risk appetite, all other risk types carry a low-risk appetite. Risks scoring outside of these risk appetite levels require treatment actions to bring them in line with the appropriate risk appetite level, or they need to be reviewed and approved by Board Directors. Further detail is included in the Risk Management section on pages 106 and 107.

TCFD
CONTINUED

STRATEGY

Time horizons

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

Short term: 2024 to 2027

Aligned with our current strategic planning and incorporates our planned capital expenditures.

Medium term: 2028 to 2034

Aligned to where we will most likely see the impact of regulatory frameworks such as carbon pricing, the technology life cycle and our interim emission reduction targets.

Long term: 2035 to 2050

Aligned to the UK Government's Net Zero pledge, allowing incorporation of the useful life of our property assets, physical and transition risk time horizons and the Group's net zero target.

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

Climate-related scenario analysis has been used to improve our understanding of the behaviour of certain risks to different climate outcomes. The scenario analysis conducted this year builds on that completed in 2023. The more ambitious Net Zero Emissions by 2050 (NZE) scenario forms an input into the 1.5°C pathway used by the SBTi, against which we are aligned.

For the transition risks and opportunities, we have used the following climate-related scenarios from the International Energy Agency, which are far more descriptive and useful for modelling more positive climate outcomes. Transition risks are generally greater (more likely and with greater impacts) in the lower carbon scenario compared to the higher carbon scenario.

- **Net Zero 2050 (NZE)[1]:** an ambitious scenario that sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO_2 emissions by 2050. This meets the TCFD requirement of using a "below 2°C" scenario and is included as it informs the decarbonisation pathways used by the SBTi, which validates corporate net zero targets and ambition.
- **Stated Policies Scenario (STEPS)[1]:** a scenario that represents the roll forward of already-announced policy measures. This scenario outlines a combination of physical and transition risk impacts as temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a base case pathway with a trajectory implied by today's policy settings.

Physical risks were analysed using three scenarios from the Intergovernmental Panel on Climate Change (IPCC) embedded in the Munich Re software platform used to analyse physical risks of climate change:

- **RCP 2.6[2]:** a climate-positive pathway, likely to keep global temperature rise below 2°C by 2100. CO_2 emissions start declining by 2020 and get to zero by 2100.
- **RCP 4.5[2]:** an intermediate and probably baseline scenario more likely than not to result in global temperature rise between 2°C and 3°C by 2100 with a mean sea level rise 35% higher than that of RCP 2.6. Many plant and animal species will be unable to adapt to the effects of RCP 4.5 and higher RCPs. Emissions peak around 2040, then decline.
- **RCP 8.5[2]:** an extreme scenario where global temperatures rise between 4.1–4.8°C by 2100. This scenario is included for its extreme impacts on physical climate risks as the global response to mitigating climate change is limited.

These scenarios have been supplemented with additional sources that are specific to each risk to inform any assumptions included in projections. Our scenario analysis includes qualitative, and some quantified impacts where the underlying data is available and where the current understanding of the risks is robust. We continue to work on quantifying our risks and opportunities by regularly reviewing the assumptions and estimates required.

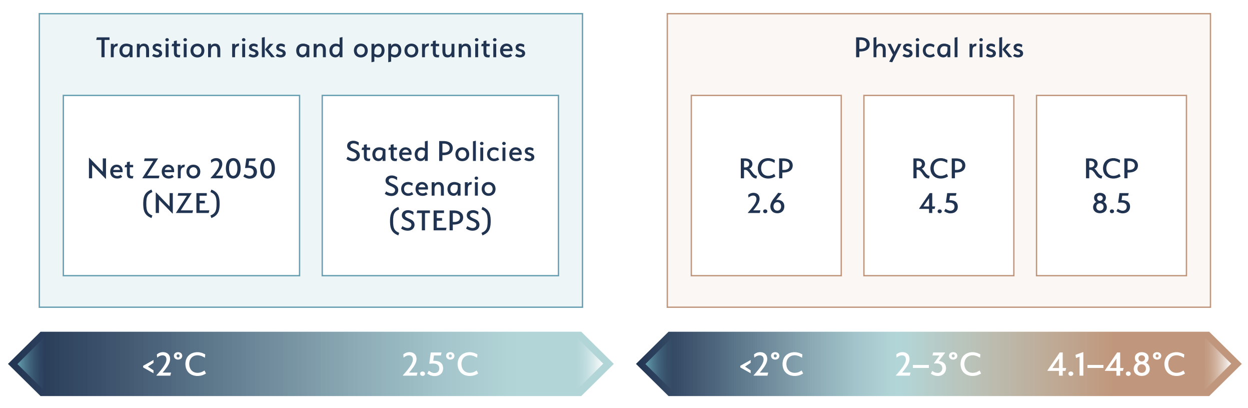
We have analysed the climate-related risks under all our chosen scenarios and identified plans to mitigate against the impacts of these risks, as well as take advantage of opportunities. They have been incorporated into our transition pathway to net zero and into brand, management and the Board's strategic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

Our view is that significant financial planning or budgetary change as a result of climate change is not likely to be required and our emission reduction plan will not incur material capital expenditure or operational disruption.

1 IEA (2023), Global Energy and Climate Model, IEA, Paris https://iea.blob.core.windows.net/assets/ff3a195d-762d-4284-8bb5-bd062d260cc5/GlobalEnergyandClimateModelDocumentation2023.pdf

2 IPCC (2014), Climate Change 2014: AR 5 Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

Climate-related scenario analysis



TCFD
CONTINUED

Keys

Time horizon (Short term) | Time horizon (Medium term) | Time horizon (Long term) | Likelihood
Impact measure (Low) | Impact measure (Intermediate) | Impact measure (High) | Risk rating

RISKS

Five transitional and two physical climate-related risks have been identified that could have a material impact on our business. Three of them, (i) carbon pricing in our own operations (which, to some extent, relies on decarbonisation of the UK and South African grids); (ii) carbon pricing in our value chain (which relies on decarbonisation across supply chain); and (iii) reliance on third parties for new technology for kilns, are the most material to our operations. Our Net Zero Transition Plan and emissions reduction initiatives form the basis of our mitigation strategies.

Transitional risks

TCFD category: Transition (current and emerging regulation)

Carbon pricing ("carbon tax") in own operations

The Group operates in multiple jurisdictions, with a focus on climate change. We view the implementation of operational carbon pricing as a certainty, which is applied to our gas and electricity used, particularly in tile manufacturing. We expect significant but gradual price increases in the medium term, with greater forecast price rises in the NZE scenario. In addition, the South African Treasury is considering the use of fines if companies exceed their approved carbon budgets. Our exposure to carbon taxes is mitigated by our Net Zero Transition Plan. We have calculated the costs to the Group based on International Energy Agency carbon price forecasts across our short, medium and long-term time frames, and in the NZE and STEPS scenarios. We assume emissions decline in line with our Net Zero Transition Plan (scope 1 and 2 emissions reduce by 33.6% by 2028 (from a 2023 base) and by 90% by 2040). Our analysis concludes that the impact of carbon pricing increases over time and is significantly higher under the NZE scenario.

Mitigation: Key near-term scope 1 actions consist of improvements in the tile manufacturing processes, like heat recovery systems and energy efficient burners. Initiatives to reduce scope 2 include on-site and purchased renewable electricity. In 2024, the UK tile operation consolidated to use one kiln to fire tiles, resulting in significantly less energy used in the production process. The post-year end announcement of the sale of Johnson Tiles UK will further reduce the Group's scope 1 and 2 emissions by circa 15% in 2025.

Business area	Time horizon	Impact measure	Location
Own operations	Medium term	Intermediate (5)	UK and South Africa manufacturing brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Higher costs associated with energy	Certain (5)	25	Scope 1 and 2 emissions

TCFD category: Transition (emerging regulation)

Carbon pricing in the value chain

Large parts of our supply chain include the processing of primary metals and building materials. New, low-emission production processes are still being developed for commercial use, which could lead to increased costs in our supply chain. Emissions-intensive basic materials industries are also exposed to global regulatory and policy decisions in the drive to reduce emissions, and these changing policies may also impact our supply chain. We expect some of the resulting price increases to be passed on to our customers but, at this stage, there is little visibility on the extent of our ability to so. Using the emissions reduction pathway in our Net Zero Transition Plan, and carbon price estimates as above, we conclude the impact is higher in the NZE scenario.

Mitigation: The diversity of supply sources reduce this risk to the Group. Our new Supply Chain Policy sets out our expectations to our value chain partners on environmental issues, and our Sustainable Product Framework aims to reduce the embodied carbon of our products. We expect our key suppliers to be ISO 14001 certified, or working towards an equivalent certification standard, as well as implementing energy reduction initiatives. In addition, suppliers must attain minimum standards for water, waste and biodiversity conservation. We engage with our suppliers regularly to consider lower embodied carbon inputs (where the raw materials used have acceptable technical qualities with lower carbon emissions). These are amongst the initiatives in our Net Zero Transition Plan that reduces the net impact of carbon pricing in our value chain.

Business area	Time horizon	Impact measure	Location
Upstream	Medium term	Intermediate (5)	Global, all brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Increased cost of purchased goods and inbound transportation	Certain (5)	25	Scope 3 emissions (Category 1)

TCFD
CONTINUED

Keys

Time horizon (Short term) | Time horizon (Medium term) | Time horizon (Long term) | Likelihood
Impact measure (Low) | Impact measure (Intermediate) | Impact measure (High) | Risk rating

RISKS

Transitional risks

TCFD category: Transition (market and reputation)

Reliance on third parties or technologies to decarbonise

Achievement of our net zero target in 2040 relies on certain factors beyond our control, for instance, the decarbonisation of electricity grids, suppliers and retail partners meeting decarbonisation timelines and the development of zero emissions transportation. In particular, we are reliant on new technology to develop alternative fuels to run kilns (e.g. biogas or hydrogen) and require the purchase of electricity generated from renewable sources in South Africa, which is less readily available than in the UK. If competitors are quicker to innovate, this may have a negative impact on the Group. We expect this risk to be lower in the NZE scenario, where we expect higher capital expenditure and research and development spending on new technologies to reduce global emissions.

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

Business area	Time horizon	Impact measure	Location
Own operations and upstream	Medium term	Low (3)	Global, all brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Higher costs, lower revenue	Certain (5)	15	Scope 3 emissions

TCFD category: Transition

Cost of capital linked to sustainability criteria

Providers of capital (investors and banks) are increasingly incorporating sustainability into their assessments, which represents a risk to the availability and cost of capital. The Group's existing £130m multicurrency revolving credit facility (which runs to October 2027) means the risk is minimal in the short term. However, over the medium term, investors and banks are expected to be more stringent and withdraw funding or apply punitive charges if ongoing targets on emission reduction are not aligned to their own net zero targets.

Mitigation: We continue to engage in dialogue with lenders, rating agencies and investors to ensure our climate change disclosures are in line with the latest regulatory requirements. Our progress towards our own emission reduction target of net zero by 2040, as well as disclosure of ESG-related metrics and targets, should ensure the net impact is minimal.

Business area	Time horizon	Impact measure	Location
Own operations	Medium term	Low (3)	Global, all brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Higher cost of capital	Likely (4)	12	Scope 1, 2 and 3 emissions, UK interest rates

TCFD category: Transition

Customer and consumer pressure

Driven by industry standards and government regulation, large retailers and homebuilders require suppliers to be at the forefront of embodied carbon reduction and in the reduction of energy and water in use by their products. Several of our customers now require their suppliers to have set SBTi-aligned net zero targets. There is a medium-term risk that some product lines are no longer of interest to customers aligning their product portfolios to zero carbon homes and net zero targets. We expect this risk to be higher, as customers and consumers apply stringent sustainability criteria to their purchasing decisions.

Mitigation: We engage with customers and brands to ensure new products are designed to meet changing customer requirements, ensuring our targets are aligned with theirs and meet internal and external environmental requirements. Our new Sustainable Product Framework classifies our products against their sustainability criteria and enables us the track total revenue derived from low carbon products. Specific initiatives include, for example, Triton providing consumers a water and energy savings calculator and incorporating recycling and minimisation of waste into packaging design, and Abode ensuring all new products are flow limited and compliant with the Mandatory Water Efficiency Labelling Scheme, anticipating customer requirements. These actions limit the net impact of this risk.

Business area	Time horizon	Impact measure	Location
Downstream	Medium term	Low (4)	Global, all brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Lost revenue	Likely (4)	16	Scope 3 emissions

TCFD
CONTINUED

RISKS

Physical risks

TCFD category: Physical (chronic)

Flood risk

The Munich Re Location Risk Intelligence Tool was used to assess physical climate risk, and identified six sites, especially in the RCP 8.5 scenario, of having a high or very high likelihood of flooding. These were located in South Africa, the UK and China. Of the six sites identified, one (the Grant Westfield headquarters in Edinburgh) is a manufacturing facility, and hence could have the highest impact due to its significant revenue contribution to the Group. The rest are sales or administrative in nature and could be more easily relocated in case of potential flooding or other significantly disruptive climate event.

Mitigation: All our brands have business continuity and recovery plans that monitor risks to staff and premises from meteorological events. Additionally, most sites have flood damage insurance cover with limits that reflect the magnitude of risk, and the diversified locations means it is unlikely that more than one of the identified sites would flood at any given time.

Business area	Time horizon	Impact measure	Location
Own operations	Long term	Low (4)	South Africa, UK, China
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Higher costs/disruption of production	Unlikely (2)	8	Meteorological forecasting

TCFD category: Physical (chronic)

Water scarcity

Despite issues regarding water scarcity persisting in Cape Town, South Africa, none of our sites are at very high risk of water scarcity. Only in the RCP 8.5 scenario is one of our 22 sites assessed considered to be at 'very high' risk of future water stress. This site was located within Cape Town, South Africa, and produces adhesives for the manufacture of tiles, and is not particularly water intensive.

Mitigation: Management closely monitor the supply of water as Cape Town has had serious water scarcity issues in recent years. To date, this has not impacted production at the facility and, therefore, the operation has presented resilience to the risk. If insufficient water was available, management would source from other locations in South Africa that are also used to manufacture adhesives. Additionally, a large water tank was installed at the Olifantsfontein site, which is fed from the municipal mains, providing storage to smooth out supply challenges.

Business area	Time horizon	Impact measure	Location
Own operations	Long term	Low (3)	South Africa
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Higher costs/disruption of production	Unlikely (2)	6	Annual freshwater resource levels

Keys

Time horizon (Short term) · Time horizon (Medium term) · Time horizon (Long term) · Likelihood

Impact measure (Low) · Impact measure (Intermediate) · Impact measure (High) · Risk rating

OPPORTUNITIES

TCFD category: Product and services

Product design – resource efficient manufacturing

We are developing a Sustainable Products Framework to enable us to classify our products according to their sustainability attributes. Products manufactured through an energy efficient processes with recycled raw materials are classified as "sustainable" and are part of our Net Zero Transition Plan. Our customers increasingly require us to provide data on embodied carbon in our products and this framework helps us focus our portfolio towards products with lower embodied carbon. We also work with suppliers to "design out" carbon, continually searching for alternative, lower carbon raw materials. We believe these actions will, over time, enable us to become preferred suppliers to our key customers and grow market share, and we expect this opportunity to be larger in the NZE scenario, where demand for "sustainable" manufacturing processes is higher.

Impact: Our brands have various initiatives underway to improve resource efficiency, which will enable us to remain market leaders with our environmental sustainability attributes a significant competitive advantage.

For example, Grant Westfield, who already have 100% recyclable panels, have recently obtained an Environmental Product Declaration for their new Naturepanel collection. All Naturepanels are FSC certified with a 30-year lifespan. The process required Grant Westfield to complete a full life cycle analysis, including raw materials, energy, transportation, use and disposal. Johnson Tiles UK's tile manufacturing process is carefully calibrated to ensure that every tile manufactured contains a minimum of 20% recycled ceramic material as part of its pioneering ceramic waste recycling system.

Business area	Time horizon	Impact measure	Location
Own operations and downstream	Medium term	Intermediate (6)	Global, all brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Increased sales/ decreased costs	Likely (4)	24	Scope 3 emissions, revenue from energy efficient products (green revenue)

TCFD
CONTINUED

Keys

Time horizon (Short term) | Time horizon (Medium term) | Time horizon (Long term) | Likelihood
Impact measure (Low) | Impact measure (Intermediate) | Impact measure (High) | Risk rating

OPPORTUNITIES

TCFD category: Products

Product design – resource efficient products

Products that are energy or water efficient will reduce customer and consumer energy use and help reduce scope 3 emissions. As part of our Sustainable Products Framework, we focus resources on the development of products that reduce energy and water in use for our consumers. Innovative product design is key to continued revenue growth and also helps to maintain competitive positioning. We expect the size of the opportunity to be higher in the NZE scenario as demand for sustainable products increases and consumers are focused on their own carbon footprints.

Impact: To maximise this opportunity, we target research, development and marketing spend and collaborate with key clients to develop and sell best-in-class, resource-efficient products. Triton's eco models save water and energy compared to more conventional showers. Triton's new ENVi® shower is designed to help customers make water and energy savings. ENVi® is externally certified with an eco button, which reduces shower time by one minute, saving water, money and reducing the customer's carbon footprint.

Abode's Naturale Aquifier tab was shortlisted for 'Water Saving Domestic Product of the Year' at the Energy Saving Awards 2023. It includes a water flow limitation and an energy saving cold start valve, helping to save water and energy use, as well as replacing single use plastic water with in house filtered water.

Business area	Time horizon	Impact measure	Location
Own operations and downstream	Medium term	High (8)	Triton, Abode
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Increased sales	Likely (4)	32	Scope 3 emissions, revenue from energy efficient products (green revenue)

TCFD category: Resource Efficiency

Water, energy, waste savings

Energy

Our near-term decarbonisation profile includes opportunities for energy efficiency and electricity savings. The most significant saving this year has been the "right sizing" of manufacturing at Johnsons Tiles UK, moving production to just one kiln. The announcement post-year end of the sale of Johnson Tiles UK will further reduce the Group's energy use next year.

Impact: This will significantly reduce Johnson Tiles' energy usage along with measures like re-using the heat from the kiln in prior production stages like spray drying and technologies like retrofitting more efficient burners. In the UK, 96% of electricity is currently sourced from renewable contracts.

Water

Various opportunities and initiatives exist to reduce water usage across the Group.

Impact: Johnson Tiles UK consumes large quantities of water in the tile manufacturing process. Various initiatives are underway aimed at re-using up to 30% of the total factory usage and removing water from parts of the production process. The sale of Johnson Tiles UK in 2025 will reduce the Group's overall water usage going forward.

Water storage tanks for harvesting rainwater have been installed in South Africa, as well as water filtration systems to provide safe drinking water to stores, all reducing water usage.

Waste savings

Norcros aims to reduce and recycle waste products and packaging wherever possible.

Impact: Triton is part of the Distributor Takeback Scheme, which facilitates return of product from direct purchasers rather than ending up in the household waste stream.

There has been a significant drive to reduce waste to landfill at Johnson Tiles, where fluorescent tubes are now recycled rather than going to landfill, in line with the latest environmental legislation. Additionally, local businesses now utilise their waste tiles as land rehabilitation. The waste tiles were exposed to extensive testing to ensure they are legally permitted to be used for this purpose.

Packaging accounts for circa 5% of waste generated by the Group. We aim to reduce the environmental impact of our packaging through reducing packaging in absolute terms, using more recycled content and eliminating single use plastics. Merlyn has converted two ranges of its shower enclosures to use recyclable packaging, eliminating single use plastics and converting to paper/card based solutions.

Business area	Time horizon	Impact measure	Location
Own operations	Medium term	High (8)	Global, all brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Decreased costs	Likely (4)	32	Water and waste costs per annum, scope 1 and 2 emissions

TCFD
CONTINUED

OPPORTUNITIES

TCFD category: Energy source

Green generation

We aim to reduce our reliance on third-party electricity. This offers an opportunity to become less dependent on the national grid which, particularly in South Africa, has a low proportion of renewable energy. We expect this opportunity to be more significant under the NZE scenario, with increased investment in alternative energy technologies forecast, which should reduce unit costs.

Impact: We are targeting generation of our own renewable energy through an on-site solar PPV at Olifantsfontein, South Africa. We estimate that, cumulatively over a 20-year period, this could save circa 12,400 tonnes of CO_2. Tile Africa will be installing solar panels into four stores this year and all new lease agreements will require landlords to commit to solar installations. We are also investigating purchased renewable electricity in our remaining brands in both the UK and South Africa, which could reduce our market-based emissions to zero. In South Africa, contracting guaranteed renewable electricity supply via long-term power purchase agreements is one of the largest opportunities for us.

Business area	Time horizon	Impact measure	Location
Own operations	Medium term	Intermediate (5)	Global, all brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Decreased operating costs	Likely (4)	20	Energy used from renewable sources

Keys

Time horizon (Short term) Time horizon (Medium term) Time horizon (Long term) Likelihood

Impact measure (Low) Impact measure (Intermediate) Impact measure (High) Risk rating

TCFD category: Resource efficiency

Transportation

Decarbonisation of our distribution and depot fleets would help to reduce scope 1 emissions and is a key component of our Net Zero Transition Plan. This may require transitional investment and further technological development is required, especially for zero emissions heavy goods vehicles. We expect this opportunity to be more significant under the NZE scenario, with increased investment in alternative energy technologies forecast which should reduce unit costs.

Impact: Various brands have already made plans to make their fleets more sustainable. Several brands have already increased the number of electric vehicles in their fleet as well as installing electric vehicle chargers. Croydex has upgraded all but one of company cars to electric vehicles and implemented a cycle to work scheme to incentivise employees to cycle to work, as well as reducing commuting emissions. Last year 53% of VADO's fleet was diesel and 18% was electric and, by the end of 2024, this has improved to only 13% of the fleet being diesel, with 50% electric and the rest petrol hybrid.

We also expect our third-party logistic suppliers to move away from internal combustion engines to electric vehicles, thus reducing our scope 3 upstream and downstream transportation and distribution emissions, although we expect the bulk of this reduction in the medium term. We are reliant on global trends in this area and our Net Zero Transition Plan to 2040 includes a reduction in the carbon intensity of inbound and outbound freight.

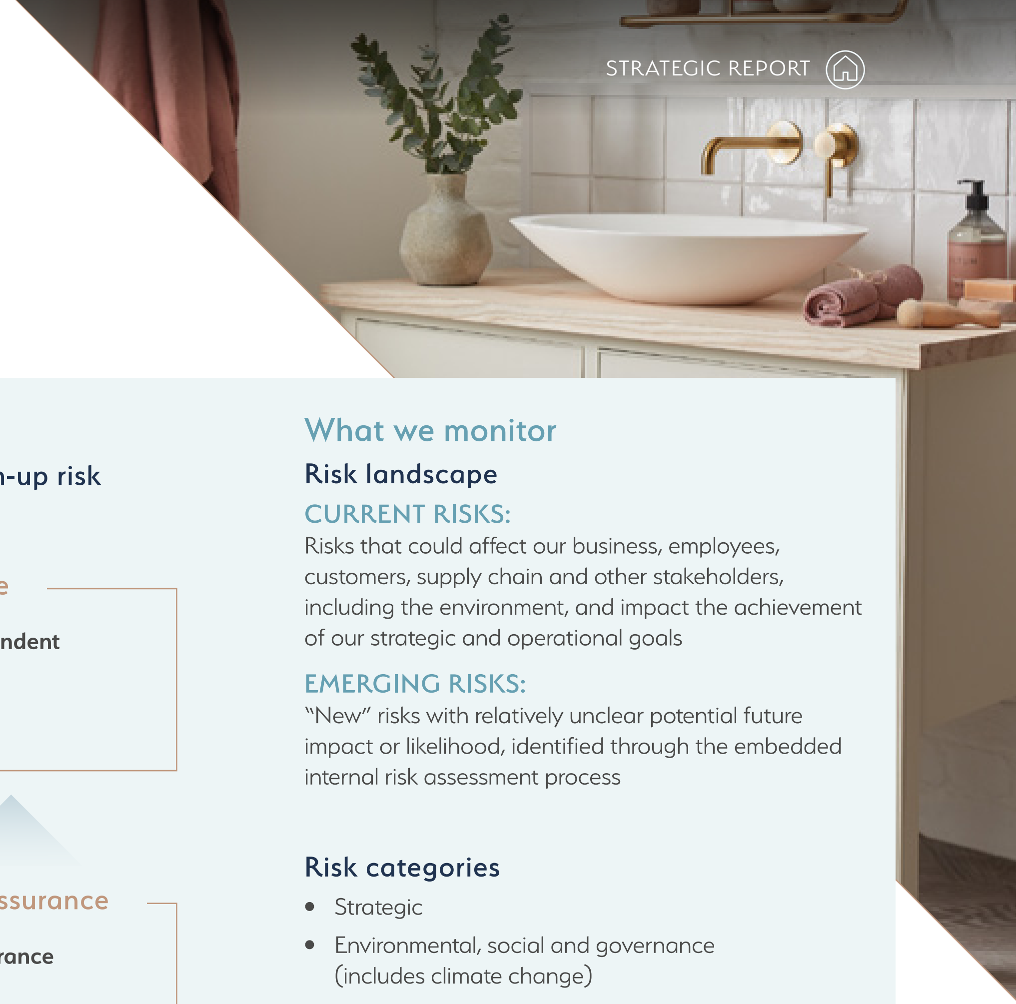
Business area	Time horizon	Impact measure	Location
Own operations, upstream and downstream	Near/medium term	Low (4)	Global, all brands
Primary potential financial impact	**Likelihood**	**Risk rating**	**Measurement**
Decreased costs	Likely (4)	16	Scope 1 and 3 (upstream and downstream transportation and distribution)

METRICS AND TARGETS

Our full carbon footprint is reported in alignment with the Greenhouse Gas Protocol on page 77. In addition, we report on our emissions intensity, total consumption of electricity, renewable electricity, gas and water, and treatment of waste on pages 77 and 86. We continue to monitor our climate exposures and action plans through our risk management framework and governance structure. Our main climate-related objectives are monitored through our ESG MI Framework through the year and reported to and reviewed by the Board.

This year, we have set science-based targets across scopes 1,2 and 3, which were validated by the SBTi in January 2024 and affirm our long-term commitment to net zero across the value chain by 2040. In addition, we have introduced ambitious interim targets for 2028, with specific targets for each brand that provide a clear path to emission reduction through to 2028 and beyond. For further details on our climate targets and Net Zero Transition Plan, see pages 80 to 83.

PRINCIPAL RISKS AND UNCERTAINTIES



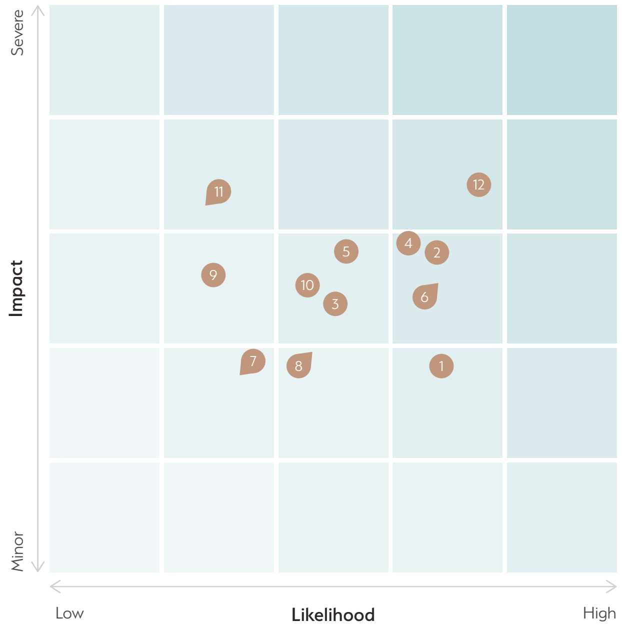
Risk management

Supporting sustainable business objectives through embedded and proactive risk management.

The proactive management of risk remains a priority for the Group to help sustain the success of the business in the future. There is a range of potential risks and uncertainties that 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 appropriate treatment of risks within clearly defined risk appetite levels for each risk category.

Our principal risks are shown below:

Mitigated risk scores



1 Acquisitions
2 Stakeholder requirements and reporting requirements
3 Staff retention and recruitment
4 Market conditions
5 Loss of key customers
6 Competition
7 Reliance on production facilities
8 Loss of key supplier
9 Exchange rate risk
10 Funding and liquidity risk
11 Pension scheme risk
12 Cyber security

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 an operational level. It consists of the following key elements:

Defined risk responsibilities:

BOARD:
Overall responsibility for the risk management framework. 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 and metrics for each category of risk
- Standardised, regular risk reviews and embedded risk reporting
- Divisional support from Head of Group Internal Audit and Risk Assurance

Risk management process

Integrated top-down and bottom-up risk management process

Group Audit and Risk Committee

Risk management framework independent oversight and challenge

Review management of material risks

Group Internal Audit and Risk Assurance

Provide independent, objective assurance

Facilitate business risk reviews

Reporting on principal risks and uncertainties

Group and brands

Risk monitoring and reporting

Regular review and updating of risk registers

Group

Strategic risk management

Identification, review and management of Group risks

Brands

Operational risk management

Update and maintain risk registers, reflecting key risks identified and the treatment of each risk including any mitigating actions taken

What we monitor

Risk landscape

CURRENT RISKS:
Risks that could affect our business, employees, customers, supply chain and other stakeholders, including the environment, and impact the achievement of our strategic and operational goals

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

Risk categories

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

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 taken, or planned, to address any risks that exceed acceptable risk appetite, including defined timelines and clear ownership

Informing   Reporting

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Our risk management framework enables identification of 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 following table, including how they are being managed. The Board has carried out a robust assessment of the principal and emerging risks and taken them into consideration when assessing the long-term viability of the Group and Company on page 117. The list does not comprise all the risks that the Group may face, and they are not listed in any order of priority.

In recent years, several of our principal risks were impacted by the COVID-19 global pandemic. The perceived risk from such pandemics has now diminished to such an extent that it is no longer deemed to be a principal risk. We do, however, continue to assess the potential impact and likelihood of another pandemic in our risk registers.

This report is presented in an environment characterised by significant known and unknown geopolitical and economic uncertainty and risk. We will not address this as a specific risk, instead covering the potential impact within our individual principal risks.

Link to strategy

M&A | Organic growth | Operational excellence | ESG

Strategic Risks

Risk	Risk Description	Impact	Mitigation	Risk movement	Link to strategy
1 Acquisitions	Part of the Group's strategy is to grow through selective acquisitions. The impact of significant global events may affect the cost, timing or availability of potential acquisitions, and the availability of equity or bank funding. However, such events may also provide additional opportunities that would not otherwise have existed. The Group might fail to successfully integrate acquisitions into its existing business model.	The operational performance of acquired businesses may not reach expectations, impacting Group profitability and cash flow, as well as affecting the Group's reputation.	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. When evaluating acquisitions, the Board considers the current size, strength and diversity of the existing business, and seeks not to place undue reliance on any one of its brands. 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.	Stable	M&A

Environmental, social and governance (ESG) risks

Risk	Risk Description	Impact	Mitigation	Risk movement	Link to strategy
2 Stakeholder requirements and reporting requirements	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 Environmental, Social and Governance (ESG) credentials. A significant part of ESG risk is related to climate change and the potential effects of both physical and transition climate-related risks. See the TCFD section on pages 90 to 105. There is a risk from failing to meet increasing regulatory and reporting requirements.	Failure to adequately mitigate ESG risks or to satisfactorily meet reporting requirements could lead to the Group losing customers, investors or support from other stakeholders, which would negatively impact our reputation, future profits or funding opportunities that could further limit future growth.	The Group continues to focus on providing sustainable value creation whilst being committed to operating in an ethical and responsible manner with the highest standards of corporate governance. The Group has an established ESG governance structure and we continue to embed this through the development and implementation of Group policies, strengthening carbon data reporting and developing our wider ESG reporting capabilities (see the ESG section on pages 48 to 89 for further details of how this risk is being managed).	Stable	Organic growth ESG

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

Link to strategy

M&A | Organic growth | Operational excellence | ESG

People risks

Risk	Risk Description	Impact	Mitigation	Risk movement	Link to strategy
3 Staff retention and recruitment	The Board's paramount concern as regards our people is to keep them safe. Our approach to the management of health and safety is set out on pages 57 and 58. However, our principal risk relating to people is retention and recruitment. At year end, the Group employed 2,257 people worldwide. The Group's ability to grow and increase its market share depends significantly on its continuing ability to recruit and retain highly skilled employees in each area of its activities and to be an employer of choice in the communities in which it operates. The current employment landscape, including high levels of employment, rising inflation, increasing national minimum and living wage rates and flexible working demands, continues to present uncertainty in the recruitment and retention of appropriately skilled employees.	Future growth plans may be restricted or delayed by difficulties experienced in recruiting and retaining appropriate employees.	Group policy is to remunerate employees with competitive salaries, appropriate bonus and incentive schemes, Sharesave and share option schemes and a range of other benefits. Executive and key management are incentivised through an Approved Performance Share Plan (APSP). A grant of options under the APSP has taken place annually since 2011. The Group is focused on developing and adding to its existing talent pool. We offer employees appropriate training and development opportunities, including across our devolved organisation structure, and we have a demonstrable track record of internal promotion. A Chief People Officer role was created last year. For further details on how we are continuously improving pay and benefits for our teams, see the Chief People Officer's report on pages 44 to 47.	Stable	

Commercial risks

Risk	Risk Description	Impact	Mitigation	Risk movement	Link to strategy
4 Market conditions	Demand in our markets is dependent on new building activity and repair, maintenance and improvement (RMI) activity in both the public and private sectors. This is, in turn, influenced by a range of geo-political and macroeconomic factors affecting consumer confidence and government spending policy in our key markets. The outcomes of national elections in both South Africa and the UK could affect housing and other policies in those markets. The global economy remains slow to recover from the impact of the pandemic. Other negative factors include high inflation, cost of living increases, interest rate uncertainty and the conflicts in Ukraine and the Middle East, which have affected energy and food prices, and had an impact on sea freight routes.	Demand for our brands, which are mid-premium positioned and therefore less cyclical, remains robust despite these geo-political and macroeconomic pressures. However, demand could still weaken in the short to medium term if consumers' discretionary spending patterns were to change, impacting profitability and cash generation.	Whilst we can't directly affect the likelihood of the global risks noted materialising, there are several mitigating factors in place that could limit the impact of potential changes in consumer spending patterns on the Group. These include the breadth of products offered, the geographical spread of our businesses, a flexible cost base and supply chain, investment in new product development and the replacement cycle of several of our key products. The effects of wider geo-political risks, such as increases in cyber security and climate change uncertainty, are addressed more specifically elsewhere, where relevant.	Stable	
5 Loss of key customers	While the Group has a diverse range of customers, there are certain key customers that account for higher levels of revenue. The current market conditions noted elsewhere may have similar effects on key customers who could go out of business or 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.	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.	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. Our ESG strategy and credentials have been developed to meet our key customers' expectations of their suppliers. Rebate schemes and incentive programs help maintain key relationships in a competitive market situation. The Group stresses its key selling points, beyond product price and quality, such as continuity of supply, the 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.	Stable	

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

STRATEGIC REPORT

Link to strategy

M&A · Organic growth · Operational excellence · ESG

Commercial risks continued

Risk	Risk Description	Impact	Mitigation	Risk movement	Link to strategy
6 Competition	The Group operates within a highly competitive environment in all its markets; this creates several risks, as well as a range of opportunities if risks are managed well. The actions of our competitors, including their marketing strategies and new product development, could lead to them gaining competitive advantage in key products and markets.	The Group recognises that there is a risk to its results and financial condition caused by the actions of its competitors, as well as by its own actions or inaction.	To help identify and manage such risks and opportunities, the competitive environment, the specific business marketplace and the actions of competitors are reviewed and discussed at both Group and operating division 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, any change in consumer tastes, or any indication of new competitors and/or new product technology entering the market. We proactively counter the threat from competitors through our own investment in innovative new product development, by registering and protecting our intellectual property rights, and by constantly striving to improve our product and customer service offerings. We have in-house specialists who consider changes in regulations, such as the water heating conditions of the Future Homes Standard, and work hard to meet the demands of consumers.	Increasing	

Operational risks

Risk	Risk Description	Impact	Mitigation	Risk movement	Link to strategy
7 Reliance on production facilities	The Group operates a number of facilities for the manufacture of tiles and adhesives.	If any of these facilities (including technology used to operate them) were to fail, the effect on the Group could be significant.	In May 2024, the Group sold its UK tile manufacturing operation, Johnson Tiles UK, to the existing management team. This moves the Group towards an increasingly capital-light operating model, like that in place at Merlyn and Grant Westfield. This has significantly mitigated the risks associated with dependence on production facilities across our brand portfolio. In South Africa, where we continue to manufacture tiles and adhesives, there remain well-established preventative maintenance programs in place, as well as a comprehensive and flexible "annual shutdown" program throughout the manufacturing operations. Finished goods inventory holdings across the operations continue to provide limited "buffer" stocks in the event of operational failure. Business continuity and disaster recovery plans have been developed, are in place and are tested. Additionally, a business interruption insurance policy is in place to mitigate losses caused by a serious insurable event affecting manufacturing capability.	Decreasing	
8 Loss of key supplier	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 key suppliers in close geographical proximity, could lead to a failure to acquire the required quantity or quality of essential resources or products. There are increasing risks associated with the geo-political landscape in respect of the West's relationship with China, regarding its stance on Taiwan. This could lead to a deterioration in relations with China, including possible trade or other economic sanctions.	The lack of supply of raw materials or components such as electronics, clay, sand, glass, brassware or gas and electricity, could have significant impacts on the Group's ability to manufacture or procure product. The risk of energy supply interruption is elevated in South Africa as its utility infrastructure is less well developed than in the UK.	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. 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. The Group maintains strict product quality standards and has dedicated procurement and quality control resource in China to ensure these standards are adhered to. The Group aims to mitigate risks on energy supply where these arise. The Group regularly reviews the geographical concentration of its supplier base and mitigates risks arising where it is commercially and economically practical to do so.	Increasing	

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Link to strategy

M&A | Organic growth | Operational excellence | ESG

Financial risks

Risk	Risk Description	Impact	Mitigation	Risk movement	Link to strategy
9 Exchange rate risk	The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates. In particular, the Group sources a significant proportion of its components and goods for resale from the Far East and Europe, which are denominated in foreign currencies (primarily the US Dollar, Euro and Renminbi).	Should Sterling or the South African Rand weaken against these currencies, this could result in an increase in future input costs.	The Group typically seeks to hedge its foreign exchange transactional flows for up to 12 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.	Stable	
10 Funding and liquidity risk	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 extended its rolling credit facility and now has committed funding until October 2027, it is possible that the Group may find it difficult to obtain financing on commercially acceptable terms in the longer term.	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.	The Group completed a refinancing of its banking facilities in 2022. We re-forecast our liquidity and funding requirements and covenant performance monthly. Senior Executives and brand management teams review, monitor and track short-term liquidity weekly and covenant performance monthly. 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.	Stable	
11 Pension scheme risk	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).	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.	The scheme was closed to new members and future accrual with effect from 1 April 2013 and replaced by an auto-enrolment compliant defined contribution scheme. Risks from rising costs of providing a final salary pension scheme have, therefore, been materially reduced. All asset investments are managed by professional fund managers and a diverse asset portfolio is maintained to spread risk and return. Executive Management regularly monitors the funding position of the scheme and is represented on the Trustee board to monitor and assess investment performance and other risks to the Group. The Group considers each valuation (IAS 19R and technical provisions basis) and reassesses its position regarding its pension commitments in conjunction with external actuarial advice. The Group's financial results show a net surplus in this scheme, as at 31 March 2024, of £13.0m (2023: surplus of £14.9m) assessed in accordance with the accounting standard IAS 19R. The present value of scheme liabilities decreased by £10.0m due to benefit payments made in the year, offset by a decrease in the discount rate to 4.85% (31 March 2023: 4.9%). The assets' value reduced by £11.9m due to benefit payments made in the period. In 2022, the Group reached agreement with the Trustee on the 2021 triennial actuarial valuation for the UK defined benefit scheme and on a revised deficit recovery plan. The actuarial deficit at 31 March 2021 was £35.8m (2018: £49.3m). Deficit repair contributions were agreed at £3.8m per annum from 1 April 2022 to March 2027 (increasing with CPI, capped at 5%, each year). The deficit repair contributions in the current year were £4.0m. The next triennial actuarial valuation is expected to take place during the year ending 31 March 2025.	Decreasing	

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Link to strategy

M&A | Organic growth | Operational excellence | ESG

Information technology and cyber security risks

Risk	Risk Description	Impact	Mitigation	Risk movement	Link to strategy
12 Cyber security	The Group relies on certain automated processes and systems to manage data and conduct its business. The increasing sophistication of cyber crime and data-loss incidents, along with data protection legislation requirements, present risks to all organisations. The risk from state-backed cyber attacks continues with ongoing world conflicts. Remote and home working continues to present risks due to system access from potentially less secure working environments and unfamiliar working practices.	A major failure of systems or a successful cyber attack could result in a temporary inability to conduct operations or a loss of commercial or personal data. Such an incident may result in regulatory breaches, financial loss, operating disruption or damage to the reputation of the Group.	Last year, a cyber security specialist company carried out an independent evaluation of our cyber security maturity. That led to improvement roadmaps being established for each brand, and for the Group as a whole, which we have continued to work on throughout the year to further improve our cyber security posture. We have enhanced our approach to vigilance and resilience, to complement our existing risk prevention measures, which include security tools and methods such as virtual private networks and multi-factor authentication. During the year, we invested in a third-party Managed Detection and Response service to monitor our networks for unusual activity and act swiftly in the event any is detected. Each brand remotely backs up its data and undertakes annual manual penetration testing conducted by a certified third party. We conduct regular vulnerability scanning of internal and external IP addresses and our websites. Group data protection policies and procedures are in place meeting UK and South Africa data protection legislative requirements. Data protection representatives have been nominated at each business to help co-ordinate the Group's approach to data protection and provide local advice. The Group operates an annual online awareness training program for all system users covering cyber security, information security and data protection. This has been enhanced by the addition of an externally-managed security awareness training program, providing year-round cyber security awareness training for all information system users. A third-party specialist incident response provider is retained to assist the Group with an appropriate and quick response to any cyber or data breach incidents that may occur. During the year, a comprehensive IT disaster recovery scenario exercise was undertaken with third-party experts facilitating Board members, senior leadership team members and IT and cyber teams through an exercise to assess readiness for a cyber attack.	Stable	

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 12 months required by the "going concern" provision. Taking into account the Group's current position and the nature of the principal risks and uncertainties it faces, the Board has decided to assess the viability of the Group over a three-year period to 31 March 2027. 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 brands, subjected to review and challenge by the Board, and then applying conservative general and business-specific assumptions to build years two and three. The Board considers the outputs from this financial model, including the Group's cash flows, headroom under existing financial facilities, dividend cover and other key financial ratios over the three-year period. The financial model has then been stress tested by modelling the most extreme but plausible scenario, that being a global pandemic similar in nature to COVID-19, which, at its peak, saw a revenue reduction of 25% on the prior year over a six-month period. The Directors have considered the impact of this scenario on the Group's financial performance (specifically headroom on our financial facilities and covenants) after taking account of mitigating actions that could be made, with the result being that the Group maintains the necessary liquidity levels and complies with the facility covenants despite the impact of significant declines in revenue, 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 that could lead to it, is considered to be implausible and remote.

Therefore, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet their liabilities as they fall due over the period to March 2027.

STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders

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

Section 172 statement

The Board of Directors of Norcros plc consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1) (a–f) of the Companies Act 2006) in the decisions they have taken during the year ended 31 March 2024.

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

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

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

Board information

The information used by the Board in its decision making is extensive and includes:

- publicly available information on market trends, competitor activity and analyst reports;
- professional experience and qualifications;
- training and induction;
- monthly provision of Board papers including financial and non-financial information; and
- advice and presentations by internal and external subject matter experts.

Strategic considerations

Section 172 considerations are taken into account in the Board's strategic discussions.

- The Board ensures that it has the information it needs to support its decision making. Further information is collected if required.
- Board discussions take place based on this information and in consideration of the long-term impacts on the Group and all its stakeholders.
- If circumstances change, the Board will revisit its initial consideration and make changes accordingly.

Board decision making

Once a decision has been made, an action plan is created that includes the consideration of stakeholders:

- The decisions are implemented following the action plan with regular progress meetings.
- Feedback from relevant stakeholders is shared with the Board.
- The impact of the decision is reviewed and learning points are communicated.

Shareholders

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

Why it is important to engage with this stakeholder group:

- We aim to provide a transparent, clear and consistent message on both our performance and our plans to create value, across our communication channels.
- We engage to ensure the Group responds to the changing needs and interests of shareholders and to ensure our strategy remains relevant.

How Norcros engaged in the year:

- We engaged through investor roadshows and gave our shareholders the opportunity for contact with our Board on a regular basis.
- Changes to the Directors' remuneration policy were discussed with shareholders before being finalised.
- In May 2024, we held a Capital Markets Event. For more information, see the Capital Markets Event case study on page 122.

How Norcros responded:

- The formulation of our Directors' remuneration policy and subsequent amendments reflected the shareholder discussions.
- Engagement with our shareholders influenced our acquisition, capital investment and progressive, albeit prudent, dividend policies.
- The latest strategy and targets were presented to shareholders and the updates were understood and well received.
- The acquisition of the Grant Westfield business in 2022 was partly funded through equity, the demand for which was extremely strong, demonstrating continued support for the Group's M&A strategy.

READ MORE **WHY INVEST IN NORCROS** ON **PAGES 14 AND 15**

Customers

Our commitment to excellent customer service remains critical to our success.

Why it is important to engage with this stakeholder group:

- We engage to develop customer-focused solutions, ensuring the Group understands and responds to evolving customer needs. This helps us retain our customers and attract new ones.
- We also engage with customers to understand the environmental challenges they face.
- We engage to reinforce our customer-focused culture, delivering excellent customer service.

How Norcros engaged in the year:

- We engaged through our experienced customer service teams, engaging with customers on a daily basis and regular monitoring of performance against service level agreements and quality standards.
- We attended the KBB exhibition with complementary stands to show customers how our products can work together.
- We welcomed customer visits to our showrooms to demonstrate our products in action and to receive feedback.

How Norcros responded:

- Investment in systems in areas such as sourcing and customer service to enhance the customer experience.
- We proactively invested in inventory to protect our service and stock availability in light of continued supply chain challenges.
- New product launches in response to customer needs, for example the launch of Triton's ENVi® shower and VADO's Cameo bathroom furniture range.
- Obtaining accreditations such as WRAS approval so that our hot water taps can be used in new build markets.

READ MORE ABOUT **OUR CUSTOMERS** ON **PAGES 10 AND 11**

STAKEHOLDER ENGAGEMENT
CONTINUED

Employees

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

Why it is important to engage with this stakeholder group:

- We engage to ensure that all employees are valued and are given the opportunity to provide feedback and participate in shaping the development of the Group.
- This helps us underpin our culture of safety and ensures that employees at all levels in the business play a role in promoting and upholding a strong focus on health and safety, for the benefit of the Group and the wider community.

How Norcros engaged in the year:

- We engaged with staff throughout the Group through our brand structure. Engagement is led by Alison Littley as the designated Non-executive Director for workforce engagement (see page 134).
- The Chief Executive Officer held two presentations for all staff to discuss the financial results of the Group.
- At a brand level, regular employee briefings took place to ensure that important information is shared.
- Employee surveys were undertaken within our brands on a regular basis, but this year we will launch our first Group-wide engagement survey to help us understand our employees' views and needs on a more consistent basis.

How Norcros responded:

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

READ MORE IN THE **PEOPLE SECTION OF SUSTAINABILITY** ON **PAGES 56 TO 66**

Environment

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

Why it is important to engage with this stakeholder group:

- We engage to better understand environmental challenges and how we can contribute to meeting them and minimise the impact of the Group on the environment.
- This also enables us to adhere to relevant environmental legislation and regulations and to ensure that high environmental standards are respected at each of the Group's sites.

How Norcros engaged in the year:

- We worked with our customers and suppliers to improve the efficiency of our operations.
- We engaged with customers, suppliers and other stakeholders to understand the environmental challenges they face and look for ways to improve the efficiency of our businesses.
- We ensured that our near term and net zero emission targets were validated and approved by the Science Based Targets initiative (SBTi).

How Norcros responded:

- We launched design-led sustainable products such as the ENVi® shower, our first Climate Partner Certified product.
- We are developing a Sustainable Products Framework so we can consistently measure and report on the sustainability of our products.
- We recognised that our shareholders are also placing increasing importance on environmental issues and wanted to understand the actions of the Group. We further developed our ESG plan to provide an overarching framework to the work we do.
- We established a strong governance structure, including a Group-wide ESG Forum, to coordinate our sustainability strategy.

READ MORE IN THE **PLANET SECTION OF SUSTAINABILITY** ON **PAGES 74 TO 89**

Society

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

Why it is important to engage with this stakeholder group:

- We engage to have a positive impact on the local communities in which our businesses operate.
- We engage to encourage equal opportunities and a more diverse workforce.

How Norcros engaged in the year:

- We participated in charitable activities and initiatives across the Group such as Merlyn's partnership with the Pink Ribbon Charity and Triton's work with the Canal & River Trust.
- We empowered and encouraged our brands to support local charities, initiatives and community projects, and provided local employment.
- The Executive Management of the Group supported this commitment to our society and reviewed each brand's activities on a monthly basis.

How Norcros responded:

- Our brands in South Africa continue their participation in the Youth Employment Services Program which offers meaningful work experience to young people.
- Triton, as one of the area's largest employers, has continued to invest in its apprenticeship scheme giving school leavers the opportunity to earn as they learn.

READ MORE IN **SUSTAINABILITY** ON **PAGES 87 TO 89**

STAKEHOLDER ENGAGEMENT
CONTINUED

Case Study

Capital Markets Event

In May 2024, we engaged our shareholders and the wider investor community in a Capital Markets Event in London. We used this presentation and networking event to update investors on the Norcros story and outline our new strategy. We find this approach very useful to align some of our key stakeholders around our vision and priorities.

Case Study

Developing our ESG strategy

ESG has always been important to Norcros, particularly around our responsibilities as a plc. However, over the last few years, we have put more emphasis on a structured approach to reflect the expectations and requirements of a rapidly developing ecosystem of stakeholders in the ESG space. Some examples of how we have engaged and responded to different stakeholder groups are listed below.

Regulators

In addition to meeting our regulatory and legal responsibilities, we are disclosing in line with recommended frameworks such as TCFD.

Ratings agencies

We engage regularly with ratings agencies, such as MSCI and FTSE Russell, to understand their requirements and ratings reports. These are becoming increasingly important for our shareholders.

Shareholders

We engage with shareholders and ESG teams in institutional investors to understand their perspectives on ESG and our performance. We regularly provide updates to shareholders through the ESG section in our Annual Report and our twice-yearly investor presentations.

Standards bodies

We engage with standards bodies to establish our ESG framework and validate our ESG systems. We used resources from SASB as an industry standard input for our materiality assessment. We have validated our carbon emissions targets with SBTi. We have submitted a disclosure to CDP (B rating). We have aligned our Net Zero Transition Plan to the TPT standards. We validate our sustainability processes against international standards, including ISO 9001, ISO 14001 and ISO 45001.

Customers

We continually engage with customers on developing our ESG framework so we understand and reflect their requirements. This year we have been working with several key customers on the provision of ESG data. This has included providing data on the embodied carbon of specific products. We are finding that being able to readily provide ESG data is becoming a competitive advantage for our business.

Employees

We have developed our ESG strategy with our employees. This has included establishing an ESG Forum with over 20 representatives from across the organisation. They have been integral in developing our strategy, ESG policies and engaging on implementation.

Communities

Social and Community Engagement is one of our ESG priority themes. We are committed to supporting and enhancing the communities in which we work. This is often through community support projects.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

The following table summarises our approach to internal and external stakeholder engagement to comply with the requirements of the Companies Act 2006 regarding non-financial reporting (Sections 414CA and 414CB)

Reporting requirements

	Our position	Relevant policies	Further information
Environmental matters • Impact of our business on the environment • Climate-related financial disclosures	Sustainability is at the heart of our business and underpins our business strategy. We are committed to minimising our impact on the environment through our operations, products and services.	• Supply Chain Policy	Sustainability report pages 48 to 89 TCFD report pages 90 to 105
Employees	We believe in the importance of doing the right thing for our people. We are committed to investing in our workforce and recognise the importance of their opinions to our success. We are continuously working towards a sustainable, safe and diverse working environment.	• Code of Ethics and Standards of Business Conduct • Whistleblowing Policy • Health and Safety Policy • Data Protection Policy • Information Security Minimum Standards • Cyber and Data Breach Policy	Sustainability report pages 48 to 89 Chief People Officer's Review pages 44 to 47 Stakeholder engagement pages 118 to 123 Gender pay gap reporting – www.norcros.com
Social matters and human rights	We are deeply committed to the society in which we operate, and focus on supporting and engaging with our local communities. We are committed to upholding human rights across our business and with all our stakeholders.	• Code of Ethics and Standards of Business Conduct • Anti-Tax Evasion Policy • Modern Slavery Act Statement	Sustainability report pages 48 to 89 Stakeholder engagement pages 118 to 123 Audit and Risk Committee report pages 140 to 145 Modern Slavery Act Statement – www.norcros.com
Anti-corruption and anti-bribery	We prohibit all forms of bribery and corruption within our businesses and comply with the requirements of all applicable anti-bribery and corruption laws.	• Anti-Bribery and Corruption Policy • Anti-Money Laundering Policy • Whistleblowing Policy	Audit and Risk Committee Report pages 140 to 145
Other information • Business model • Principal risks affecting the Group and mitigating actions undertaken • Non-financial key performance indicators	Additional non-financial information required under the Companies Act.	• Risk Management Policy and Procedures	Our Business Model pages 20 and 21 Risk management pages 106 to 117 ESG KPIs pages 52 to 55

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 18 to 125 of Norcros plc was approved by the Board and signed on its behalf by:

THOMAS WILLCOCKS
Chief Executive Officer

12 June 2024

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

KEY

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

STEVE GOOD
Board Chair and Non-executive Director

N R

Appointment to the Board
Appointed Board Chair 1 July 2023

Length of tenure
One year

Previous experience
Steve has previously served as chair of Zoteforms plc and Devro plc and as a non-executive director of Elementis plc, Dialight plc, Cape plc and Anglian Water. In his executive career, Steve was chief executive of Low & Bonar plc between 2009 and 2014, where he had previously held various senior roles since 2004.

External appointments
Steve will become a non-executive director and board chair-elect of Essentra plc on 1 July 2024.

THOMAS WILLCOCKS
Chief Executive Officer

Appointment to the Board
Appointed Chief Executive Officer 1 April 2023

Length of tenure
Two years

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

External appointments
n/a.

JAMES EYRE
Chief Financial Officer

Appointment to the Board
Appointed Chief Financial Officer 1 August 2021

Length of tenure
Three years

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

External appointments
n/a.

ALISON LITTLEY
Non-executive Director

A N R

Appointment to the Board
Appointed to the Board 1 May 2019, Senior Independent Director from 1 July 2023

Length of tenure
Five years

Previous experience
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. Alison was formerly a non-executive director of MusicMagpie plc, James Hardie Industries plc, Headlam Group plc, Geoffrey Osborne Group and Weightmans LLP.

External appointments
Alison is currently a non-executive director at Xaar plc (until 30 June 2024) and Eurocell plc, where she is also chair of the ESG and Employee Engagement Committee.

STEFAN ALLANSON
Non-executive Director

A N R

Appointment to the Board
Appointed to the Board 1 January 2023

Length of tenure
Two years

Previous experience
Stefan has held senior finance roles at Keepmoat Ltd, Tianhe Chemicals Ltd, The Vita Group Limited, The SkillsMarket Ltd and Honda Motor Company.

External appointments
Stefan is chief financial officer of MJ Gleeson plc, the Main Market listed low-cost housebuilder and land promoter, where he has held the role since 2015.

RICHARD COLLINS
Company Secretary

Appointment to Board
Joined the Company in June 2013 as Company Secretary and Group Counsel

Length of tenure
11 years

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

Board appointment

As announced by the Company on 24 May 2024, Rebecca DeNiro will be appointed as a Director on 1 July 2024 and will, therefore, be seeking election at the 2024 AGM. Rebecca brings a wealth of relevant experience in well-known consumer brands such as Dyson and Regatta.

GOVERNANCE AT A GLANCE

Our Board

The Board comprises five Directors with a diverse and complementary range of industry experience, technical knowledge, perspectives and personal strengths.

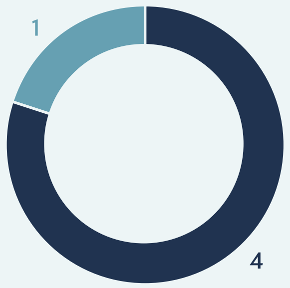
Length of tenure

- <1 year
- 1–3 years
- 4–9 years

Independence

- Independent Chair
- Independent Non-executive Directors
- Executive Directors

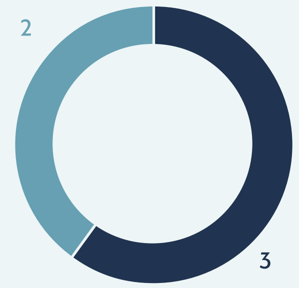
Board gender diversity



- Male
- Female

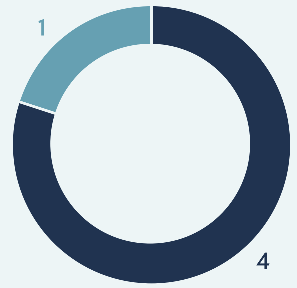
From 1 July 2024, there will be 2 female and 4 male Board members.

Executive management gender diversity



- Male
- Female

Board nationality



- British
- South African/British

Skills matrix

Category	Skill/area of expertise/experience	Number of Directors with skill/experience
SUPPORTING THE GROUP STRATEGY	M&A	4
	Business development and strategy	5
	Investor relations	5
	Operational experience	4
	Sustainability	5
	Supply chain operations	4
OTHER AREAS OF GOVERNANCE	Banking and finance	3
	Risk management	5
	Executive leadership	5
	Governance	5
	Health and safety	5
	Workforce engagement	5

*All of these are for Directors as of 31 March 2024.

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 7 meetings	Audit and Risk Committee 3 meetings	Remuneration Committee 4 meetings	Nomination Committee 4 meetings
STEVE GOOD, CHAIR[1]	5/7	2/3	3/4	3/4
DAVID MCKEITH[2]	3/7	2/3	2/4	1/4
ALISON LITTLEY	7/7	3/3	4/4	4/4
STEFAN ALLANSON	7/7	3/3	4/4	4/4
THOMAS WILLCOCKS	7/7	–	–	–
JAMES EYRE	7/7	–	–	–

1 Steve Good was appointed on 1 July 2023. He attended all Board and Committee meetings held after this date.
2 David McKeith acted as Board Chair from 24 January 2023 before retiring from the Board on 26 July 2023.

CHAIR'S INTRODUCTION

"We believe that our organisational structure and governance framework enables us to operate effectively and positions us well to continue to deliver sustainable growth for the benefit of all of our members."

STEVE GOOD
Chair

I am pleased to present the Governance Report for the year ended 31 March 2024.

This financial year has been set against the backdrop of wider economic, political, social and industry pressures, which have brought their own unique set of challenges. I would like to take this opportunity to thank all of our colleagues for their hard work in helping the Group achieve a resilient result.

I would also like to take this opportunity to thank my predecessor, David McKeith, who was Acting Chair for the Group until my appointment. David's experience and contribution have been invaluable to the Group and I thank him for the diligent service over his tenure and the support he has given me as I took on the role of Board Chair.

With the challenging market conditions, it is important that the culture and values that run through the business should be maintained. The Board is committed to supporting the Executive Directors to manage and operate the business in a way that supports the Group's long-term sustainable success.

The Board is also immensely proud of the Group's commitment to environmental, social and governance matters, and its dedication to sustainability is prevalent in all of its operations. We are proud to announce that our emissions targets for near-term and long-term net zero emissions have been validated and approved by the Science Based Targets initiative, which demonstrates our clear intention to deliver direct climate action through the decarbonisation of our operations, supply chain and our products in use. How we put sustainability into practice is described on pages 48 to 89.

Board changes

I was appointed as a Non-executive Director on 1 July 2023 and I had the honour of taking the role of Board Chair from 26 July 2023. I am delighted to have joined the Board and be part of the future growth of the Group.

Thomas Willcocks was appointed to the Board as Chief Executive Officer following Nick Kelsall's retirement, effective 1 April 2023.

As previously announced, we have further strengthened the Board with the addition of Rebecca DeNiro as a Non-executive Director, effective 1 July 2024. Brief biographies of the Board members can be found on pages 128 and 129.

Culture and people

The Board places great importance on employee engagement. We do this in a direct manner, with the Board members attending meetings at our operational centres, and specifically by Alison Littley, our Non-executive Director with responsibility for employee engagement, meeting regularly with representatives from each of our brands. At these forums, the Board, through Alison, gets feedback and interaction with our colleagues across the Group. The Board also receives and reviews the results of employee surveys and other measures of the attitudes and culture of our people. The Board understands its obligation to ensure that Norcros has a clear purpose and values, and it works to ensure these are communicated throughout the Group and that our policies and procedures are aligned to them.

Diversity

The Board values diversity, and the position of Senior Independent Director is held by Alison Littley, satisfying one of the three diversity targets set by the Financial Conduct Authority. The remaining targets, to have at least 40% female representation and one Board member from an ethnic minority background, will form part of the Board's recruitment and succession planning for future years. The appointment of Rebecca DeNiro, effective 1 July 2024, increases the percentage of females on the Board from 20% to 33%.

The Board is also committed to ensuring that the Group provides a diverse and inclusive working environment. As at 31 March 2024, the proportion of women in employment across the Group was 33%. One of our strategic priorities, driven by our Chief People Officer, is to improve diversity across the Group at all levels. More information can be found in the Chief People Officer's Review on pages 44 to 47.

Our commitment to engaging with stakeholders

The Board's understanding of the interests of the Group's stakeholders underpins decision making at a Board level and throughout the Group. Information on how we engage with our stakeholders is set out on pages 118 to 123.

Strategy

The Board held its annual strategic planning event over two days in July 2023 to discuss the revised strategy for the Group over the short, medium and long term. This was an excellent opportunity for all the management teams across the Group to discuss the strategic priorities of each of our brands and, for the first time, all teams were present for each discussion. The days consisted of open and engaging discussions on many areas, including the market challenges and growth opportunities. Since that strategy event, the Board has worked with the Group's Executive Management to update the Group's strategy, which is set out on pages 26 to 29.

Conclusion

I hope that you will find the information in this report helpful in understanding our approach to governance and how we have applied the Principles of the UK Corporate Governance Code. We believe that our organisational structure and governance framework enables us to operate effectively and positions us well to continue to deliver sustainable growth for the benefit of all of our members.

STEVE GOOD
Chair

12 June 2024

Code Compliance

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc. For the year under review, the Company has complied with the 2018 UK Corporate Governance Code save for the matters referred to on page 136.

Division of Responsibilities
READ MORE IN THE **CORPORATE GOVERNANCE REPORT** ON **PAGES 136 TO 139**

Board Leadership and Company
READ MORE IN THE **CORPORATE GOVERNANCE REPORT** ON **PAGES 136 TO 139**

Composition, Succession and Evaluation
READ MORE IN THE **NOMINATION COMMITTEE REPORT** ON **PAGES 146 TO 148**

Audit, Risk and Internal Control
READ MORE IN THE **AUDIT AND RISK COMMITTEE REPORT** ON **PAGES 140 TO 145**

Remuneration
READ MORE IN THE **REMUNERATION COMMITTEE REPORT** ON **PAGES 150 TO 170**

CORPORATE GOVERNANCE

GOVERNANCE KEY HIGHLIGHTS

This year has seen significant events for the Company and its Board.

What was on the Board's agenda this year

STRATEGIC DEVELOPMENT
- Formulation and finalisation of our updated strategy
- Executive Management transition
- Progressing ESG agenda

BOARD COMPOSITION
- Appointment and induction of new Board Chair
- Appointment of new Senior Independent Director
- Recruitment of additional Non-executive Director

Case Study

Governance in Action – Employee Engagement at Croydex

The Board values regular engagement with employees throughout the Group. Alison Littley, Senior Independent Director, has specific responsibility for employee engagement, and meets with representatives from Norcros brands regularly throughout the year.

One such visit was to Croydex, our bathroom accessories brand. Alison visited Croydex in Andover, Hampshire, in March 2024 and met with 12 employee representatives from across the business.

The session included people from a range of teams, including:

- Warehouse
- Customer Services
- Marketing
- IT
- Design
- Inventory Manager
- Commercial

The group also covered a wide range of experience with Croydex, ranging from two weeks to almost 23 years.

In each employee engagement session, Alison asks a standard set of questions to ensure that she is getting similar information from each brand across the business, as well as opening the floor to general discussion so she can get a sense of key issues.

Topics discussed included culture and feeling valued, communication, development opportunities, the customer journey, systems and processes, and more.

Feedback from the session was collated and shared with Croydex management and with the Norcros Board. A follow up session will be held later in the year.

Committee highlights

Audit and Risk Committee

Areas of focus this year:
- Monitoring of key risks and risk management policies and procedures
- Assessing the effectiveness of the Group's internal controls
- Close monitoring of the Group's systems and controls for complying with regulation and detecting and preventing wrongdoings
- Assessing the proposed revisions to the 2018 Corporate Governance Code, dealing with audit and governance reforms

Nomination Committee

Areas of focus this year:
- Induction of new Board Chair
- Identification and recruitment of an additional Non-executive Director
- Development of diversity policy

Remuneration Committee

Areas of focus this year:
- Embedding and implementing of new remuneration policy
- Extending scope of data available on workforce remuneration

CORPORATE GOVERNANCE REPORT

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 2018 (the Code) in all respects save for the following matters concerning David McKeith arising from the illness and tragic death of Gary Kennedy. These were instances of non-compliance with provision 24 and 19 respectively.

- David held the role of Chair of the Audit and Risk Committee whilst also acting as Board Chair. He ceased to chair and be a member of the Audit and Risk Committee when Stefan Allanson became Chair of that Committee at the conclusion of the 2023 AGM; and
- David was appointed as a Director in July 2013. His directorship therefore exceeded nine years. It was intended that he would step down from the Board after the 2022 AGM as soon as a new Chair of the Audit and Risk Committee had been appointed, but David stayed on as a Director for the reasons given above. David did not seek re-election at the 2023 AGM, when Steve Good was appointed as Chair.

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 2024, unless otherwise stated.

Board balance and independence

The Board comprises the Non-executive Chair, two Non-executive Directors and two Executive Directors. 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 128 and 129. It should be noted that David McKeith acted as Board Chair until 26 July 2023, which was a transitional arrangement until Steve Good was appointed as Chair on 1 July 2023. Stefan Allanson was appointed Chair of the Audit and Risk Committee on 1 July 2023.

Since the year end, Rebecca DeNiro was appointed as an additional Non-executive Director, effective from 1 July 2024. This additional appointment will result in the Board having three Non-executive Directors.

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

Governance structure

Alison Littley assumed the role of Senior Independent Non-executive Director from 1 July 2023. She is available to shareholders if they have any issues or concerns which contact through the normal channels of Board Chair, Chief Executive Officer or Chief Financial Officer has failed to address or resolve, or for which such contact is inappropriate.

The Board notes that David McKeith was appointed to the Board in July 2013 and that, in accordance with the Code, he ceased to be regarded as independent on the ninth anniversary of his appointment. Notwithstanding this, the Board regarded Mr McKeith as independent in his approach and in the performance of his responsibilities. David McKeith did not seek re-election at the 2023 AGM and in keeping with the Board's succession plan, he stepped down from the Board at the Company's 2023 AGM following the appointment of Steve Good from 1 July 2023.

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

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

Board Chair and Chief Executive Officer

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

Governance structure

THE BOARD

STEVE GOOD (Chair from 26 July 2023)

DAVID McKEITH (Acting Board Chair until 26 July 2023)

AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
STEFAN ALLANSON (Chair from 1 July 2023)	ALISON LITTLEY (C)	STEVE GOOD (Chair from 1 July 2023)
DAVID McKEITH (Chair until 30 June 2023)	STEVE GOOD (From 1 July 2023)	DAVID McKEITH (Acting chair until 30 June 2023)
ALISON LITTLEY	DAVID McKEITH (Until 30 June 2023)	ALISON LITTLEY
	STEFAN ALLANSON	STEFAN ALLANSON

Board, Committee and Director evaluation

The performance of the Board is appraised by the Chair. The Executive and Non-executive Directors are evaluated individually by the Chair. The Board, led by the Senior Independent Non-executive Director, appraises the Chair, and the Board evaluates the performance of its three Committees. Evaluation processes are conducted periodically and they are organised to fit in with Board priorities and succession planning activity.

A formal evaluation took place in respect of the year under review in accordance with the requirements of the Code. This evaluation was conducted by means of detailed questionnaires, the results of which were then considered as appropriate, combined with meetings and discussions. The Chair is responsible for the review of each Director's development and ongoing training requirements to ensure that the performance of each Director continues to be effective. The overall results of the evaluation process were satisfactory, and the outcomes of it indicated the following areas of focus for the Board and its Committees going forward:

- Succession planning
- Continuing development of remuneration policy
- Alignment of policies to values and strategic objectives

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 Audit and Risk Committee, Nomination Committee and Remuneration Committee. The Terms of Reference of those Committees are published on the Company's website at www.norcros.com.

The report of the Audit and Risk Committee is on pages 140 to 145, the report of the Nomination Committee is on pages 146 to 148, and the report of the Remuneration Committee is on pages 150 to 170.

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 brand are responsible for those business entities. They are tasked with the delivery of targets approved by the Board on budgets, strategy and policy.

CORPORATE GOVERNANCE REPORT
CONTINUED

Directors' roles

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

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

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

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

The Board ensures that all new Directors (including Non-executive Directors) will receive a full, formal and tailored induction on joining the Company. As part of that induction procedure, the Chair will ensure that major shareholders have the opportunity to meet a new Non-executive Director. The Chair also periodically assesses the training and development needs of all Directors and ensures that any suitable training and updates are provided to Directors. Further information about the induction process can be found in the Nomination Committee Report on pages 146 to 148.

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 128 and 129 and on the Company's website at www.norcros.com.

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 175.

Relations with shareholders

The Company recognises the importance of maintaining good communications with shareholders. The Company actively engages with shareholders on specific matters and takes a number of other steps to ensure that the Board and, in particular, the Non-executive Directors, develop an understanding of the views of major shareholders about the Company. Directors have regular meetings with the Company's major shareholders and receive regular feedback on the views of those shareholders through the Company's brokers. 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. Such meetings took place when Steve Good became Board Chair.

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 that 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
- 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, Nomination and Remuneration 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 175 and the Auditor's Report on pages 178 to 186. 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 and operational risk management and compliance). This is undertaken via an annual program to review the internal control environment at each brand. Each review is carried out by the Group Head of Internal Audit and Risk Assurance, who is independent of that brand. 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 106 to 117.

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 117.

Operational structure, review and compliance

In addition to the Chief Financial Officer, the Group has Senior Financial Managers at its Head Office. The current Group Head of Internal Audit and Risk Assurance was appointed in March 2020 and he is responsible for the Internal Audit and Risk Assurance function for the Group. Further information on the work of this function is in the Audit and Risk Committee Report on pages 140 to 145.

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 brand 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, 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 172 to 174.

Approved by the Board of Directors on 12 June 2024 and signed on its behalf by:

STEVE GOOD
Board Chair

12 June 2024

AUDIT AND RISK COMMITTEE REPORT

Monitoring the Company's reporting and risk management

STEFAN ALLANSON

Chair of the Audit and Risk Committee

Other members during the year:

- Alison Littley
- David McKeith (Chair until 30 June 2023)

Meetings held:

The Committee met three times during the year.

Key activities for 2024:

- Monitoring of key risks and risk management policies and procedures
- Assessing the effectiveness of the Group's internal controls
- Close monitoring of the Group's systems and controls for complying with regulation and detecting and preventing wrongdoings
- Assessing the proposed revisions to the 2018 Corporate Governance Code, dealing with audit and governance reforms

Areas of focus for 2025:

A continued focus on developing the risk management framework, ensuring internal controls remain effective and further assessment of the 2024 Corporate Governance Code.

Members

During the year to 31 March 2024, the Committee has consisted of Stefan Allanson, Alison Littley and David McKeith. Biographies of all members of the Committee appear on pages 128 and 129.

The Chair of the Committee, Stefan Allanson, is considered to have recent and relevant financial experience as he is a qualified accountant with extensive financial leadership experience and he is currently the chief financial officer of MJ Gleeson plc.

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

Responsibilities

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

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

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

Significant financial reporting matters in the 2024 Annual Report

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

Going Concern and Viability Statement

The Group has prepared a Going Concern and Viability Statement reflecting the potential impact of principal risks and uncertainties, including a situation similar in nature to the COVID-19 pandemic, on liquidity and solvency. This has been performed by modelling a reasonable worst-case scenario and then applying a reverse stress test on the Group's current forecasts. Further details are included on page 117 and on page 191.

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

Defined benefit pension scheme

The Group's UK defined benefit pension scheme is significant both in terms of its context in the overall Balance Sheet and the results of the Group. The Group's UK defined benefit pension scheme (as calculated under IAS 19R) shows a surplus of £16.5m at 31 March 2024 from a surplus position of £14.9m at 31 March 2023.

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

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

Sale of Johnson Tiles UK

As part of its consideration of how the Group has accounted for the post-year end sale of Johnson Tiles UK, the Committee reviewed management's assessment of the impact at 31 March 2024. The Committee has experience of reviewing the carrying value of assets from the impairment reviews performed in previous years and of the considerations of IFRS 5 from the closure of Norcros Adhesives. The Committee reviewed a paper by management and challenged the conclusions regarding held for sale and discontinued operations. As the Group was not committed to the sale of the business at the year end, in accordance with IFRS 5, the Johnson Tiles UK business was not classified as held for sale or discontinued, and no adjustments were made to the carrying value of its current assets in 2024.

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

Fair, balanced and understandable

The Committee formally reviews the Company's annual and interim financial statements and associated announcements, and considers significant accounting principles, policies and practices and their appropriateness, financial reporting issues and significant 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 2024 Annual Report and Accounts are fair, balanced and understandable.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

Meetings of the Committee

The Committee met formally three times during the year ended 31 March 2024. 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 advisors 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. The Head of Internal Audit and Risk Assurance has independent access to the Chair of the Audit and Risk Committee as required.

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

Principal activities of the Audit and Risk Committee during the year

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

Area	Activities
Financial reporting	• Review of the Company's trading updates and other financial communications • Review of the Company's interim results for the six months ended 30 September 2023 • Review of the Company's Annual Report and Accounts for the year ended 31 March 2024, including consideration of: – significant financial reporting matters; – whether the Annual Report and Accounts are fair, balanced and understandable; and – the requirements of the going concern assessment and Viability Statement • Review of changes to corporate reporting requirements • Review of the post-year end sale of Johnson Tiles UK
External audit	• Review of the external auditor's proposed audit work plan for the year ended 31 March 2024, 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 2024
Internal audit	• Review of the internal audit work program for 2024 • Approval of the annual internal audit program for 2025 • Review of current internal audit resource levels • Assessment of the work carried out to test and review internal controls and cyber security, together with the status of recommendations made and actions agreed • Review of findings and agreed actions arising from internal audit assignments
Compliance	• Review of the whistleblowing log • Review of the fraud and attempted fraud log • Review of the data protection log including data incidents, data subject access requests, etc.
Risk management	• Review of the Group's reported principal risks and uncertainties including consideration of any new or emerging risks and uncertainties identified and amendment of current principal risks as required • Review of the actions taken by the Group to manage its principal risks with continued focus on cyber security risks, including new Group Information Security Standards and the procurement of a Managed Detection and Response service, and ESG risks, such as climate change targets
Governance	• Conducted an appraisal of the performance of the Committee • Review of the Group's policy in respect of the employment of former employees of the external auditor • Review of the Group's policy in respect of the engagement of the external auditor for non-audit services and non-audit services provided by the external auditor during the year • Review of the Committee's Terms of Reference and constitution in line with current best practice

Internal audit framework

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

The Group operates a rolling 12-month audit plan prepared by the Group Head of Internal Audit and Risk Assurance. The plan is risk based using assessments carried out by the Group, includes senior management input and is reviewed and approved by the Committee. At each meeting, the Committee considers the results of the audits undertaken during the preceding period and the adequacy of management's response to matters raised. Additionally, the related mitigations against issues and actions raised from these audits are systematically followed up in subsequent Committee meetings until they are adequately resolved.

The Group control and risk self-assessment questionnaires, which are completed annually by each business unit and cover financial and information security controls, are reviewed by the Group Head of Internal Audit and Risk Assurance and the Group Financial Controller. The self-assessment process includes a management representation requiring senior managers at each division, as well as at the Group's central office, to confirm that they have applied and followed all required policies and procedures in the year. Key control issues that arise from these reviews are raised with the Committee, with the results of the assessments informing the audit plan and individual audit engagements.

Group Internal Audit and Risk Assurance activities during the year

The Group Internal Audit and Risk Assurance team provided assurance across a wide range of risks during the year, in line with the standards set out in the approved audit charter. The annual audit plan, which is approved by the Committee, included business reviews of operational units, assessing the effectiveness of key internal controls in place over selected systems and processes, which, this year, included rebates and discounts, intellectual property rights and an assessment of the Group's compliance with the revised UK Corporate Governance Code 2024. In South Africa (SA), the primary focus was on the controls in place at retail outlets with completion of a cycle of operational reviews across all stores. The plan also included SA Head Office financial and other risk-based reviews in line with the Group audits noted above. Actions agreed during previous audit visits were reviewed to confirm management's progress.

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

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

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

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

Risk management framework

Our risk management framework is highlighted on pages 106 and 107 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 emerging risks through the discussion of identified risks and mitigating actions with divisional management in annual strategic reviews
2. Annual review of the risk management reporting process and associated outputs, including principal risks, to ensure they are robust and effective and include all risks that could threaten the business model and future strategy
3. Review of the Annual Report to ensure that it provides a fair reflection of risk assessments undertaken

Internal control and risk management review

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing its effectiveness. The internal control systems are designed to meet the needs of the Group and to manage, rather than eliminate, the risk of failure to achieve business objectives. Such systems can only provide reasonable, 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 2018, for the period from 1 April 2023 to the date of approval of the Annual Report and Accounts for the year ended 31 March 2024.

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.

External auditor

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

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

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

The external audit starts with the design of a work plan that addresses the key risks of the audit, which were confirmed at the March 2024 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 2024, the Committee was satisfied with the independence, objectivity and effectiveness of the relationship with BDO LLP as external auditor.

External audit tender and appointment of auditor

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

On behalf of the Audit and Risk Committee.

STEFAN ALLANSON
Chair of the Audit and Risk Committee

12 June 2024

NOMINATION COMMITTEE REPORT

Evaluating the Board and succession planning for a sustainable future.

STEVE GOOD

Chair of the Nomination Committee

Other members:

- Alison Littley
- Stefan Allanson

Meetings held:

The Committee met four times during the year.

Key activities for 2024:

- Appointment of Steve Good as Chair effective from 1 July 2023
- Appointment of Stefan Allanson as Chair of the Audit and Risk Committee
- Appointment of Thomas Willcocks as Chief Executive Officer effective from 1 April 2023

Areas of focus for 2025:

- Lead the induction process for Rebecca DeNiro, our new Non-executive Director
- Continue with succession planning throughout the senior management of the Group
- Progress diversity initiatives for both gender and ethnicity

Role of the Nomination Committee

The main responsibilities of the Nomination Committee are:

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

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

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

During the year under review, the Nomination Committee dealt with the appointment of a new Chair, Steve Good, and ensured that he received an appropriate induction to the Group. The Nomination Committee also ensured that Stefan Allanson, who joined the Board in January 2023, received support from David McKeith before Stefan took the position of Audit and Risk Committee Chair.

Board appointments

Board Chair: The Committee, led by David McKeith as Acting Chair of the Nomination Committee, undertook an in-depth and wide-ranging search process to appoint a new Board Chair to replace Gary Kennedy, who sadly passed away on 13 February 2023.

On 30 May 2023, the Committee was pleased to recommend to the Board that Steve Good be appointed as a Non-executive Director and Chair Designate, effective from 1 July 2023. At the conclusion of the 2023 Annual General Meeting, Steve Good became Board Chair.

The Committee surveyed the market with an executive search agent (Independent Search Partnership LLP) and agreed that Steve was the most suitable candidate for the role. Steve Good brings proven business leadership credentials and a broad range of experience to the business. This skillset was particularly important as the change in Board Chair occurred at a time when the new Chief Executive Officer, Thomas Willcocks, had recently started in his role.

Since the year end, the Committee has dealt with the appointment of an additional Non-executive Director and, as announced on 24 May 2024, Rebecca DeNiro will take office from 1 July 2024.

Committee changes

As previously communicated, David McKeith did not seek re-election at the 2023 Annual General Meeting. Stefan Allanson took over as Chair of the Audit and Risk Committee from 1 July 2023. Alison Littley took the role of Senior Independent Director from 1 July 2023.

Board composition

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

Board performance evaluation

Process – a formal evaluation took place in the year in accordance with the requirements of the Code. This evaluation was conducted through detailed questionnaires. The outcomes of it indicated the following areas of focus for the Nomination Committee:

- Succession planning
- Promotion of diversity

Diversity and inclusion

In selecting candidates, due regard will be given to the balance of the Board, to the benefits of different backgrounds and experience, and to diversity on the Board, including gender. The Board does not currently set targets for Board diversity; however, appointments will be made in accordance with the Group's diversity and inclusion policy, on the basis of merit and the most appropriate experience against objective criteria in the best interests of shareholders. The Board endeavours to ensure that these principles are applied throughout the Group.

The Committee is pleased to note the progress with the improved diversity of the Executive Management of the Group, of which 40% are female (2023: 0%).

Compliance with Listing Rules on diversity

In 2022, the UK Financial Conduct Authority introduced Listing Rules relating to diversity (LR 9.8.6R(9) and (10), and LR 14.3.33R(1)). The Company's position against these items is set out within this report below.

Listing Rule target	Company's position as at 31 March 2024	Comment
At least 40% of the Board are women.	20%	Our aspiration is to achieve 40% gender diversity, recognising that it requires a careful and measured approach to accommodate Board attrition, whilst maintaining the existing profile of desired skills and experience. The appointment of Rebecca DeNiro, with effect from 1 July 2024, will improve our gender diversity to 33%.
At least one of the senior Board positions (Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer) is a woman.	One position meets this target.	With effect from 1 July 2023, Alison Littley took on the role of Senior Independent Director, which meant that this target was met from that point. Going forward, the intention is to take this target into consideration as part of succession planning.
At least one member of the Board is from a minority ethnic background (which is defined by reference to categories recommended by the UK Office for National Statistics).	No Board members meet this target.	The Board continues to take ethnic diversity into account when considering appointments, as per its Diversity Policy, whilst noting it will continue to consider diversity of the Board and the Group as a whole based on our global footprint and operations, in a way which is best aligned with our growth agenda. Being an international company, we naturally reflect many different nationalities in the Board and senior management. This is a valuable input to ensure different cultures are represented within decision makers, warding against groupthink.

TABLE 1: REPORTING TABLE ON SEX/GENDER REPRESENTATION

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Men	4	80%	3	3	60%
Women	1	20%	1	2	40%
Not specified/prefer not to say	n/a	–	–	–	–

NOMINATION COMMITTEE REPORT
CONTINUED

TABLE 2: REPORTING TABLE ON ETHNICITY REPRESENTATION

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority White groups)	5	100%	4	5	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic groups, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Notes to the tables:
1 Data collection of the Board undertaken as part of our regular year end data collection.
2 The Board were provided with the categories above and asked to advise how they identify.
3 The personal data has been collected once and it will be up to the individual to advise of any change.

Succession planning

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 appropriate plans in place for succession planning for Board members and senior management across the Group.

Induction process summary

Following successful appointment to the Board, new Directors receive a comprehensive and tailored induction program. The induction program facilitates their understanding of the Group, its strategy and the key drivers of business performance. It also gives an opportunity for the Directors to meet key members of the senior management team in the UK and South Africa and undertake site visits. The induction also includes dedicated time with each Board member.

Induction process example – Steve Good

In August 2023, following his appointment as Board Chair, Steve Good completed an eight-day induction with the Group. This included a visit to each of the seven UK brands and a trip to our brands in South Africa, including store visits to our Tile Africa stores. The induction also included an introduction to senior leadership, strategy and the Group's values and culture.

STEVE GOOD
Chair of the Nomination Committee

12 June 2024

“The Board seeks to maintain an appropriate balance of skills, knowledge, diversity and experience in order to effectively govern and to further the Group's strategic objectives.”

STEVE GOOD
Chair

Q & A
with Steve Good, our new Chair

Q As the new Chair, what were your initial observations about Norcros?

A I was drawn to the business for three key reasons:

1. It is a really attractive business, with excellent market position, great brands and outstanding design and customer service;
2. The ability of the business to drive value and scale through a balanced growth agenda; and
3. The people. The people in Norcros have ambition, motivation, enthusiasm and enormous talent to pursue the opportunities and deliver them.

Since joining Norcros, every interaction I have had has reinforced these observations.

Q Where do you see the biggest opportunities?

A Norcros has a clear growth strategy, which can build on the resilience and performance of our existing business. The Executive management team and all the people throughout the Group are clearly passionate about their work and driven towards continuous improvement.

Q The Board appointed Rebecca DeNiro as an additional Non-executive Director starting 1 July 2024 – why was the decision made to bring in an additional Director?

A The Board is committed to ensuring that high standards of corporate governance are maintained and values a breadth of experience and perspectives. Rebecca DeNiro has a wealth of relevant experience in consumer brands such as Dyson and Regatta and will further strengthen our Board and help support Norcros' ambitious growth plans.

REMUNERATION COMMITTEE REPORT

Attracting and retaining top talent with remuneration that is consistent and fair

ALISON LITTLEY

Chair of the Remuneration Committee

Other members:

- Steve Good
- Stefan Allanson

Meetings held:

The Committee met four times during the year.

Key activities for 2024:

- Secured strong support at the 2023 Annual General Meeting for the Directors' remuneration policy (96.7% in favour)
- Ensured that the implementation of pay policies meets the Group's objectives

Areas of focus for 2025:

- Setting targets for Executive remuneration that align to the Group's business strategy
- Reviewing wider workforce remuneration and related policies

Role of the Remuneration Committee

The main responsibilities of the Remuneration Committee (the Committee) are:

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

Dear shareholders,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2024.

The Committee continues to review the Group's approach to remuneration, to ensure it is:

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

Following last year's triennial review of the Executive Directors' remuneration policy and the leadership transition at the start of the year, the Committee's focus over the past 12 months has been on ensuring that the implementation of our pay policies across the Group continue to meet the objectives outlined above. I hope this Report clearly explains how we have carried out these activities for the year in review, in addition to the current financial year.

Directors' remuneration policy

The Committee welcomed shareholders' strong support at the 2023 Annual General Meeting for the resolution to approve the Directors' remuneration policy. 96.7% of votes were cast in favour of our proposed policy, which came into effect from the date of the 2023 Annual General Meeting, and included two changes:

- Raising the Approved Performance Share Plan (APSP) award limit from 100% to 150% of salary for the Chief Executive Officer, and to 125% of salary for the Chief Financial Officer.
- Permitting non-financial measures to be introduced to the APSP scorecard. Such flexibility, if used, is capped at 25% of the APSP award opportunity.

The changes were proposed in order to retain an appropriate degree of flexibility for the Committee to evolve its approach over time, thus ensuring it could continue to appropriately incentivise the delivery of the Group's short and longer-term strategy. Accordingly, no changes to the policy are being proposed at this year's Annual General Meeting.

The performance context for remuneration in the year

As reported earlier in this Annual Report, performance outcomes for the year in review include:

- strong execution of strategy;
- full year revenue of £392.1m (2023: £441.0m), 11.1% lower than prior year on a reported basis and 6.0% lower on a constant currency like for like basis after adjusting for Grant Westfield and Norcros Adhesives;
- underlying operating profit of £43.2m, 8.7% lower than prior year (2023: £47.3m);
- the strategic review of the Johnson Tiles UK business; and
- demonstrated resilience of the Group's business model.

Despite the challenging market conditions faced during the year ended 31 March 2024, the Group's underlying business performance remains robust. This is testament not only to the commitment and contribution of all of our people, but also the leadership style and quality of our Chief Executive Officer and Chief Financial Officer, which underpins continued progress in the delivery of our strategy.

Remuneration for the year in review

Whilst revisions to the policy were approved at last year's Annual General Meeting, we made no changes to our approach when implementing the policy in the year ended 31 March 2024 compared to previous practice.

Annual bonus

Notwithstanding the continued robust performance summarised above, the challenging operating profit threshold set for the annual bonus was not achieved, resulting in no bonus being payable to the Executive Directors in respect of the year ended 31 March 2024. In keeping with our normal practice, the Committee reviewed the outcome in the context of the Group's broader underlying performance and the experience of other stakeholder groups. Following the review, the Committee concluded not to exercise any discretion to revise the outcome.

2021 APSP

2021 APSP awards were made in July 2021 and subject to a three-year aggregate earnings per share (EPS) performance target (as detailed on page 164). The EPS performance condition for the 2021 APSP awards was achieved at 49.3% of maximum. The Committee reviewed the result in the context of all relevant factors, before approving the formulaic vesting outcome. Whilst 2021 APSP awards do not vest until July 2024, the Committee is presently satisfied that no windfall gains have arisen on these awards, noting in its assessment that the Company's share price, which continues to be impacted by external market conditions, remains below the grant date share price. The Committee's assessment of windfall gains will be reviewed again at the time of vesting.

2023 APSP

Awards for the year in review were made in July 2023 and challenging EPS targets set (see page 165 for further details).

Remuneration for the year to 31 March 2025

The workforce context

The Committee's decision making in relation to Executive Director remuneration continues to be informed by the Group's workforce remuneration practices and the decisions taken by management in this regard. This year, the Committee has been particularly mindful of the impact on the workforce of the inflationary environment and associated cost of living pressures. In this context, the Committee supported the decision by management to budget for a material cost of living increase, of circa 4.5% on average across the Group, and to taper this through the organisation with the highest percentage increases being awarded to our lowest paid colleagues. This approach is considered to remain fair and appropriately reflect the current economic conditions and their asymmetric impact on different organisational levels of the Group.

The Executive Directors

The Committee keeps its approach to implementation of the policy under review, in the context of wider business performance and the stakeholder experience. The approach we have resolved to adopt for the year ending 31 March 2025 is as follows:

Base salary

Thomas Willcocks was appointed Chief Executive Officer effective 1 April 2023. His salary on appointment was set at £420,000, an 11.8% discount to his predecessor, to balance his significant previous experience of Norcros with the promotion to his first FTSE Board role. The Committee disclosed in last year's Remuneration Report its intention to keep under review the salary level in the context of Thomas' development and performance in the role, and increase it over time, by more than the workforce average, if necessary, to an appropriately competitive level commensurate with his performance and contribution.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT
CONTINUED

Despite a challenging demand environment, Group performance in the year ended 31 March 2024 has been robust across a number of key financial and operational measures. It is the Committee's assessment that Thomas has shown significant development in his role as Chief Executive Officer over the past 12 months; he has also been instrumental in delivering outcomes in line with expectations through ongoing portfolio management and executing against our strategic priorities. In this context, the Committee would ordinarily be proposing to increase the Chief Executive Officer's salary in line with the intention set out in last year's report. However, with input from Thomas, the Committee concluded not to proceed with a salary increase above the wider workforce average at the current time in light of the impact on the results of our South African business of the particularly challenging conditions in that market, and acknowledging the cost of living pressures which many colleagues continue to face. Accordingly, Thomas has been awarded a 4% salary increase (to £436,800) effective 1 April 2024, below the average awarded across the wider workforce. However, it remains the Committee's intention to award higher salary increases to Thomas in future years to position his salary at an appropriately competitive level over time, subject to his and the Group's sustained performance.

As disclosed last year, the Committee implemented the second stage of an adjustment to the base salary for James Eyre, our Chief Financial Officer. With effect from 1 April 2023, this was increased to £320,000. Following this planned adjustment, the Committee resolved to increase his base salary by 4% to £332,800 with effect from 1 April 2024. The adjustment, which is below the average increase awarded across the wider workforce, recognises James' continued strong performance and contribution to the Group.

Pension and benefits

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

Annual bonus

No changes are being proposed to the annual bonus opportunity, which will remain 100% of salary for the current financial year. However, in keeping with its approach to keep under regular review the design of the incentive scorecards, the Committee has resolved to introduce working capital to the bonus scorecard. This measure will be weighted 20%, to balance the existing focus on profit performance (through continued use of underlying operating profit, to be weighted 80%) with a focus on operational efficiency. To the extent that they are not considered commercially sensitive at the time, targets will be disclosed retrospectively in next year's Remuneration Report. No other changes are proposed to the operation of the annual bonus for the current financial year.

APSP

For the year ending 31 March 2025, the Committee proposes to use a proportion of the APSP headroom introduced to the policy last year. The Chief Executive Officer's award opportunity is being increased to 115% of salary, within the policy limit of 150% of salary, and the Chief Financial Officer's award opportunity to 110% of salary, within the policy limit for this role, of 125% of salary. The increases in APSP opportunity are intended to recognise the Executive Directors' continued development and valued contribution in the year in review, through that part of the package which is contingent on delivery of the Group's longer-term strategy and aligned most closely with shareholders' interests over the next five years, as covered by the APSP's performance and mandatory post-vesting holding periods.

The APSP awards to be granted in 2024 will be based 100% on three-year EPS growth, with final vesting also subject to an assessment of the quality of earnings by reference to the Group's return on capital employed performance. The targets attaching to the 2024 APSP cycle will continue to be set to be stretching, taking into account the award opportunity when doing so to help ensure that pay outcomes are commensurate with performance outturns. The rationale for this approach was explained in last year's report, and will be kept under review for future APSP cycles. It is the Committee's intention to continue to evolve our APSP scorecard design, to ensure that this continues to reinforce appropriately the key drivers and measures of success for the Group and our stated medium-term goals for these.

Shareholding guidelines

A commensurate increase will be made to the shareholding guideline applicable to each Executive Director (to 115% of salary for the Chief Executive Officer, and to 110% of salary for the Chief Financial Officer).

The Board Chair

The Committee is also responsible for setting the remuneration of the Board Chair. In doing so, it adopts a consistent set of principles to those for executive and workforce remuneration. From 1 April 2024, the Committee has resolved to increase the Board Chair's fee by 4%, to £155,324 per annum.

Concluding remarks

On behalf of the Committee, we hope that we can count on your support for the resolution to approve this Directors' Remuneration Report at the 2024 Annual General Meeting, where I will be available to answer any questions in relation to this Report.

ALISON LITTLEY
Chair of the Remuneration Committee

12 June 2024

DIRECTORS' REMUNERATION POLICY REPORT

Remuneration disclosure

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure Guidance and Transparency Rules. In this report, we describe how the principles of good governance relating to Directors' remuneration, as set out in the 2018 UK Corporate Governance Code (the Code), are applied in practice. The Remuneration Committee confirms that throughout the financial year the Group has complied with these governance rules and best practice provisions set out in the Code.

Directors' remuneration policy

This section of the Report sets out the remuneration policy for Executive Directors and Non-executive Directors, as approved by shareholder vote at the 2023 Annual General Meeting. 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 2026 Annual General Meeting.

Executive Director remuneration policy table

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

Assessment of policy against the 2018 UK Corporate Governance Code

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

CLARITY:	The Committee believes that the disclosure of the remuneration arrangements is transparent with clear rationale provided on its maintenance and any changes to policy. The Committee remains committed to consulting with shareholders on the policy and its implementation.
SIMPLICITY:	The policy and the Committee's approach to implementation are simple and well understood. The performance measures used in the incentive plans are well aligned to the Group's strategy.
RISK:	The Committee has ensured that remuneration arrangements do not encourage and reward excessive risk taking by setting targets to be stretching and achievable, with discretion to adjust formulaic bonus and APSP outcomes retained by the Committee to ensure pay outcomes remain aligned with performance outturns.
PREDICTABILITY AND PROPORTIONALITY:	The link of the performance measures to strategy and the setting of targets balances predictability and proportionality by ensuring outcomes do not reward poor performance.
CULTURE:	The policy is consistent with the Group's culture as well as strategy, therefore driving behaviours that promote the long-term success of the Company for the benefit of all stakeholders.

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

DIRECTORS' REMUNERATION POLICY REPORT
CONTINUED

Component and objective	Operation	Opportunity	Performance measures
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.	Executive Directors receive a Company contribution in line with the employer contribution available for the wider workforce in the relevant market.	n/a
BENEFITS Provision of benefits in line with the market	Executive Directors are provided with a company car (or a cash allowance in lieu thereof) and private 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 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 25% of the total opportunity). Details of the measures on which the bonus will be based shall be disclosed in the relevant Annual Report on Remuneration. 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 provided in the Annual Report on Remuneration.

Component and objective	Operation	Opportunity	Performance measures
APPROVED PERFORMANCE SHARE PLAN (APSP) To incentivise Executive Directors to deliver long-term performance that is aligned with shareholders' interests	APSP awards comprise annual conditional awards of nil-cost options following the announcement of the Group's final results. Awards normally vest after three years, subject to the achievement of a performance condition and continued employment with the Group until the vesting date. To the extent an award vests, Executive Directors will be required to hold net vested shares for an additional holding period of two years. A payment equivalent to the dividends that would have accrued on APSP awards that vest will be made to participants on vesting. APSP awards are also subject to malus over the vesting period and clawback over the holding period (in both cases in whole or in part) in the event of a material misstatement in accounting records, gross misconduct, calculation error or corporate failure.	Maximum opportunities: CEO – 150% of base salary. CFO – 125% 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 Group performance over a three-year period. Any non-financial measures will have a maximum aggregate weighting of 25% of the opportunity. 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. 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 changes to the performance measures attaching to future cycles 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.
SAVE AS YOU EARN (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

DIRECTORS' REMUNERATION POLICY REPORT
CONTINUED

Component and objective	Operation	Opportunity	Performance measures
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. Executive Directors will normally be required 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 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.

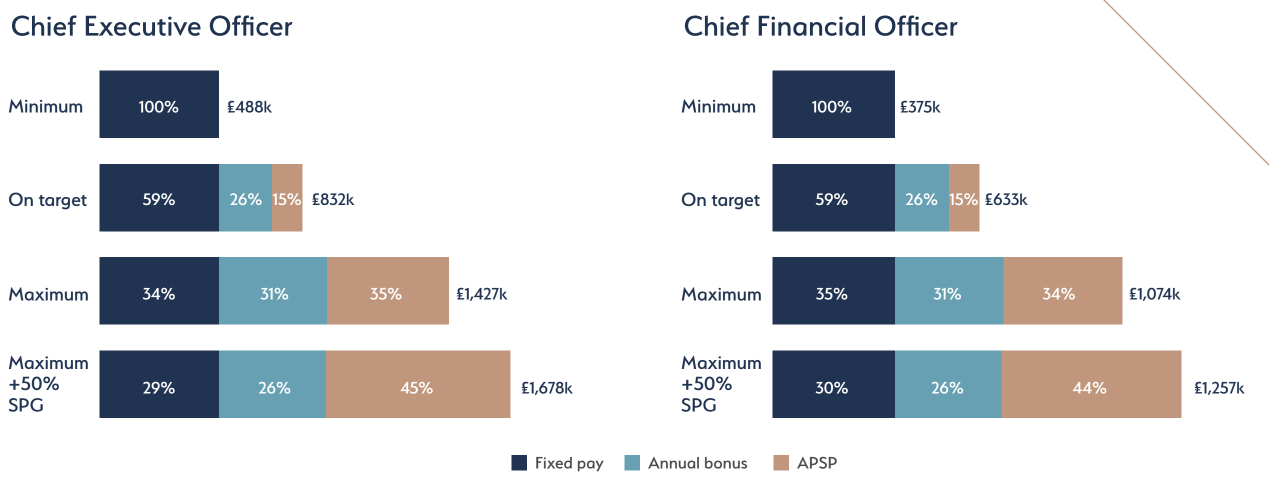
PERFORMANCE MEASURE SELECTION AND APPROACH TO TARGET SETTING
The measures used in the annual bonus will be selected by the Committee to directly reinforce our medium-term growth-orientated strategy (see pages 26 to 29 for further details of the strategy; details of the measures selected for use in the bonus for the year in review and for the coming year are set out in the Annual Report on Remuneration). For the APSP, the Committee shall select measures that are transparent, objective and effective measures of performance that are in the long-term interests of all of our shareholders (further details of the APSP measures are set out in the Annual Report on Remuneration).

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

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

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

Performance scenario charts



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

The potential opportunities illustrated above are based on the current remuneration policy applied to base salaries at 1 April 2024. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 March 2025. It should be noted that any bonus deferred into the DBP and APSP awards does not normally vest until the third anniversary of the date of grant. This is intended to illustrate the relationship between executive pay and performance. The values of the DBP and APSP assume no increase in the underlying value of the shares (except the APSP value under the "Maximum + 50% SPG" scenario) and actual pay delivered will further be influenced by changes in factors such as the Group's share price and the value of dividends paid.

Valuation assumptions

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

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

The "Maximum" scenario reflects fixed remuneration, plus full payout under all incentives (100% of salary under the annual bonus and full vesting of the APSP opportunity to be awarded in the year ending 31 March 2025).

The "Maximum + 50% SPG" scenario reflects fixed remuneration, plus full payout under all incentives (as described above). The value of the APSP additionally reflects 50% SPG.

DIRECTORS' REMUNERATION POLICY REPORT

CONTINUED

Approach to Executive Director recruitment and remuneration

External appointment

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

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

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

The Committee's policy for Directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements.

Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Committee on a case-by-case basis taking into account the circumstances of the termination. Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Committee on the same basis. The Committee will monitor and, where appropriate, enforce the Directors' duty to mitigate loss. When the Committee believes that it is essential to protect the Group's interests, additional arrangements may be entered into (for example post-termination protections above and beyond those in the contract of employment) on appropriate terms.

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

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

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

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

DIRECTORS' REMUNERATION POLICY REPORT
CONTINUED

Reason for cessation	Calculation of vesting/payment	Timing of payment/vesting
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.	At the normal vesting date, unless the Committee, in its absolute discretion, determines otherwise.
Death	Unapproved option awards vest in full but may be subject to the application of the performance conditions attached to them. Approved option awards are pro-rated for time and performance to that date.	Immediately.
Change of control	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. However, as part of its broader remit, the Committee has detailed oversight of, and is invited to input on, workforce remuneration policies and practices to help ensure these are underpinned by, and implemented to reinforce, a consistent set of values and principles.

Consideration of shareholder views

The Committee considers shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping remuneration policy and in its implementation. 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 Annual General Meeting.

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

Non-executive Director[1]	Date of appointment	Notice period
Steve Good	1 July 2023	1 month
Alison Littley	1 May 2019	1 month
Stefan Allanson	1 January 2023	1 month

1 Rebecca DeNiro will join as a Non-executive Director on 1 July 2024.

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

Component and objective	Operation	Opportunity	Performance measures
FEES To attract and retain Non-executive Directors of the highest calibre with broad commercial experience relevant to the Group	The fee paid to the Chair is determined by the Committee, excluding the Chair. The fees paid to the other Non-executive Directors are determined by the Chair and the Executive Directors. Fee levels are reviewed periodically, with any adjustments effective 1 April. Fees are reviewed by taking into account external advice on best practice and fee levels at other FTSE companies of broadly similar size and sector to Norcros. Time commitment and responsibility are also taken into account when reviewing fees.	Aggregate fees are limited to £750,000 p.a. by the Group's Articles of Association. Fee increases will be applied taking into account the outcome of the review. The fees paid to Non-executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.	n/a

Approach to Non-executive Director recruitment remuneration

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

ANNUAL REPORT ON REMUNERATION

The following section provides details of how our 2023 policy was implemented during the year ended 31 March 2024 and will be implemented in the year ending 31 March 2025.

Remuneration Committee membership in the year ended 31 March 2024

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)
- Stefan Allanson
- David McKeith (until 26 July 2023)
- Steve Good (from 1 July 2023)

All members of the Committee are independent. They serve on the Committee for a minimum three-year term and a maximum of nine years, provided the Director remains independent. As part of an effectiveness review for the entire Board, an evaluation of the Remuneration Committee was undertaken in the year to 31 March 2024. We are pleased to report this review concluded that the Committee continues to operate effectively. The Committee has used this evaluation process to help it identify specific areas of focus for the year ahead, as set out in the Remuneration Committee Report on page 150.

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 four times during the year. Attendance by individual members at meetings is detailed on page 131.

Main activities of the Committee during the year ended 31 March 2024

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;
- finalising the 2023 Directors' remuneration policy;
- determining the annual bonus outcome for the year ended 31 March 2023;
- setting operating profit targets for the annual bonus for the year ended 31 March 2024;
- calibrating EPS targets for, and granting of, 2023 APSP awards;
- reviewing developments in remuneration governance;
- reviewing and setting the fees payable to the Board Chair; and
- reviewing the pay policies and practices for the wider workforce.

Advisors

During the year under review, the Committee sought independent advice from Ellason LLP. Ellason was appointed in 2021 after the Committee's lead advisor moved to Ellason. Ellason is a member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In the year to 31 March 2024, Ellason provided the following services:

	Services provided	Fees (excl. VAT)
Ellason	Guidance on developments in remuneration governance and market trends (and implications for Norcros), remuneration benchmarking for annual review, Remuneration Report drafting support and general support to the Committee throughout the year on remuneration related matters.	£21,704

Ellason does not provide other services to the Company or its Directors and the Committee is satisfied that the advice it receives is independent.

Summary of shareholder voting at the Annual General Meeting

The following table shows the results of the advisory vote on the 2023 Annual Report on Remuneration at the 2023 Annual General Meeting, and the binding vote on the remuneration policy at the 2023 Annual General Meeting:

	Annual Report on Remuneration (2023 AGM)		Remuneration policy (2023 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	72,058,521	98.54%	70,719,065	96.69%
Against	1,070,308	1.46%	2,418,167	3.31%
Total votes cast (excluding withheld votes)	73,128,829	100.00%	73,137,232	100.00%
Votes withheld	1,988		6,808	
Total votes (including withheld votes)	73,130,817		73,144,040	

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 ended 31 March 2024, together with comparative figures for the year ended 31 March 2023. 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.

	Thomas Willcocks[7]		James Eyre	
	2024 £	2023 £	**2024 £**	2023 £
Base salary[1]	**420,000**	–	**320,000**	290,000
Taxable benefits[2]	**16,201**	–	**15,720**	12,720
Annual bonus[3]	**–**	–	**–**	93,670
Share-based payments[4]	**63,515**	–	**96,068**	82,304
Post-employment benefit[5]	**33,600**	–	**25,600**	23,200
SAYE[6]	**–**	–	**3,274**	–
Total fixed	**469,801**	–	**361,320**	325,920
Total variable	**63,515**	–	**99,342**	175,974
Total	**533,316**	–	**460,662**	501,894

1 Base salaries for 2024 reflect the amounts disclosed and explained in last year's Directors' Remuneration Report.

2 Taxable benefits consist of car allowance (Thomas Willcocks – 2024: £15,000, 2023: £nil; and James Eyre – 2024: £15,000, 2023: £12,000) and private medical insurance.

3 No bonus is payable for the year ended 31 March 2024. See "Annual bonus in respect of performance in the year ended 31 March 2024" overleaf for further details. Annual bonus in 2023 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.

4 For 2024, the APSP value reflects the estimated value of APSP awards granted in July 2021, of which 49.3% will vest to Thomas Willcocks and James Eyre on 21 July 2024 (equivalent to 29,528 shares and 44,662 shares, respectively). Thomas Willcocks and James Eyre were not Executive Directors at the time these awards were granted and, as such, the vested shares will not be subject to the usual two-year holding period. The reported values include the dividends expected to be accrued on these awards over the period from grant to the expected vesting date (£8,386 and £12,684, respectively) and are estimated using the three-month average share price to 31 March 2024 of 186.7p. This will be trued up to reflect the vest-date value of awards in next year's Annual Report on Remuneration. None of the 2021 APSP value is attributable to share price appreciation; the share price declined by approximately 35% since the grant date. For 2023, the APSP value for James Eyre of £82,304 reflects the value of APSP awards granted in November 2020, which vested at 98.9% on 23 November 2023. The share price on the vesting date (22 November 2023) was 167.0p.

5 In 2024, pension benefits comprised cash in lieu. See "Total pension entitlements" on page 165 for further details. The pension benefit provided to James Eyre in 2023 comprises cash in lieu.

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

7 Thomas Willcocks was appointed Chief Executive Officer on 1 April 2023.

ANNUAL REPORT ON REMUNERATION
CONTINUED

Incentive outcomes for the year ended 31 March 2024 (audited information)

Annual bonus in respect of performance in the year ended 31 March 2024

The 2024 Annual Bonus Plan was based 100% on Group underlying operating profit performance for the year to 31 March 2024. The maximum annual bonus opportunity for the year was 100% of base salary for the Chief Executive Officer and Chief Financial Officer. Based on the Company's performance in 2024, against the stretching targets set at the start of the year, the Committee determined no 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.)	2024 outturn £m	Bonus (% of max.)
Maximum	50.9	100%		
Target	47.2	50%	41.4[1]	0%
Threshold	45.8	25%		

1 Target was set on a pre-IFRS 16 basis; therefore, the 2024 outturn has been assessed on a similar basis, i.e. underlying operating profit of £41.4m pre-IFRS 16 (reported £43.2m).

In keeping with good practice, the Committee reviewed the formulaic outcome of the annual bonus in the context of business performance and the wider stakeholder experience. The Committee concluded that the outcomes reflect the underlying performance of the Group more generally, and the experience of other stakeholders. Accordingly, no discretion has been exercised in relation to the bonus outcome for the 2024 financial year.

2021 APSP awards vesting

Effective July 2021, APSP awards were granted to Thomas Willcocks (59,895 shares) and James Eyre (90,594 shares). Vesting of these awards was based on Norcros' three-year aggregate diluted underlying EPS to 31 March 2024. Based on performance over the performance period, against the targets originally set, the Committee has determined that these awards will each vest at 49.3% on 21 July 2024, being the end of the relevant three-year vesting period according to the APSP rules. Thomas Willcocks and James Eyre were not Executive Directors at the time the awards were granted and, as such, their vested shares will not be subject to the usual two-year holding period. Performance targets and actual performance against these, as determined by the Committee, are summarised in the table below:

	Aggregate Diluted underlying EPS	% vesting	Norcros' performance	Award vesting (% of APSP award)
Threshold	103.0p	25%		
Maximum	117.5p	100%	107.7p	49.3%

Scheme interests awarded in 2024 (audited information)

2023 DBP

During the year under review, the following DBP award was made to James Eyre (relating to the annual bonus earned for performance over the year to 31 March 2023).

	James Eyre
Basis of award	50% of earned bonus
Grant date	26 July 2023
Number of nil-cost options granted	27,550
Grant-date share price (p)	170.0
Grant-date face value (£)	46,835
Normal vesting date	26 July 2026
Performance conditions	None

Thomas Willcocks was not an Executive Director during the year to 31 March 2023. His annual bonus for that year was not subject to deferral.

2023 APSP

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

	Thomas Willcocks	James Eyre
Basis of award	100% of base salary	100% of base salary
Grant date	26 July 2023	26 July 2023
Number of nil-cost options granted	247,058	188,235
Grant-date share price (p)	170.0	170.0
Grant-date face value (£)	419,999	319,999
Normal vesting date	26 July 2026	26 July 2026
Performance period	1 April 2023–31 March 2026	1 April 2023–31 March 2026
Performance conditions	Three-year aggregate underlying diluted EPS to 31 March 2026 Threshold: 98.7p (25% of element vesting) Maximum: 105.6p (100% of element vesting) Straight-line vesting between these points	Three-year aggregate underlying diluted EPS to 31 March 2026 Threshold: 98.7p (25% of element vesting) Maximum: 105.6p (100% of element vesting) Straight-line vesting between these points
Holding period	26 July 2026–26 July 2028	26 July 2026–26 July 2028

2023 SAYE

In the year ended 31 March 2024, James Eyre entered into a savings contract under the SAYE scheme. He was granted 13,156 options under a SAYE savings contract that had an embedded value at the date of grant of £3,274.

Total pension entitlements (audited information)

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

During the year, Thomas Willcocks elected to take a taxable pension allowance of £33,600 (2023: £nil) with no amounts paid directly into a pension scheme (2023: £nil). James Eyre elected to take a taxable pension in the year of £25,600 (2023: £23,200) with no amounts paid directly into a pension scheme (2023: £nil). In line with the Regulations, the single figure table reflects the total of these amounts. Thomas Willcocks and James Eyre are not members of the UK defined benefit scheme.

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 2024 and the prior year:

	Total fee 2024 £	2023 £
David McKeith[1]	**49,783**	73,333
Steve Good[2]	**103,772**	–
Alison Littley	**59,998**	56,000
Stefan Allanson[3]	**55,277**	12,250

1 David McKeith acted as Board Chair from 24 January 2023 until 30 June 2023. During this period, he received the Board Chair fee on a pro-rata basis, and did not receive any additional fee for chairing the Audit and Risk Committee, or in his capacity as Senior Independent Director (for which an additional fee of £3,000 p.a. was introduced from 1 April 2022). In addition to the amounts disclosed above, after stepping down at the Annual General Meeting, David McKeith received £3,505 per month for six months for ongoing assistance to the Board.

2 Steve Good was appointed on 1 July 2023 and became Board Chair on 26 July 2023.

3 Stefan Allanson was appointed on 1 January 2023.

ANNUAL REPORT ON REMUNERATION
CONTINUED

Payments to past Directors (audited information)

As previously reported, Nick Kelsall retired with effect from 31 March 2023. He remained an employee until 30 January 2024 and received salary and contractual benefits until that date (the value of which totalled £441,700). Nick Kelsall was not eligible for a bonus in relation to the year ended 31 March 2024. As described in last year's report, he retains interests in APSP awards granted to him in 2021 and 2022. His 2021 APSP award will vest as to 49.3% of maximum in July 2024, through which he will receive 66,498 shares. These remain subject to the two-year post-vesting holding period.

External appointments in the year

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

Percentage change in Director remuneration

The table below shows the annual percentage change in remuneration from 2020 to 2024 for each individual who served as a Director during the year ended 31 March 2024, compared with the percentage change in remuneration for all UK staff employed in continuing operations. Norcros plc has no employees other than the Directors. 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 Sterling). The comparison uses a per capita figure and, accordingly, this reflects an average across the Group's businesses. The impact of operational factors such as new joiners and leavers and the mix of employees is therefore not taken into account.

	Salary or fees[1]				Benefits				Bonus			
	2024	2023	2022	2021	**2024**	2023	2022	2021	**2024**	2023	2022	2021
Executive Directors												
Thomas Willcocks[2]	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
James Eyre	**10.3%**	11.1%	n/a	n/a	**23.6%**	0.1%	n/a	n/a	**(100%)**	(64.2%)	n/a	n/a
Non-executive Directors												
Alison Littley	**7.1%**	17.5%	8.4%	(5.0%)	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
David McKeith[3]	**103.7%**	(27.0%)	129.8%	(5.0%)	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Stefan Allanson[4]	**12.8%**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Steve Good[5]	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Average of other employees	**14.0%**	2.8%	13.0%	(3.6%)	**(11.0%)**	(8.6%)	4.0%	6.7%	**55.0%**	(27.0%)	(18.8%)	n/a

1 Salary and fee figures are annualised for this comparison. Note that individuals who were Directors during the period under review, but not at any point during the year ended 31 March 2024, have not been included. The percentage changes in their remuneration for prior years (and in which they were a Director) are disclosed in relevant previous Annual Report and Accounts.
2 Thomas Willcocks was appointed as Chief Executive Officer on 1 April 2023, therefore the annual percentage change in remuneration is not applicable.
3 David McKeith acted as Board Chair from 15 April to 8 December 2021 and from 24 January 2023 until 30 June 2023. The annual percentage change in his remuneration reflects the payment of additional fees to reflect these periods of additional responsibility. The percentage change for 2024 is based on an annualised fee for 2024.
4 Stefan Allanson joined the Board during the 2023 financial year. The percentage change for 2024 is based on an annualised fee for 2023.
5 Steve Good was appointed Chair on 1 July 2023, therefore the annual percentage change in remuneration is not applicable.

Relative importance of spend on pay

The table below shows shareholder distributions and Norcros' expenditure on total employee pay for the year under review and the prior year, and the percentage change year on year.

	2024 £m	2023 £m	% change
Dividends (i.e. total payments made in year)	**9.1**	9.2	(1.1%)
Dividend per share (i.e. total dividend per share in pence in respect of year)	**10.2p**	10.2p	0%
Total staff costs[1]	**75.8**	76.9	(1.0%)

1 Total staff costs in 2023 include the staff costs of Grant Westfield since the date of acquisition.

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 163), to that of the total remuneration of full-time equivalent UK employees at the 25th percentile, median and 75th percentile. The required information is set out in the table below:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024	**Option B**	**1:23.2**	**1:16.9**	**1:13.6**
2023	Option B	1:49.7	1:41.2	1:28.2
2022	Option B	1:37.6	1:35.4	1:20.3
2021	Option B	1:36.2	1:30.5	1:19.9
2020	Option B	1:27.8	1:27.3	1:15.6

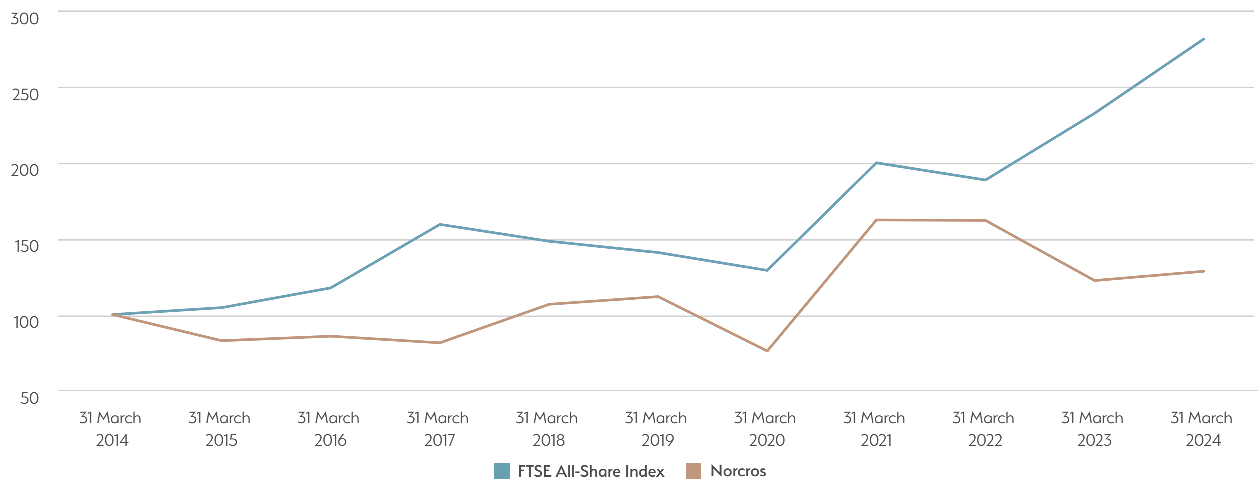
		CEO pay £	P25 pay £	P50 pay £	P75 pay £
2024	**Total remuneration**	**533,316**	**22,951**	**31,500**	**39,326**
	Base salary	**420,000**	**21,684**	**30,000**	**37,100**
2023	Total remuneration	1,125,035	22,641	27,293	39,947
	Base salary	476,000	21,372	25,994	38,045
2022	Total remuneration	865,789	23,025	24,450	42,720
	Base salary	388,470	21,000	23,000	38,150
2021	Total remuneration	815,581	22,505	26,772	41,080
	Base salary	358,297	22,500	26,772	40,600
2020	Total remuneration	561,776	20,173	20,543	36,009
	Base salary	377,155	19,329	19,752	35,000

The 25th percentile, median and 75th percentile figures used to determine the above ratios were selected by reference to the hourly pay figures for the Group's UK workforce, taken from its gender pay gap statistics for the relevant year and from these identifying the three employees who are at each relevant percentile. 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 2024 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 year on year trend of pay ratios for each percentile is that the ratios have decreased. This is due to a greater decrease in the value of variable elements of the CEO's remuneration, which comprise a higher percentage of the total package than for the employees at P25, P50 and P75.

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 2014)



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

CEO single figure of remuneration (£000)

Incumbent	2015 Nick Kelsall	2016 Nick Kelsall	2017 Nick Kelsall	2018 Nick Kelsall	2019 Nick Kelsall	2020 Nick Kelsall	2021 Nick Kelsall	2022 Nick Kelsall	2023 Nick Kelsall	**2024 Thomas Willcocks**
Total remuneration	£1,161,288	£928,764	£1,025,158	£971,710	£970,860	£561,776	£815,581	£865,789	£1,125,035	**£533,316**
Annual bonus (as a % of max. opportunity)	69%	81%	68%	50%	61%	–	100%	100%	32%	**0%**
APSP vesting (as a % of max. opportunity)	99%	100%	100%	100%	58%	26%	–	–	99%	**49%**

Implementation of Executive Director remuneration policy for the year to 31 March 2025

The Remuneration Committee conducted a thorough review of Executive Directors' remuneration, effective 1 April 2024. The results of this review are as follows:

Base salary

As described in the annual statement prefacing this report, the Committee resolved to award inflationary salary increases of 4% (below the wider workforce average of 4.5%) to each of Thomas Willcocks and James Eyre. Effective 1 April 2024, base salaries are £436,800 and £332,800 for Thomas and James, respectively.

Pension

Both Executive Directors continue to receive a pension contribution, or allowance in lieu, of 8% of salary, in line with the employer contribution available for the wider UK workforce.

Benefits

Other benefits consist of car allowance of £15,000 and private medical insurance.

Annual bonus

The annual bonus opportunity for Executive Directors will remain unchanged for the 2025 financial year with a maximum bonus opportunity of 100% of salary. The bonus outcome for Executive Directors will continue to be based primarily on Group underlying operating profit (to be weighted 80% of the opportunity), with working capital being introduced to the bonus scorecard for this year (weighted 20%), to balance the existing focus on profit performance with a focus on operational efficiency. Of any bonus earned, 50% will be deferred into nil-cost options for a further three years under the DBP. Annual bonus targets will be disclosed in next year's Annual Report on Remuneration, subject to these no longer being considered by the Board to be commercially sensitive.

APSP

APSP awards will be made in the 2025 financial year to the Executive Directors, with face values of 115% of salary for Thomas Willcocks, and 110% of salary for James Eyre. The rationale for this evolution in our approach is explained at the start of this Remuneration Report. Vesting of these awards will be subject to the achievement of suitably stretching EPS targets in accordance with the remuneration policy, and a discretionary assessment by the Committee of the quality of earnings over the performance period by reference to the Group's return on capital employed performance. For this cycle and going forward, the Committee has resolved to set three-year EPS targets on a point-to-point basis rather than in aggregate terms. This approach is considered to better mitigate the unintended impact on multiple award cycles of volatility in external market conditions, ensuring that the APSP remains a credible incentive and reinforces delivery of our stated growth ambitions over time. To the extent an award vests, vested shares will be subject to a further two-year holding period. The targets (along with other relevant details of this grant) will be disclosed in next year's Annual Report on Remuneration.

SAYE

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

Implementation of Non-executive Director remuneration policy for the year to 31 March 2025

The Committee reviewed the Board Chair's fee, and resolved to award an inflationary increase of 4% for the 2025 financial year. The Board Chair and the Executive Directors reviewed Non-executive Director fees and concluded to implement similar inflationary increases (in line with those awarded to other Board roles, and below the wider workforce average), as set out below. Accordingly, for the 2025 financial year, Non-executive Director fees will be as follows:

Non-executive Director	**Fee at 1 April 2024**	Fee from 1 April 2023	Percentage increase
Board Chair (determined by the Committee)	**£155,324**	£149,350	4.0%
Non-executive Director	**£52,488**	£50,470	4.0%
Additional fee for acting as Senior Independent Director	**£3,213**	£3,090	4.0%
Additional fee for chairing Audit and Risk or Remuneration Committees	**£7,498**	£7,210	4.0%

Executive Director shareholdings (audited information)

The table below shows the shareholding of each Executive Director and their respective shareholding requirement as at 31 March 2024:

		Options held					
	Shares owned	Vested but not exercised	Unvested and subject to performance	Unvested but not subject to performance	Shareholding guideline % of salary	% current holding	Requirement met?
Thomas Willcocks	74,352	–	392,962	–	100%	30%	Building
James Eyre	84,986	–	411,856	80,600	100%	45%	Building

Current shareholding is based on shares owned outright and valued using the average share price over the 12 months ended 31 March 2024 of 169.9p.

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 2023	Granted in 2024	Vested in 2024	Exercised in 2024	Lapsed in 2024	**Shares under option 31 March 2024**
Thomas Willcocks	**APSP**	25.11.20	25.11.23	25.11.30	–	68,767	–	–	(68,010)	(757)	**–**
		21.07.21	21.07.24	21.07.31	–	59,895	–	–	–	–	**59,895**
		19.07.22	19.07.25	19.07.32	–	86,009	–	–	–	–	**86,009**
		26.07.23	26.07.26	26.07.33	–	–	247,058	–	–	–	**247,058**
					Total	**214,671**	**247,058**	**–**	**(68,010)**	**(757)**	**392,962**
James Eyre	**DBP**	19.07.22	19.07.25	19.07.32	–	39,894	–	–	–	–	**39,894**
		26.07.23	26.07.26	26.07.33	–	–	27,550	–	–	–	**27,550**
					–	**39,894**	**27,550**	**–**	**–**	**–**	**67,444**
	APSP	25.11.20	25.11.23	25.11.30	–	42,590	–	–	(42,121)	(469)	**–**
		21.07.21	21.07.24	21.07.31	–	90,594	–	–	–	–	**90,594**
		19.07.22	19.07.25	19.07.32	–	133,027	–	–	–	–	**133,027**
		26.07.23	26.07.26	26.07.33	–	–	188,235	–	–	–	**188,235**
					Total	**266,211**	**188,235**	**–**	**(42,121)**	**(469)**	**411,856**
	SAYE	23.12.20	01.03.24	01.09.24	164p	10,975	–	–	(10,975)	–	**–**
		22.12.23	01.02.27	01.08.27	141p	–	13,156	–	–	–	**13,156**
					Total	**10,975**	**13,156**	**–**	**(10,975)**	**–**	**13,156**

ANNUAL REPORT ON REMUNERATION
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Performance	% vesting	March 2023 EPS[1] 25.11.20 award	Three-year aggregate EPS targets 21.07.21 award	Three-year aggregate EPS targets 19.07.22 award	Three-year aggregate EPS targets 26.07.23 award
Threshold	25%	28.2p	103.0p	126.4p	98.7p
Maximum	100%	37.5p	117.5p	144.3p	105.6p

1 Based on outcome of final year (year to 31 March 2023). Threshold of 28.2p represents 0% vesting.

Shareholder dilution

The Group's share incentive plans operate in line with the Investment Association's Principles of Remuneration, 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 2024 was 3.6% for the all schemes limit and 0.9% for executive schemes.

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

Director	**31 March 2024 Ordinary shares[1]**	31 March 2023 Ordinary shares
Steve Good	60,000	n/a
Thomas Willcocks	74,352	n/a
James Eyre	84,986	51,007
David McKeith[2]	17,941	17,941
Alison Littley	–	–
Stefan Allanson	–	–

1 Includes shares held by connected persons.
2 Shareholding as at 26 July 2023.

This Report was approved by the Board of Directors on 12 June 2024 and signed on its behalf by:

ALISON LITTLEY
Chair of the Remuneration Committee

12 June 2024

DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2024.

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 mid-premium bathroom and kitchen products with market-leading brands primarily in the UK, Ireland and South Africa.

Accounting reference date

The Company has adopted an accounting period of 52 weeks, and as a result of this, the exact year end date was 31 March 2024. All references to the financial year therefore relate to the 52 weeks commencing on 3 April 2023. In the previous year, the accounting period was 52 weeks, beginning on 4 April 2022 and ending on 2 April 2023.

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 Review and the Strategic Report on pages 18 to 125. Key performance indicators are shown on pages 34 and 35.

The Directors recommend a final dividend for the year ended 31 March 2024 of 6.8p (2023: 6.8p). This follows the decision to pay an interim dividend earlier in the year of 3.4p (2023: 3.4p).

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 550,000 shares during the year (2023: 87,381). At the Company's 2023 Annual General Meeting, the shareholders authorised the Company to make market purchases of up to 8,927,420 ordinary shares. At the forthcoming Annual General Meeting, shareholders will be asked to renew the authority to purchase its own shares for another year. Details are contained in the AGM Notice of Meeting, which is available from the Company's website www.norcros.com.

Employees/fostering business relations

Details of the Group's engagement with, and policies towards, its employees are contained on pages 56 to 66. Details of how the Group fosters good business relations with its suppliers and other business partners are contained on pages 72 and 73 and 118 to 123. 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 128 and 129 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
Steve Good	Chair (from 26 July 2023) Non-executive Director (from 1 July 2023)
David McKeith	Non-executive Director (Acting Chair from 24 January 2023 to 26 July 2023)
Alison Littley	Non-executive Director
Stefan Allanson	Non-executive Director
Thomas Willcocks	Chief Executive Officer
James Eyre	Chief Financial Officer

The interests of the Directors in the shares of the Company at 31 March 2024 and 31 March 2023 are shown on page 170.

Compliance with Listing Rules on diversity

The Company's compliance with Listing Rules LR 9.8.6R(9) and (10), and LR 14.3.33R(1), relating to Board and Executive Management diversity, is disclosed in the Nomination Committee Report on page 147.

Substantial shareholdings

The Company has received notification that the following were interested in voting rights representing 3% or more of the Company's issued share capital at the stated dates:

	% of total voting rights	
Name	31 March 2024	11 June 2024
FIL Ltd	10.00	11.04
J O Hambro Capital Management Ltd	9.89	10.09
Premier Miton Group	9.03	9.03
Canaccord Genuity Group Inc	8.81	8.80
Allianz Global Investors GmbH	4.54	4.54
M&G plc	4.31	4.31
Artemis Investment Management	4.07	4.07

Energy and greenhouse gas emissions reporting

The Board has included emissions data in the Sustainability section on page 77 in order to meet the Company's obligation under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 to disclose the Group's worldwide emissions of the "greenhouse gases" (GHGs) attributable to human activity measured in tonnes of carbon dioxide equivalent.

We have reported on all of the emission sources, being scopes 1, 2 and 3 emissions. These are emissions from activities for which the Group is responsible, emissions resulting from the purchase of electricity, heat, steam or cooling by a business in the Group for its own use, and emissions from the activities from assets not owned or controlled by the Group, but that the Group indirectly affects in its value chain. Also reported are the figures for aggregate energy consumed by the Group, expressed in kWh. We use the ratio of total emissions (measured in tonnes of CO_2e) to the total revenue of the Group (£392.1m) as our chosen intensity measure. This ratio is chosen because it enables us to compare energy use relative to the overall level of business activity in revenue terms, consistently year on year.

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 (2023: £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 136 to 139. 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 106 to 117 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 170.

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

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

DIRECTORS' REPORT
CONTINUED

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.
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 24 July 2024 at Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE. The notice convening that meeting, together with the resolutions to be proposed, are available on request from the Company (info@norcros.com) or from the Company's website (www.norcros.com/investor-centre/shareholder-services/agm). 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

12 June 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with UK-adopted international accounting standards and applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report, which comply with the requirements of the Companies Act 2006.

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

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR 4

The Directors confirm, to the best of their knowledge, that:

- the financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

THOMAS WILLCOCKS
Chief Executive Officer

JAMES EYRE
Chief Financial Officer

12 June 2024

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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 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Norcros plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2024 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 statement of changes in equity and notes to the financial statements, including a summary of material accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by the Directors on 30 July 2020 to audit the financial statements for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ended 31 March 2021 to 31 March 2024. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Directors' conclusions with respect to the disclosures provided around going concern;
- We challenged the rationale for the assumptions utilised in the forecasts, using our knowledge of the business, the sector and wider commentary available from competitors and peers;
- We considered the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis;
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;
- We assessed the facility and covenant headroom calculations, and reperformed sensitivities on management's base case and stressed case scenarios; and
- We reviewed the wording of the going concern disclosures, and assessed its consistency with the directors' assessment of going concern, including underlying management forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	94% (2023: 86%) of Group profit before tax 72% (2023: 96%) of Group revenue 80% (2023: 91%) of Group total assets		
Key audit matters		**2024**	**2023**
	Valuation of pension liabilities	✓	✓
	Impairment of goodwill and intangible assets	✓	✗
	Acquisition accounting	✗	✓
	Acquisition accounting was removed as a KAM in the current year, as there were no acquisitions in the current year. The prior year KAM was related to the acquisition of Grant Westfield.		
Materiality	Group financial statements as a whole £1.3m (2023: £1.6m) based on 5% (2023: 5%) of Profit before tax adjusted for certain non-underlying items and exceptional costs.		

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, Grant Westfield, Croydex and Abode. In South Africa there are four divisions: Johnson Tiles South Africa, TAL, House of Plumbing and Tile Africa.
- Consistent with the group's operations, we scoped our audit at a divisional level. In the UK, full scope audits were performed by the Group engagement team on the significant components, Triton, and the Parent Company. The Grant Westfield full scope audit was performed by a component auditor from another BDO LLP office in Scotland.
- The four South African divisions together with the Merlyn division, whose finance team is based in Ireland, were considered to be significant components and were subject to full scope audits by BDO member firms in South Africa and Ireland respectively.
- The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures by the Group engagement team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

The Group audit team were involved at all stages of the audit process, directing the planning and risk assessment work.

Detailed Group instructions were sent to all component auditors, which included the principal areas to be covered by the audits, materiality levels, significant risks, fraud risks and other significant auditing and accounting matters, and further set out the information to be reported to the Group audit team.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NORCROS PLC
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The Group engagement team attended planning calls with the South Africa, Ireland and Scotland teams where the scope of their audit work and planned audit procedures was discussed, as well as attending planning calls with divisional management at each component. Alongside early planning calls, the Group team also visited South Africa to meet with the component team at the planning stage to ensure the planned audit approach was tailored and risk focused.

The Group engagement team reviewed the audit working papers of the component auditors and attended all completion meetings with the respective divisional management teams following completion of the component audit work.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector;
- Involvement of internal climate-related experts in evaluating management's risk assessment; and
- Review of the minutes of Board and Audit and Risk Committee meetings and performed a risk assessment as to how the impact of the Group's commitment as set out in the Sustainability Report on pages 48 to 89 may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as Statutory Other Information on pages 124 and 125 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of pension liabilities Refer to note 1 - summary of significant accounting policies, key sources of estimation uncertainty and critical judgements in applying the group's accounting policies and also to Note 24 Retirement benefit obligations.	The Group has a defined benefit pension plan with a net scheme asset of £16.5m (2023: £14.9m). 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 £275.0m (2023: £285.0m) 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 performed the following in this area: 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 expert to assist us to benchmark the assumptions applied against comparable third-party data and assessed the appropriateness of the assumptions in the context of the Group's own position. **Key observations:** Based on our audit work, we considered the assumptions used in the calculation of the pension liability were within an acceptable range.
Impairment of goodwill and intangible assets 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 Notes 11 and 12 Goodwill and Intangible Assets.	The Directors are required to undertake an annual assessment of the carrying value of goodwill and intangibles. The impairment reviews performed by management on cash generating units (CGUs) contain a number of judgements and estimates including long term growth rates, forecast cash flows, forecast timeframe, potential impact of climate change factors and discount rates to determine the recoverable amounts on a value in use basis. Therefore, the Directors exercise significant judgement in determining the assumptions used in the impairment annual review.	We performed the following in this area: • Obtained the impairment model and challenged the key assumptions within, such as, the cash generating units (CGUs) allocation, cash flow projections, discount rates and long term growth rates. • Involved our internal valuations expert to review the valuation methodology and support our assessment of the discount rates applied, where the rate is a sensitive variable. • Challenged sensitivity analysis performed by management and where necessary performed further sensitivity assessments. • Considered the appropriateness of the disclosures within the financial statements in line with the requirements of IAS 36. **Key observations:** Based on our audit work, we considered the assumptions used in the impairment calculations were within an acceptable range.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORCROS PLC

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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		Parent company financial statements	
	2024 £m	2023 £m	2024 £m	2023 £m
Materiality	1.3	1.6	0.32	0.48
Basis for determining materiality	5% of Profit before tax adjusted for certain non-underlying items, including exceptional items.	5% of Profit before tax adjusted for certain non-underlying items, including acquisition costs and exceptional items.	Set based on 30% of Group materiality.	Set based on 30% of Group materiality.
Rationale for the benchmark applied	We considered that using this basis for determining materiality was most appropriate based on the underlying trading performance of the Group, eliminating non-recurring items and in the interests of the users of the financial statements.	We considered that using this basis for determining materiality was most appropriate based on the underlying trading performance of the Group, eliminating non-recurring items and in the interests of the users of the financial statements.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.
Performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality
Basis for determining performance materiality	70%, based on our knowledge of the aggregation risk, the control environment and historic misstatement levels.	70%, based on our knowledge of the aggregation risk, the control environment and historic misstatement levels.	70%, based on our knowledge of the aggregation risk, the control environment and historic misstatement levels.	70%, based on our knowledge of the aggregation risk, the control environment and historic misstatement levels.

Parent Company statutory materiality

We set materiality for the statutory audit of the Parent Company at £0.32m (2023: £0.48m) as noted above. This was determined as the most appropriate measure on which to base materiality for the statutory audit of the Parent Company financial statements as the principal activity of the company is that of a holding company. We further applied performance materiality levels of 70% of the statutory materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 25% and 50% (2023: 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 £0.32m to £0.65m (2023: £0.48m to £0.77m). In the audit of each component, we further applied performance materiality levels of 70% (2023: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £39,000 (2023: £48,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2024 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 173; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 117.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 141; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 106; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 139; and • The section describing the work of the Audit and Risk Committee set out on page 140.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORCROS PLC

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Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Corporate governance statement	In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information. In our opinion, based on the work undertaken in the course of the audit, information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules. We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.
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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, those charged with governance and Audit and Risk Committee; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We have considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, the Companies Act 2006 and the Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Health and Safety and the Bribery Act 2010.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit to ensure compliance with tax legislation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, those charged with governance and the Audit and Risk Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Detailed discussion amongst the audit engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORCROS PLC
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Based on our risk assessment, we considered the areas most susceptible to fraud to be posting inappropriate journal entries, management bias in accounting estimates and revenue cut-off within the key revenue streams.

Our procedures in respect of the above included:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- Discussions with management, the Audit and Risk Committee, the Directors and internal legal counsel concerning consideration of known or suspected instances of litigation, non-compliance with laws and regulation and fraud;
- Use of forensic specialists to assist with the risk assessment at the planning stage and to help design appropriate audit procedures to detect material fraud;
- Reviewing minutes of Board meetings throughout the period to corroborate our enquiries and to identify any other matters not already disclosed by management and the Directors;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Group's defined benefit pension scheme liabilities, impairment of goodwill and intangibles and customer rebates and promotional support accruals;
- Testing a sample of revenue transactions around the year end to supporting documentation (including invoice and proof of delivery) for all significant components to assess if the revenue had been recorded in the correct period;
- Identifying and agreeing journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Agreeing the financial statement disclosures to underlying supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the results of their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

GARY HARDING (SENIOR STATUTORY AUDITOR)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK

12 June 2024

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

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2024

	Notes	2024 £m	2023 £m
Continuing operations			
Revenue	2	**392.1**	441.0
Underlying operating profit		**43.2**	47.3
IAS 19R administrative expenses	24	**(1.3)**	(1.6)
Acquisition related costs	5	**(4.3)**	(8.4)
Exceptional operating items	5	**2.3**	(9.8)
Operating profit		**39.9**	27.5
Finance costs	6	**(8.1)**	(6.4)
IAS 19R finance credit	24	**0.8**	0.6
Profit before taxation		**32.6**	21.7
Taxation	7	**(5.8)**	(4.9)
Profit for the year attributable to equity holders of the Company		**26.8**	16.8
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From profit for the year	9	**30.1p**	19.1p
Diluted earnings per share:			
From profit for the year	9	**29.8p**	18.8p
Weighted average number of shares for basic earnings per share (m)	9	**89.0**	88.1
Alternative performance measures			
Underlying profit before taxation (£m)	8	**36.4**	41.8
Underlying earnings (£m)	8	**28.8**	33.5
Basic underlying earnings per share	9	**32.4p**	38.0p
Diluted underlying earnings per share	9	**32.1p**	37.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2024

	Notes	2024 £m	2023 £m
Profit for the year		**26.8**	16.8
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the Income Statement			
Actuarial losses on retirement benefit obligations	24	**(1.4)**	(5.6)
Items that may be subsequently reclassified to the Income Statement			
Cash flow hedges – fair value gain/(loss) in year	21	**1.0**	(2.9)
Foreign currency translation of foreign operations		**(5.3)**	(8.3)
Other comprehensive expense for the year		**(5.7)**	(16.8)
Total comprehensive result for the year attributable to equity holders of the Company		**21.1**	–

Items in this statement are disclosed net of tax.

CONSOLIDATED BALANCE SHEET

At 31 March 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Goodwill	11	**107.3**	107.9
Intangible assets	12	**53.9**	59.2
Property, plant and equipment	13	**28.1**	24.8
Deferred tax asset	22	**0.7**	–
Pension scheme asset	24	**16.5**	14.9
Right of use assets	14	**18.0**	20.0
		224.5	226.8
Current assets			
Inventories	15	**97.4**	103.9
Trade and other receivables	16	**72.6**	83.3
Cash and cash equivalents	17	**30.8**	29.0
		200.8	216.2
Current liabilities			
Trade and other payables	18	**(89.1)**	(99.2)
Lease liabilities	19	**(6.3)**	(6.1)
Current tax liabilities		**(2.5)**	(0.9)
Derivative financial instruments	21	**(0.6)**	(2.0)
Provisions	23	**(0.7)**	(4.5)
		(99.2)	(112.7)
Net current assets		**101.6**	103.5
Total assets less current liabilities		**326.1**	330.3
Non-current liabilities			
Financial liabilities – borrowings	20	**(68.1)**	(78.9)
Lease liabilities	19	**(15.9)**	(18.6)
Deferred tax liabilities	22	**(14.1)**	(15.0)
Other non-current liabilities	26	**(4.6)**	(6.2)
Provisions	23	**(1.0)**	(1.2)
		(103.7)	(119.9)
Net assets		**222.4**	210.4
Financed by:			
Share capital	25	**8.9**	8.9
Share premium		**47.6**	47.6
Retained earnings and other reserves		**165.9**	153.9
Total equity		**222.4**	210.4

The financial statements of Norcros plc, registered number 3691883, on pages 187 to 225, were authorised for issue on 12 June 2024 and signed on behalf of the Board by:

THOMAS WILLCOCKS
Chief Executive Officer

JAMES EYRE
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2024

	Notes	2024 £m	2023 £m
Cash generated from operations	27	**49.0**	37.7
Income taxes paid		**(5.6)**	(7.7)
Interest paid		**(6.8)**	(5.5)
Net cash generated from operating activities		**36.6**	24.5
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(7.3)**	(6.0)
Acquisition of subsidiary undertakings net of cash acquired		**–**	(78.3)
Net cash used in investing activities		**(7.3)**	(84.3)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	25	**–**	18.1
Purchase of treasury shares		**(0.8)**	–
Costs of raising debt finance		**(0.2)**	–
Principal element of lease payments		**(4.9)**	(4.6)
Drawdown of borrowings		**18.0**	114.0
Repayment of borrowings		**(29.0)**	(54.0)
Dividends paid to the Company's shareholders	28	**(9.1)**	(9.2)
Net cash (used in)/generated from financing activities		**(26.0)**	64.3
Net increase in cash and cash equivalents		**3.3**	4.5
Cash and cash equivalents at the beginning of the year		**29.0**	27.4
Exchange movements on cash and cash equivalents		**(1.5)**	(2.9)
Cash and cash equivalents at the end of the year		**30.8**	29.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

	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 2022	8.1	30.3	(0.1)	1.5	(12.8)	173.3	200.3
Comprehensive income:							
Profit for the year	–	–	–	–	–	16.8	16.8
Other comprehensive income:							
Actuarial gain on retirement benefit obligations	–	–	–	–	–	(5.6)	(5.6)
Fair value gain on cash flow hedges	–	–	–	(2.9)	–	–	(2.9)
Foreign currency translation adjustments	–	–	–	–	(8.3)	–	(8.3)
Total other comprehensive expense for the year	–	–	–	(2.9)	(8.3)	(5.6)	(16.8)
Transactions with owners:							
Shares issued	0.8	17.3	–	–	–	–	18.1
Dividends paid	–	–	–	–	–	(9.2)	(9.2)
Value of employee services	–	–	–	–	–	1.2	1.2
At 31 March 2023	8.9	47.6	(0.1)	(1.4)	(21.1)	176.5	210.4
Comprehensive income:							
Profit for the year	–	–	–	–	–	26.8	26.8
Other comprehensive expense:							
Actuarial loss on retirement benefit obligations	–	–	–	–	–	(1.4)	(1.4)
Fair value gain on cash flow hedges	–	–	–	1.0	–	–	1.0
Foreign currency translation adjustments	–	–	–	–	(5.3)	–	(5.3)
Total other comprehensive income/(expense) for the year	–	–	–	1.0	(5.3)	(1.4)	(5.7)
Transactions with owners:							
Purchase of treasury shares	–	–	(0.8)	–	–	–	(0.8)
Dividends paid	–	–	–	–	–	(9.1)	(9.1)
Settlement of share option schemes	–	–	1.1	–	–	(1.2)	(0.1)
Value of employee services	–	–	–	–	–	0.9	0.9
At 31 March 2024	**8.9**	**47.6**	**0.2**	**(0.4)**	**(26.4)**	**192.5**	**222.4**

NOTES TO THE GROUP ACCOUNTS

Year ended 31 March 2024

1. Group accounting policies

General information

Norcros plc (the Company), and its subsidiaries (together the Group), is a market-leading designer and supplier of high-quality bathroom and kitchen products in the UK, Europe and South African markets.

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and contingent consideration, which are stated at their fair value. The Group consolidated statements have been prepared in accordance with UK-adopted International Accounting Standards.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are detailed in the section on critical estimates on page 192. 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 31 March 2024. All references to the financial year, therefore, relate to the 52 weeks commencing on 3 April 2023. In the previous year, the accounting period was 52 weeks, beginning on 4 April 2022 and ending on 2 April 2023.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Group's business activities, and the principal risks and uncertainties including current macroeconomic factors in the context of the current operating environment. The Group, in acknowledging its TCFD requirements, has also considered climate risks in the financial statements.

A going concern financial assessment was developed on a bottom-up basis by taking the output of the annual budgeting process built up by individual businesses and then subjected to review and challenge by the Board. The financial model was then stress tested by modelling the most extreme but plausible scenario, that being a global pandemic similar in nature to COVID-19. This has been based on the actual impact of the COVID-19 pandemic on the Group, which, at its peak, saw a revenue reduction of 25% on the prior year over a six-month period. The scenario also incorporates management actions the Group has at its disposal, including a number of cash conservation and cost reduction measures including capital expenditure reductions, dividend decreases and restructuring activities.

The Group continues to exhibit sufficient and prudent levels of liquidity headroom against our key banking financial covenants during the 12-month period under assessment. Reverse stress testing has also been applied to the financial model, which represents a further decline in sales compared with the reasonable worst case. Such a scenario, and the sequence of events that could lead to it, is considered to be implausible and remote.

As a result of this detailed assessment, the Board has concluded that the Company is able to meet its obligations when they fall due for a period of at least 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 material 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.

NOTES TO THE GROUP ACCOUNTS CONTINUED
Year ended 31 March 2024

1. Group accounting policies continued

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, 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 discount on acquisition (a deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired) is credited to the Income Statement in the period of acquisition. Payments that are contingent on future employment are charged to the Consolidated Income Statement. All acquisition costs are expensed as incurred.

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

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

Key sources of estimation uncertainty

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

- retirement benefit obligations – accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future inflation, discount rate and mortality assumptions applied in the calculation of scheme liabilities, which are set out in note 24, represent a key source of estimation uncertainty for the Group.

1. Group accounting policies continued

Critical judgements in applying the Group's accounting policies

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

- acquired intangible fixed assets – the Group recognises customer relationships, brand names and trade names as intangible assets arising on acquisition. Intangible assets can only be recognised as part of a business combination where the intangible asset is separable from goodwill, can be reliably measured and is expected to generate future economic benefits. Judgement is required to assess whether these criteria are met and also to subsequently determine the appropriate assumptions that are used to place a value on the intangible asset. Had different assumptions been applied, the valuation of acquired intangible assets could have differed from the amount ultimately recognised. Judgement is also needed to determine the useful economic lives of intangible assets, and if a different period had been determined, this could have resulted in amortisation charges differing from those actually recognised;
- defined benefit pension scheme surplus – management has concluded that the Group has an unconditional right to a refund from the UK defined benefit pension scheme once the liabilities have been discharged and that the trustees of the scheme do not have the unilateral right to wind up the scheme. Therefore, the asset is not restricted. See note 24 for further details of the scheme; and
- customer rebate, incentive and promotional support accruals – a number of the Group's customers are offered rebates, incentives and promotional support in order to encourage trade and cement strong relationships. Accounting for such arrangements involves judgement as agreement periods typically run for a number of months or years, and may involve assumptions around volumes of product purchased or sold into the future (for example: when the assessment period is not concurrent with the Group's financial year). However, where applicable, accrual calculations are underpinned by signed contracts and there has historically been a strong correlation between the amounts accrued in respect of a particular period and the amounts subsequently paid.

Revenue recognition

The Group derives revenue predominantly from the sale of goods to customers. Revenue from the sale of goods is recognised when control of the goods has been transferred to the buyer. Control transfers when the customer has the ability to direct the use of and substantially obtain all of the benefits of the goods. This is generally on receipt of goods by the customer.

The Group also derives revenue from services provided alongside the supply of goods, mainly installation services. This revenue is recognised over time and calculated using the "output method" by reference to regular surveys of the work performed, as this delivers the most accurate recognition given the nature of the goods and services provided.

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the amounts receivable for goods supplied or services provided, stated net of discounts, returns, rebates and value-added taxes. Accumulated experience is used to estimate and provide for rebates, discounts and expected returns using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. An accrual is made at each Balance Sheet date (included within accruals and deferred income) as a deduction from revenue to reflect management's best estimate of amounts to be paid in respect of arrangements in place with customers regarding rebates, discounts and expected returns.

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 12 months. Contract-related support costs are accrued in "Trade and other payables" if the trigger for payment has been met. Both types of cost are recorded in the Income Statement against underlying operating profit.

Segmental reporting

The Group operates in two main geographical areas: the UK and Ireland 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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

1. Group accounting policies continued

Goodwill

Goodwill is recognised as an asset and reviewed for impairment at least annually or whenever there is an indicator of impairment. Goodwill is carried at cost less amortisation charged prior to the Group's transition to IFRS less accumulated impairment losses. Any impairment is recognised in the period in which it is identified and is never reversed.

Intangible assets

Acquired intangible assets comprise customer relationships, brands, trade names and patents recognised as separately identifiable assets on acquisition, as well as product certification costs and development costs that 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, labour and overheads that have been incurred in bringing the inventories to their present location and condition. The Group measures cost on either a first in, first out or a standard cost basis depending on the level of manufacturing in the relevant business. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for slow-moving and obsolete items.

1. Group accounting policies continued

Taxation

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

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

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

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

Deferred tax charges/credits in relation to fair value movements of derivative contracts and actuarial movements in pension scheme assets and liabilities are charged/credited directly to the Statement of Other Comprehensive Income.

Provisions

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

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

Property provisions – where the Group has vacated a property but is committed to a leasing arrangement, a provision is made to cover unavoidable costs including dilapidation costs net of any expected future sub-lease income.

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

Employee benefits

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

(a) Pension obligations

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

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

The surplus recognised in the Consolidated Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Surpluses are only recognised to the extent that they are recoverable.

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

Past service costs are recognised immediately in income.

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

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

1. Group accounting policies continued

(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 12 months after the end of the reporting period are discounted to their present value.

(d) Profit sharing and bonus plans

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

Exceptional items

Exceptional items are disclosed separately in accordance with the requirements of IAS 1 'Presentation of financial statements'. They include profits and losses on disposal of non-current assets outside the normal course of business, restructuring costs and large or significant one-off items which, in management's judgement, need to be disclosed to enable the user to obtain a proper understanding of the Group's financial performance.

IAS 19R administrative expenses

The administrative expenses incurred by the Trustee in connection with managing the Group's pension schemes are recognised in the Consolidated Income Statement. These costs are excluded from underlying operating profit as they do not relate to the performance of the business.

Acquisition related costs

Acquisition related costs include deferred remuneration, amortisation of intangibles arising on business combinations and professional advisory fees. These costs are excluded from underlying operating profit as they are non-recurring in nature or outside of the normal course of business.

Financial assets and liabilities

Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

1. Group accounting policies continued

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and to fluctuations in interest rates. The Group uses derivative financial instruments (solely foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group designates net positions and hedge documentation is prepared in accordance with IFRS 9.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value at the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income, and any ineffective portion is recognised immediately in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Cash Flow Statement include cash in hand and deposits held at call with banks. Cash and cash equivalents are offset against borrowings only when there is a legally enforceable right to do so and there is a clear intention to undertake settlement of such borrowings held with the same counterparty within a short timeframe after the year end.

Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets; otherwise, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional.

The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method, less appropriate allowances for estimated credit losses (provision for impairment). The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the length of time overdue. An estimate is made of the expected credit loss based on the Group's past history, existing market conditions and forward-looking estimates at the end of each reporting period. The maximum exposure at the end of the reporting period is the carrying amount of these receivables.

Trade payables

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

Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the Balance Sheet date. The Group determines the fair value of its remaining financial instruments through the use of estimated discounted cash flows.

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

NOTES TO THE GROUP ACCOUNTS CONTINUED
Year ended 31 March 2024

1. Group accounting policies continued

Research and development
Expenditure on research is charged against profits for the year in which it is incurred. Development costs are capitalised once the technical feasibility of a project has been established and a business plan, which demonstrates how the project will generate future economic benefits, has been approved. Development costs are amortised on a straight-line basis over their expected useful lives from the point at which the asset is capable of operating in the manner intended by management.

Dividend distribution
Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, or when paid if earlier.

Foreign currency transactions

Functional currency
Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in Sterling, which is the functional and presentational currency of the parent entity.

Transactions and balances
Monetary assets and liabilities expressed in currencies other than the functional currency are translated at rates applicable at the year end and trading results of overseas subsidiaries at average rates for the year. Exchange gains and losses of a trading nature are dealt with in arriving at operating profit.

Translation of overseas net assets
Exchange gains and losses arising on the retranslation of foreign operations and results are taken directly to other comprehensive income.

Share capital
Issued share capital is recorded in the Balance Sheet at nominal value with any premium at the date of issue being credited to the share premium account.

Treasury shares
The cost of the purchase of own shares is taken directly to reserves and is included in the treasury reserve.

Hedging reserve
The hedging reserve represents the accumulated movements in the Group's derivative financial instruments that have been designated as hedging instruments. Amounts are transferred in and out of the reserve on the revaluation, or realisation, of identified hedging instruments.

Share-based payments
The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Balance Sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

Share-based payments are settled through the Norcros Group Employee Benefit Trust, which holds shares in Norcros Group plc that have either been purchased on the market or issued by the Company and satisfies awards made under various employee incentive schemes. The shareholding of the Group Employee Benefit Trust is consolidated within the consolidated accounts of the Group.

1. Group 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 within cost of sales or administrative expenses on a straight-line basis over the lease term and presented within cash generated from operations in the Cash Flow Statement.

Non-lease components
Fees for components such as property taxes, maintenance, repairs and other services, which are either variable or transfer benefits separate to the Group's right to use the asset, are separated from lease components based on their relative stand-alone selling price. These components are expensed in the Income Statement as incurred.

Lease liabilities
Lease liabilities are initially measured at the present value of future lease payments at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, or where this cannot be readily determined, the lessee's incremental borrowing rate. Lease payments include the following payments due within the non-cancellable term of the lease, as well as the term of any extension options where these are considered reasonably certain to be exercised:

- fixed payments;
- variable payments that depend on an index or rate; and
- the exercise price of purchase or termination options if it is considered reasonably certain these will be exercised.

Subsequent to the commencement date, the lease liability is measured at the initial value, plus an interest charge determined using the incremental borrowing rate, less lease payments already made such as deposits. The interest expense is recorded in finance costs in the Income Statement. The liability is re-measured when future lease payments change, when the exercise of extension or termination options becomes reasonably certain, or when the lease is modified.

Payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities in the Cash Flow Statement. The interest element is recognised in net cash generated from operations.

Right of use assets
The ROU asset is initially measured at cost, being the value of the lease liability, plus the value of any lease payments made at or before the commencement date, initial direct costs and the cost of any restoration obligations, less any incentives received. The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is adjusted for any re-measurement of the lease liability. The ROU asset is subject to testing for impairment where there are any impairment indicators.

NOTES TO THE GROUP ACCOUNTS CONTINUED
Year ended 31 March 2024

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 2024

	UK £m	South Africa £m	Group £m
Revenue	**281.9**	**110.2**	**392.1**
Underlying operating profit	**38.4**	**4.8**	**43.2**
IAS 19R administrative expenses	**(1.3)**	**–**	**(1.3)**
Acquisition related costs	**(4.1)**	**(0.2)**	**(4.3)**
Exceptional operating items	**2.3**	**–**	**2.3**
Operating profit	**35.3**	**4.6**	**39.9**
Finance costs			**(7.3)**
Profit before taxation			**32.6**
Taxation			**(5.8)**
Profit for the year			**26.8**
Net debt excluding lease liabilities			**(37.3)**
Segmental assets	**334.6**	**90.7**	**425.3**
Segmental liabilities	**(171.8)**	**(31.1)**	**(202.9)**
Additions to tangible, intangibles and right of use assets	**7.2**	**4.1**	**11.3**
Depreciation and amortisation	**10.9**	**4.6**	**15.5**

Year ended 31 March 2023

	UK £m	South Africa £m	Group £m
Revenue	295.8	145.2	441.0
Underlying operating profit	37.2	10.1	47.3
IAS 19R administrative expenses	(1.6)	–	(1.6)
Acquisition related costs	(8.2)	(0.2)	(8.4)
Exceptional operating items	(9.8)	–	(9.8)
Operating profit	17.6	9.9	27.5
Finance costs			(5.8)
Profit before taxation			21.7
Taxation			(4.9)
Profit for the year			16.8
Net debt excluding lease liabilities			(49.9)
Segmental assets	340.5	102.5	443.0
Segmental liabilities	(195.6)	(37.0)	(232.6)
Additions to goodwill	47.7	–	47.7
Additions to tangible and right of use assets	5.9	3.7	9.6
Depreciation and amortisation	10.8	5.0	15.8

2. Segmental reporting continued

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

	2024 £m	2023 £m
UK	**251.0**	262.0
Africa	**111.4**	147.5
Rest of World	**29.7**	31.5
	392.1	441.0

No one customer had revenue over 10% of total Group revenue (2023: none).

Reported revenue within the South African segment contains £4.2m (2023: £6.1m) of revenue from services performed that have been recognised over time, and within the UK segment contains £0.3m (2023: £0.3m) of extended warranty revenue that has been recognised over time.

3. Operating profit

Operating profit is derived after deducting cost of sales of £227.1m (2023: £271.7m), distribution costs of £33.8m (2023: £35.7m) and administrative expenses, inclusive of exceptional and acquisition related costs, of £91.3m (2023: £106.1m).

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

	2024 £m	2023 £m
Staff costs (see note 4)	**75.8**	76.9
Depreciation of property, plant and equipment (all owned assets)	**4.0**	4.9
Amortisation of intangible assets	**6.8**	6.3
Depreciation of right of use assets	**4.7**	4.6
Operating lease rentals payable for short-term and low value leases:		
– plant and machinery	**1.5**	1.2
– other	**0.7**	0.6
Research and development expenditure	**5.3**	5.5

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:

	2024 £m	2023 £m
Audit of the Parent Company and consolidated financial statements	**0.2**	0.2
Audit of the Company's subsidiaries	**0.5**	0.4
	0.7	0.6

NOTES TO THE GROUP ACCOUNTS CONTINUED
Year ended 31 March 2024

4. Employees

	2024 £m	2023 £m
Staff costs including Directors' remuneration:		
– wages and salaries	**66.3**	67.3
– social security costs	**4.7**	4.4
– share-based payments (see note 10)	**0.9**	1.2
Pension costs:		
– defined contribution (see note 24)	**3.9**	4.0
Total staff costs	**75.8**	76.9

	2024 Number	2023 Number
Average monthly numbers employed:		
– UK	**1,171**	1,254
– overseas	**1,099**	1,192
	2,270	2,446

Full details of Directors' remuneration can be found in the Remuneration Report on pages 150 to 170.

5. Acquisition related costs and exceptional operating items

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

Acquisition related costs	2024 £m	2023 £m
Intangible asset amortisation[1]	**6.5**	6.2
Advisory fees[2]	**0.2**	1.4
Deferred contingent consideration[3]	**(3.0)**	–
Deferred remuneration[4]	**0.6**	0.8
	4.3	8.4

1 Non-cash amortisation charges in respect of acquired intangible assets.
2 Professional advisory fees incurred in connection with the Group's business combination activities.
3 Relates to the release of an element of deferred contingent consideration arising on the acquisition of Grant Westfield.
4 In accordance with IFRS 3, a proportion of the deferred contingent consideration is treated as remuneration and, accordingly, is expensed to the Income Statement as incurred. In the current year, this represents a cost of £0.6m (2023: £0.8m) in relation to the Grant Westfield acquisition.

Exceptional operating items	2024 £m	2023 £m
Restructuring costs[1]	**1.7**	4.8
Reversal of impairment[2]	**(4.0)**	–
Impairment[3]	**–**	5.0
	(2.3)	9.8

1 The exceptional restructuring cost charge in the current year of £1.7m was incurred in relation to restructuring programs at Johnson Tiles and the move to new premises at VADO. In the prior year, exceptional restructuring costs of £4.8m were incurred in relation to the restructuring program implemented at Norcros Adhesives.
2 The reversal of previous land and buildings impairments of the Johnson Tiles UK site, following an independent valuation (see note 13).
3 As a result of demand uncertainty, the Johnson Tiles UK tangible and right of use assets were impaired in the prior year with a non-cash impairment charge of £5.0m recognised as an exceptional item in the Income Statement.

6. Finance costs

	2024 £m	2023 £m
Interest payable on bank borrowings	**5.2**	3.7
Interest on lease liabilities	**1.6**	1.8
Discounting of deferred contingent consideration	**0.9**	0.6
Amortisation of costs of raising debt finance	**0.4**	0.3
Finance costs	**8.1**	6.4

7. Taxation

Taxation comprises:

	2024 £m	2023 £m
Current		
UK taxation	**3.8**	1.8
Overseas taxation	**3.2**	4.6
Prior year adjustment	**1.1**	(0.7)
Total current taxation	**8.1**	5.7
Deferred		
Origination and reversal of temporary differences	**(0.3)**	(0.8)
Prior year adjustment	**(2.0)**	–
Total deferred taxation	**(2.3)**	(0.8)
Total tax charge	**5.8**	4.9

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:

	2024 £m	2023 £m
Profit before tax	**32.6**	21.7
Tax calculated at domestic tax rates applicable to profits in the respective countries	**7.0**	4.7
Tax effects of:		
– adjustments in respect of prior years	**(0.9)**	(0.7)
– non-taxable income	**(1.0)**	–
– expenses not deductible for tax purposes	**0.7**	0.9
Total tax charge	**5.8**	4.9

The weighted average applicable tax rate was 21.5% (2023: 21.7%); the decrease relates to the increased proportional taxable profits in the UK and Ireland relative to South Africa. The standard rate of corporation tax in the UK is 25% (2023: 19%), in South Africa 27% (2023: 27%) and in Ireland 12.5% (2023: 12.5%). The Group's effective underlying tax rate for the year was 20.9% (2023: 19.9%).

Taxation on items taken directly to other comprehensive income were a credit of £0.9m and a debit of £0.4m to current and deferred tax respectively in relation to pensions (see note 24) and a debit of £0.4m of deferred tax in relation to foreign exchange cash flow hedges (see note 21).

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

8. Alternative performance measures

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

The alternative performance measures used by the Group are:

Measure	Definition
Underlying operating profit	Operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items.
Underlying profit before taxation	Profit before taxation before IAS 19R administrative expenses, acquisition related costs, exceptional operating items, amortisation of costs of raising finance, discounting of deferred contingent consideration, discounting of property lease provisions and finance income relating to pension schemes.
Underlying taxation	The Group's effective underlying tax rate applied to underlying profit before tax.
Underlying earnings	Underlying profit before tax less underlying taxation.
Underlying capital employed	Capital employed on a pre-IFRS 16 basis adjusted for business combinations, where relevant, to reflect the net assets in both the opening and closing capital employed balances, and the average impact of exchange rate movements.
Underlying operating margin	Underlying operating profit expressed as a percentage of revenue.
Underlying return on capital employed (ROCE)	Underlying operating profit on a pre-IFRS 16 basis expressed as a percentage of the average of opening and closing underlying capital employed.
Basic underlying earnings per share	Underlying earnings divided by the weighted average number of shares for basic earnings per share.
Diluted underlying earnings per share	Underlying earnings divided by the weighted average number of shares for diluted earnings per share.
Underlying EBITDA	Underlying EBITDA is derived from underlying operating profit before depreciation and amortisation excluding the impact of IFRS 16 in line with our banking covenants.
Underlying operating cash flow	Cash generated from continuing operations before cash outflows from exceptional items and acquisition related costs and pension fund deficit recovery contributions.
Underlying net (debt)/cash	Underlying net (debt)/cash is the net of cash, capitalised costs of raising finance and total borrowings. IFRS 16 lease commitments are not included in line with our banking covenants.
Pro-forma underlying EBITDA	An annualised underlying EBITDA figure used for the purpose of calculating banking covenant ratios.
Pro-forma leverage	Net debt expressed as a ratio of pro-forma underlying EBITDA.

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

Consolidated Income Statement

(A) UNDERLYING PROFIT BEFORE TAXATION AND UNDERLYING EARNINGS

	2024 £m	2023 £m
Profit before taxation	**32.6**	21.7
Adjusted for:		
– IAS 19R administrative expenses	**1.3**	1.6
– IAS 19R finance income	**(0.8)**	(0.6)
– acquisition related costs (see note 5)	**4.3**	8.4
– exceptional operating items (see note 5)	**(2.3)**	9.8
– amortisation of costs of raising finance	**0.4**	0.3
– discounting of deferred contingent consideration	**0.9**	0.6
Underlying profit before taxation	**36.4**	41.8
Taxation attributable to underlying profit before taxation	**(7.6)**	(8.3)
Underlying earnings	**28.8**	33.5

8. Alternative performance measures continued

(B) UNDERLYING OPERATING PROFIT AND EBITDA (PRE-IFRS 16)

	2024 £m	2023 £m
Operating profit	**39.9**	27.5
Adjusted for:		
– IAS 19R administrative expenses	**1.3**	1.6
– acquisition related costs (see note 5)	**4.3**	8.4
– exceptional operating items (see note 5)	**(2.3)**	9.8
Underlying operating profit	**43.2**	47.3
Adjusted for:		
– depreciation and amortisation (owned assets)	**4.3**	5.0
– depreciation of leased assets (see note 14)	**4.7**	4.6
– lease costs (see note 19)	**(6.5)**	(6.4)
Underlying EBITDA (pre-IFRS 16)	**45.7**	50.5

Consolidated Cash Flow Statement

(A) UNDERLYING OPERATING CASH FLOW

	2024 £m	2023 £m
Cash generated from operations (see note 27)	**49.0**	37.7
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see note 27)	**3.4**	3.3
– pension fund deficit recovery contributions (see note 24)	**4.0**	3.8
Underlying operating cash flow	**56.4**	44.8

Consolidated Balance Sheet

(A) UNDERLYING CAPITAL EMPLOYED AND UNDERLYING RETURN ON CAPITAL EMPLOYED

	2024 £m	2023 £m
Net assets	**222.4**	210.4
Adjusted for:		
– pension scheme asset (net of associated tax)	**(12.4)**	(11.2)
– right of use assets (IFRS 16)	**(18.0)**	(20.0)
– lease liabilities (IFRS 16)	**22.2**	24.7
– cash and cash equivalents	**(30.8)**	(29.0)
– financial liabilities – borrowings	**68.1**	78.9
	251.5	253.8
Foreign exchange adjustment	**(1.9)**	1.3
Adjustment for acquisitions	**–**	58.2
Underlying capital employed	**249.6**	313.3
Average underlying capital employed	**251.7**	246.3
Underlying operating profit (pre-IFRS 16)	**41.4**	45.5
Underlying return on capital employed	**16.4%**	18.5%

Items are excluded from alternative performance measures in order to align with the way the Group assesses business performance.

Underlying operating profit (pre-IFRS 16) of £41.4m (2023: £45.5m) is calculated by adjusting underlying operating profit of £43.2m (2023: £47.3m) for the add back of lease costs of £6.5m (2023: £6.4m) and the deduction of depreciation of leased assets of £4.7m (2023: £4.6m).

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

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 2024, the potential dilutive ordinary shares amounted to 811,567 (2023: 1,370,679) as calculated in accordance with IAS 33.

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

	2024 £m	2023 £m
Profit for the year	**26.8**	16.8

	2024 Number	2023 Number
Weighted average number of shares for basic earnings per share	**89,003,947**	88,129,432
Share options	**811,567**	1,370,679
Weighted average number of shares for diluted earnings per share	**89,815,514**	89,500,111

	2024	2023
Basic earnings per share:		
From profit for the year	**30.1p**	19.1p
Diluted earnings per share:		
From profit for the year	**29.8p**	18.8p

Basic and diluted underlying earnings per share

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

	2024 £m	2023 £m
Underlying earnings (see note 8)	**28.8**	33.5

	2024	2023
Basic underlying earnings per share	**32.4p**	38.0p
Diluted underlying earnings per share	**32.1p**	37.4p

10. Share-based payments

	Exercise price per share	Weighted average share price at date of exercise	1 April 2023	Granted	Exercised	Lapsed	31 March 2024	Date from which exercisable	Expiry date
Approved Performance Share Plan 2017 (APSP)	Nil	–	2,101	–	–	–	**2,101**	16.11.20	16.11.27
Approved Performance Share Plan 2018 (APSP)	Nil	–	–	–	–	–	**–**	25.07.21	25.07.28
Approved Performance Share Plan 2019 (APSP)	Nil	–	–	–	–	–	**–**	23.07.22	23.07.29
Approved Performance Share Plan 2020 (APSP)	Nil	167p	847,431	–	(708,738)	(91,544)	**47,149**	25.11.23	25.11.30
Approved Performance Share Plan 2021 (APSP)	Nil	–	631,795	–	–	(25,080)	**606,715**	20.07.24	21.07.31
Approved Performance Share Plan 2022 (APSP)	Nil	–	1,069,374	–	–	(20,597)	**1,048,777**	19.07.25	19.07.32
Approved Performance Share Plan 2023 (APSP)	Nil	–	–	1,622,919	–	(20,575)	**1,602,344**	26.07.26	26.07.33
Deferred Bonus Plan 2021 (DBP)	Nil	–	109,455	–	–	–	**109,455**	25.11.23	25.11.30
Deferred Bonus Plan 2022 (DBP)	Nil	–	128,992	–	–	–	**128,992**	19.07.25	19.07.32
Deferred Bonus Plan 2023 (DBP)	Nil	–	–	72,770	–	–	**72,770**	26.07.26	26.07.33
Save As You Earn Scheme (12) (SAYE)	208p	200p	111,953	–	–	(111,953)	**–**	01.03.23	31.08.23
Save As You Earn Scheme (13) (SAYE)	164p	180p	572,883	–	(328,404)	(154,277)	**90,202**	01.03.24	31.08.24
Save As You Earn Scheme (14) (SAYE)	266p	–	73,221	–	–	(37,751)	**35,470**	01.03.25	31.08.25
Save As You Earn Scheme (15) (SAYE)	161p	–	707,729	–	(1,118)	(335,371)	**371,240**	01.03.26	31.08.26
Save As You Earn Scheme (16) (SAYE)	141p	–	–	780,078	–	(18,681)	**761,397**	01.03.27	31.08.27

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

For SAYE schemes, the weighted average exercise price of all outstanding share options at 31 March 2024 was 152p (2023: 171p). The weighted average exercise price for APSP and DBP schemes, of all outstanding share options, at 31 March 2024 was £nil (2023: £nil).

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. A charge of £0.9m was recognised in respect of share options in the year (2023: £1.2m) including £0.2m (2023: £0.3m) in respect of the Directors' share options. The highest paid Director's share options accounted for £0.1m (2023: £0.2m) of the charge. The Group uses a Black-Scholes pricing model to determine the annual charge for its share-based payments. The assumptions used in this model for each share-based payment are as follows:

	SAYE (12)	SAYE (13)	SAYE (14)	SAYE (15)	SAYE (16)
Date of grant	13.12.19	23.12.20	20.12.21	12.01.23	22.12.23
Initial exercise price	208p	164p	266p	161p	141p
Number of shares granted initially	306,649	692,908	173,385	735,679	780,078
Expected volatility	31.0%	42.2%	44.5%	45.5%	41.0%
Expected option life	3 years	3 years	3 years	3 years	3 years
Risk-free rate	0.3%	1.3%	1.9%	3.8%	4.8%
Expected dividend yield	4.0%	3.8%	2.8%	4.8%	6.0%

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

10. Share-based payments continued

	APSP 2018	APSP 2019	APSP 2020	APSP 2021	APSP 2022	APSP 2023
Date of grant	25.07.18	23.07.19	25.11.20	21.07.21	19.07.22	26.07.23
Initial exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Number of shares granted initially	861,023	861,447	970,695	700,458	1,069,374	1,622,919
Expected volatility	30.0%	31.0%	42.2%	44.5%	45.5%	41.0%
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years
Risk-free rate	0.9%	0.9%	1.3%	1.9%	3.8%	4.8%
Expected dividend yield	4.1%	4.0%	3.8%	2.8%	–	–

	DBP 2019	DBP 2021	DBP 2022	DBP 2023
Date of grant	23.07.19	21.07.21	19.07.22	26.07.23
Initial exercise price	Nil	Nil	Nil	Nil
Number of shares granted initially	87,381	109,455	128,992	72,770
Expected volatility	31.0%	44.5%	45.5%	41.0%
Expected option life	3 years	3 years	3 years	3 years
Risk-free rate	0.9%	1.9%	3.8%	4.8%
Expected dividend yield	4.0%	2.8%	–	–

The share price at 31 March 2024 was 184.0p. The average price during the year was 169.9p. Expected volatility is the Company's three-year historical share price volatility.

11. Goodwill

	2024 £m	2023 £m
At 1 April	**107.9**	61.2
Additions	**–**	47.7
Exchange differences	**(0.6)**	(1.0)
At 31 March	**107.3**	107.9

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

	2024 £m	2023 £m
Croydex	**7.8**	7.8
Abode	**0.8**	0.8
Triton Showers	**19.1**	19.1
Merlyn	**25.5**	25.5
Grant Westfield	**47.7**	47.7
Tile Africa	**2.3**	2.6
House of Plumbing	**4.1**	4.4
	107.3	107.9

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

11. Goodwill continued

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

- cash flows before income taxes are based on approved budgets and management projections for the first five years;
- long-term growth rates of 2.0% (2023: 2.0%) for Croydex, Abode, Merlyn, Triton Showers and Grant Westfield, and 4.0% (2023: 4.0%) for Tile Africa and House of Plumbing applied to the period beyond which detailed budgets and forecasts do not exist, based on macroeconomic projections for the geographies in which the entities operate; and
- pre-tax discount rates of 12.5% (2023: 11.7%) in the UK and 19.8% (2023: 17.4%) in South Africa based upon the risk-free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities and investing in the Group's specific sectors and regions.

Management has applied sensitivities to the key assumptions, including discount rates and growth rates, and believes that there are no reasonably possible scenarios that would result in an impairment of goodwill.

12. Intangible assets

	Customer relationships £m	Brands, trade names and patents £m	Development costs £m	Product certification costs £m	Total £m
Cost					
At 1 April 2022	38.7	10.1	0.6	0.2	49.6
Acquisitions	32.5	3.0	–	–	35.5
Additions	–	–	0.6	0.5	1.1
Disposals	–	–	(0.2)	–	(0.2)
Exchange differences	(0.2)	–	–	–	(0.2)
At 31 March 2023	71.0	13.1	1.0	0.7	85.8
Reclassified	–	–	0.5	–	0.5
Additions	–	–	0.5	0.7	1.2
Exchange differences	(0.2)	–	–	–	(0.2)
At 31 March 2024	**70.8**	**13.1**	**2.0**	**1.4**	**87.3**
Accumulated amortisation					
At 1 April 2022	14.2	5.5	0.6	0.2	20.5
Charge for the year	5.1	1.1	0.1	–	6.3
Disposals	–	–	(0.2)	–	(0.2)
At 31 March 2023	19.3	6.6	0.5	0.2	26.6
Reclassified	–	–	0.1	–	0.1
Charge for the year	5.4	1.1	0.3	–	6.8
Exchange differences	(0.1)	–	–	–	(0.1)
At 31 March 2024	**24.6**	**7.7**	**0.9**	**0.2**	**33.4**
Net book amount at 31 March 2023	51.7	6.5	0.5	0.5	59.2
Net book amount at 31 March 2024	**46.2**	**5.4**	**1.1**	**1.2**	**53.9**

The amortisation charge for intangibles generated on acquisition is £6.5m (2023: £6.2m) for the year and is included in the acquisition related costs in the Consolidated Income Statement. The amortisation charge for internally generated or acquired intangibles was £0.3m (2023: £0.1m) and was included in the Consolidated Income Statement in the current and prior year.

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2022	34.0	102.9	136.9
Exchange differences	(1.1)	(3.9)	(5.0)
Additions	0.6	4.8	5.4
Acquisitions	–	4.0	4.0
Disposals	(0.2)	(3.1)	(3.3)
At 31 March 2023	33.3	104.7	138.0
Exchange differences	(0.7)	(2.4)	(3.1)
Reclassified	–	(0.5)	(0.5)
Additions	0.5	5.7	6.2
Disposals	(0.3)	(6.9)	(7.2)
At 31 March 2024	**32.8**	**100.6**	**133.4**
Accumulated depreciation			
At 1 April 2022	21.6	86.3	107.9
Exchange differences	(0.4)	(2.9)	(3.3)
Acquisitions	–	2.9	2.9
Impairment	2.1	2.0	4.1
Charge for the year	0.6	4.3	4.9
Disposals	(0.2)	(3.1)	(3.3)
At 31 March 2023	23.7	89.5	113.2
Exchange differences	(0.2)	(1.8)	(2.0)
Reclassified	–	(0.1)	(0.1)
Reversal of prior impairment	(4.0)	–	(4.0)
Charge for the year	0.5	3.5	4.0
Disposals	(0.3)	(5.5)	(5.8)
At 31 March 2024	**19.7**	**85.6**	**105.3**
Net book amount at 31 March 2023	9.6	15.2	24.8
Net book amount at 31 March 2024	**13.1**	**15.0**	**28.1**

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

In line with guidance from the Financial Reporting Council, the Group reviews all cash-generating units to determine whether any of the assets related to our operations are impaired. These reviews are performed by comparing the estimated future cash flows generated by the divisions with the carrying value of the assets generating those cash flows. The future cash flows are sensitised for items including reduced margins, increasing energy costs and working capital variances to illustrate a value in use for the business. The discount rates used were in line with the UK pre-tax discount rates utilised in the goodwill impairment assessments. As a result of these reviews and demand uncertainty, tangible and right of use assets within the Johnson Tiles UK business were impaired in the prior year with a non-cash impairment charge of £5.0m recognised as an exceptional item in the Income Statement. Impairment of property plant and equipment totalled £4.1m. In the current year, £4.0m of land and buildings impairment was reversed following an independent valuation of the Johnson Tiles UK site. This amount has been included in exceptional items in the Income Statement.

14. Right of use asset

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2022	27.4	5.9	33.3
Exchange differences	(2.4)	(0.2)	(2.6)
Acquisitions	1.7	0.3	2.0
Additions	1.3	1.8	3.1
Modifications	2.2	–	2.2
Disposals	(0.2)	(0.3)	(0.5)
At 31 March 2023	30.0	7.5	37.5
Exchange differences	(1.5)	(0.1)	(1.6)
Additions	2.0	1.9	3.9
Modifications	(0.3)	0.1	(0.2)
Disposals	(1.2)	(1.8)	(3.0)
At 31 March 2024	**29.0**	**7.6**	**36.6**
Accumulated depreciation			
At 1 April 2022	9.6	3.8	13.4
Exchange differences	(1.0)	(0.1)	(1.1)
Impairment	–	0.9	0.9
Charge for the year	3.7	0.9	4.6
Disposals	–	(0.3)	(0.3)
At 31 March 2023	12.3	5.2	17.5
Exchange differences	(0.7)	(0.1)	(0.8)
Charge for the year	3.6	1.1	4.7
Disposals	(1.2)	(1.6)	(2.8)
At 31 March 2024	**14.0**	**4.6**	**18.6**
Net book amount at 31 March 2023	17.7	2.3	20.0
Net book amount at 31 March 2024	**15.0**	**3.0**	**18.0**

15. Inventories

	2024 £m	2023 £m
Raw materials and consumables	**12.2**	15.3
Work in progress	**1.2**	1.2
Finished goods	**84.0**	87.4
	97.4	103.9

Provisions held against inventories totalled £8.8m (2023: £9.4m).

The cost of inventories recognised as an expense within cost of sales in the Income Statement amounted to £193.3m (2023: £232.0m).

During the year, the Group charged £1.2m (2023: £1.3m) of inventory write-downs to the Income Statement within cost of sales.

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

16. Trade and other receivables

	2024 £m	2023 £m
Trade receivables	**69.3**	80.2
Less: impairment loss allowance	**(1.8)**	(1.5)
Trade receivables – net	**67.5**	78.7
Other receivables	**1.7**	1.3
Prepayments and accrued income	**3.4**	3.3
	72.6	83.3

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:

	2024 £m	2023 £m
Sterling	**59.3**	66.4
South African Rand	**12.4**	15.9
Euro	**0.9**	1.0
	72.6	83.3

Impairment of trade receivables

31 March 2024	**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%**	**1.5%**	**9.1%**	**14.3%**	**35.0%**	**2.6%**
Gross trade receivables	**56.9**	**6.6**	**1.1**	**0.7**	**4.0**	**69.3**
Loss allowance	**0.1**	**0.1**	**0.1**	**0.1**	**1.4**	**1.8**

31 March 2023	Not yet due £m	0–1 month overdue £m	1–2 months overdue £m	2–3 months overdue £m	>3 months overdue £m	Total £m
Expected credit loss rate	0.1%	0.1%	6.7%	14.3%	28.2%	1.9%
Gross trade receivables	64.2	9.9	1.5	0.7	3.9	80.2
Loss allowance	0.1	0.1	0.1	0.1	1.1	1.5

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

	2024 £m	2023 £m
At the beginning of the year	**1.5**	1.2
Acquired	**–**	0.2
Provision for receivables impairment	**0.7**	0.3
Receivables written off during the year as uncollectable	**(0.3)**	(0.1)
Exchange differences	**(0.1)**	(0.1)
At the end of the year	**1.8**	1.5

17. Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank and in hand	**30.8**	29.0

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

	2024 £m	2023 £m
Trade payables	**45.4**	50.8
Other tax and social security payables	**6.1**	7.5
Other payables	**2.8**	4.1
Accruals and deferred income	**34.8**	36.8
	89.1	99.2

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

19. Lease liabilities

	Land and buildings £m	Plant and equipment £m	Total £m
At 1 April 2022	21.3	2.7	24.0
Exchange differences	(1.6)	(0.2)	(1.8)
Acquired	1.7	0.3	2.0
Additions	1.3	1.8	3.1
Modifications	2.2	–	2.2
Disposals	(0.2)	–	(0.2)
Interest charge	1.7	0.1	1.8
Gross lease payments	(4.9)	(1.5)	(6.4)
At 1 April 2023	**21.5**	**3.2**	**24.7**
Exchange differences	(1.1)	(0.1)	(1.2)
Additions	2.0	1.9	3.9
Modifications	(0.3)	0.1	(0.2)
Disposals	–	(0.1)	(0.1)
Interest charge	1.4	0.2	1.6
Gross lease payments	(4.9)	(1.6)	(6.5)
At 31 March 2024	**18.6**	**3.6**	**22.2**

Lease liabilities are split into £6.3m (2023: £6.1m) payable in less than one year and £15.9m (2023: £18.6m) payable after one year.

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

20. Financial liabilities – borrowings

	2024 £m	2023 £m
Non-current		
Bank borrowings (unsecured):		
– bank loans	**69.0**	80.0
– less: costs of raising finance	**(0.9)**	(1.1)
Total borrowings	**68.1**	78.9

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

The repayment terms of borrowings are as follows:

	2024 £m	2023 £m
Not later than one year	**–**	–
After more than one year:		
– between one and two years	**–**	–
– between two and five years	**69.0**	80.0
– costs of raising finance	**(0.9)**	(1.1)
Total borrowings	**68.1**	78.9

Capital risk management

The amount of committed banking facility remains at £130m (plus a £70m uncommitted accordion). The Group exercised the second of its two one-year extension options in the year, extending the maturity date to October 2027.

This facility provides the Group with a sound financial structure for the medium term and, by reference to the £130m facility available at year end, with £90.0m of headroom being available at 31 March 2024 (2023: £76.2m), after taking into account net debt and ancillary facilities in use of £1.8m (2023: £2.8m) and overseas cash. The Group has been in compliance with all banking covenants (leverage and interest cover covenants) during the year.

Interest rate profile

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

	2024 %	2023 %
Bank loans	**7.1**	6.1

At 31 March 2024, the bank loans carried interest based on SONIA plus a margin of 1.9% (2023: SONIA plus 1.9%).

Net (debt)/cash

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

	2024 £m	2023 £m
Cash and cash equivalents	**30.8**	29.0
Total borrowings	**(68.1)**	(78.9)
	(37.3)	(49.9)

20. Financial liabilities – borrowings continued

Currency profile of net debt

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

	2024 £m	2023 £m
Sterling	**(52.3)**	(71.0)
Euro	**0.3**	0.4
US Dollar	**0.1**	0.5
South African Rand	**13.4**	18.6
Chinese Renminbi	**1.2**	1.6
	(37.3)	(49.9)

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, Euro, Renminbi and 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, the hedge ratio is 1:1 in all cases. However, potential future rebalancing can be performed if needed.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. Other sources of ineffectiveness arising from these hedging relationships are changes in the settlement date or amount. However, the Group reviews all hedges on every reporting date to ensure their effectiveness.

The exchange rates used in the preparation of these financial statements are as follows.

	Average rate vs £	
	2024	2023
South African Rand	**23.60**	20.40
Euro	**1.16**	1.16
US Dollar	**1.26**	1.21

	Closing rate vs £	
	2024	2023
South African Rand	**23.92**	21.94
Euro	**1.17**	1.14
US Dollar	**1.26**	1.24

NOTES TO THE GROUP ACCOUNTS CONTINUED
Year ended 31 March 2024

21. Financial instruments continued

Interest rate risk
The Group's interest rate risk arises from long-term borrowings. The Group has the ability to secure a substantial proportion of its bank loans at fixed rates via interest rate swaps. However, due to the cash generated to pay down borrowings and historically low UK SONIA rates, the Group has decided not to take out any such swaps at the present time. This position is regularly reassessed.

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

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, whilst maintaining an appropriate level of headroom on undrawn committed borrowing facilities. At 31 March 2024, the facility had £90m of headroom (2023: £76.2m) after taking account of ancillary facilities and overseas cash. The maturity date of the facility is October 2027.

Financial instruments
The Group's financial instruments comprise borrowings, cash, trade receivables and payables, deferred contingent consideration and forward exchange contracts. Based on the hierarchy defined in IFRS 13, deferred contingent consideration is classified as a level 3 instrument. An assessment as to the extent to which the deferred contingent consideration will be payable was undertaken at the year end, and the expected cash payment has been discounted and recognised in non-current liabilities. The remainder of the Group's financial instruments are classified as level 2 instruments. Consequently, fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Financial liabilities
The table below analyses the value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date.

	Not later than one year £m	Later than one year but not later than two years £m	Later than two years but not later than five years £m	Later than five years £m	Total £m
Borrowings[1]	4.9	4.9	87.3	–	97.1
Lease liabilities[2]	6.1	5.3	9.0	10.9	31.3
Trade and other payables	99.2	–	10.0	–	109.2
At 31 March 2023	110.2	10.2	106.3	10.9	237.6
Borrowings[1]	4.9	4.9	76.9	–	86.7
Lease liabilities[2]	6.3	5.7	10.8	4.6	27.4
Trade and other payables[3]	89.1	4.7	–	0.2	94.0
At 31 March 2024	**100.3**	**15.3**	**87.7**	**4.8**	**208.1**

1 Borrowings are undiscounted and include interest costs calculated using the applicable interest rate at year end.
2 Lease liabilities are on an undiscounted basis.
3 Trade and other payables due later than one years but not later than two years relate to deferred contingent consideration and deferred remuneration in relation to the acquisition of Grant Westfield and are on an undiscounted basis.

21. Financial instruments continued

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

	Carrying amount £m	Notional amount £m	Change in fair value taken to hedge reserve £m
As at 31 March 2023			
Liabilities	(2.0)	64.4	(3.6)
As at 31 March 2024:			
Liabilities	**(0.6)**	**49.2**	**1.4**

As at 31 March 2024, the aggregate amount of (losses)/gains under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to these anticipated future purchase transactions is a loss of £0.6m (2023: loss of £2.0m). It is anticipated that the purchases will take place during the 12 months of the financial year ended 31 March 2025, at which time the amount deferred in equity will be removed from equity and included in the carrying amount of the inventories that 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 2023	(1.4)
Effective portion of changes in fair value	1.4
Amount transferred to inventories	–
Tax effect	(0.4)
At 31 March 2024	**(0.4)**

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 £69.0m, the effect of a 1% change in market interest rates would be a change in the net finance costs of approximately £0.7m (2023: £0.8m) per annum.

(b) 5% strengthening or weakening in major currencies
A number of the Group's assets are held overseas and, as such, variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening or weakening of Sterling across all currencies would lead to a circa £2.9m (2023: £3.3m) 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 £0.2m respectively.

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

22. Deferred tax

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

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

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Intangibles £m	Other £m	Total £m
At 1 April 2022	(0.1)	(4.9)	(6.4)	2.0	(9.4)
Acquisitions	(0.2)	–	(8.9)	–	(9.1)
(Charged)/credited to the Consolidated Income Statement	(0.1)	(0.7)	1.2	0.4	0.8
Charged to other comprehensive income	–	1.9	–	0.8	2.7
Exchange differences	–	–	–	–	–
At 31 March 2023	(0.4)	(3.7)	(14.1)	3.2	(15.0)
Credited/(charged) to the Consolidated Income Statement	0.3	–	1.5	0.5	2.3
Charged to other comprehensive income	–	(0.4)	–	(0.4)	(0.8)
Exchange differences	–	–	–	0.1	0.1
At 31 March 2024	**(0.1)**	**(4.1)**	**(12.6)**	**3.4**	**(13.4)**

Disclosed on the consolidated balance sheet as:					
Deferred tax assets	**(1.0)**	**–**	**–**	**1.7**	**0.7**
Deferred tax liabilities	**0.9**	**(4.1)**	**(12.6)**	**1.7**	**(14.1)**

	2024 £m	2023 £m
Deferred tax assets:		
– to be recovered after more than 12 months	**5.3**	3.0
– to be recovered within 12 months	**0.2**	0.2
	5.5	3.2
Deferred tax liabilities:		
– to be charged after more than 12 months	**(17.7)**	(17.1)
– to be charged within 12 months	**(1.2)**	(1.1)
	(18.9)	(18.2)
Deferred tax liabilities (net)	**(13.4)**	(15.0)

Other deferred tax assets relate to share-based payment expenses, provisions and other timing differences.

No deferred tax asset has been recognised in respect of £78.6m (2023: £78.6m) of UK capital losses and £26.1m (2023: £26.1m) of UK non-trade loan relationship deficits, the utilisation of which Group believe is improbable. These historical losses have not changed for many years. The Group has also not recognised a deferred tax asset in relation to restricted interest disallowances on the basis that future utilisation is improbable.

In the prior year, an increase to the UK corporation tax rate from 19% to 25% was substantively enacted and this rate has been applied in calculating the relevant charges to current and deferred taxation.

23. Provisions

	Warranty provision £m	Restructuring provision £m	Total £m
At 1 April 2022	0.9	0.7	1.6
Charged to the Income Statement	–	4.5	4.5
Utilisation	–	(0.4)	(0.4)
At 31 March 2023	0.9	4.8	5.7
Charged to the Income Statement	0.1	1.9	2.0
Utilisation	–	(6.0)	(6.0)
At 31 March 2024	**1.0**	**0.7**	**1.7**

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

The restructuring provision brought forward related to costs to be incurred in relation to the Norcros Adhesives closure and due to uncertainty regarding timing of utilisation, the amounts were included within provisions. This has been utilised in the year.

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 that 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 10 years (2023: 11 years) and can be attributed to the scheme members as follows:

	2024	2023
Employee members	**2%**	2%
Deferred members	**28%**	24%
Pensioner members	**70%**	74%
Total	**100%**	100%

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

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

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

In line with the previous agreement, the Group made deficit recovery contributions of £4.0m (2023: £3.8m) into its UK defined benefit pension scheme during the year to 31 March 2024.

NOTES TO THE GROUP ACCOUNTS CONTINUED

Year ended 31 March 2024

24. Retirement benefit obligations continued

Risks

The Plan exposes the Company to a number of actuarial risks, which may result in a material change in the net scheme surplus/deficit and potentially result in an increase in cash contributions in later years and higher charges being recognised in future Income Statements. Given the long-term time horizon of the scheme's cash flows, this may result in volatility in the valuation of the net scheme surplus from year to year. The main risks are set out below:

Mortality risk – the assumptions used by the Group allow for improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Plan and consequently an increase in scheme liabilities. The Group regularly reviews the mortality assumptions to minimise the risk of using an inappropriate assumption.

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 £3.9m (2023: £4.0m).

(b) IAS 19R 'Employee benefits'

Norcros Security Plan

The valuation used for IAS 19R disclosures has been based on the most recent actuarial valuation at 31 March 2021 and updated by Isio, a firm of qualified actuaries, to take account of the requirements of IAS 19R in order to assess the liabilities of the scheme at 31 March 2024. Scheme assets are stated at their market value at 31 March 2024.

(I) THE PRINCIPAL ASSUMPTIONS USED TO CALCULATE THE SCHEME LIABILITIES OF THE NORCROS SECURITY PLAN UNDER IAS 19R ARE:

	2024 Projected unit	2023 Projected unit
Discount rate	**4.85%**	4.90%
Inflation rate (RPI)	**3.30%**	3.25%
Inflation rate (CPI)	**2.65%**	2.55%
Increases to pensions in payment (other than pre-1988 GMP liabilities)	**3.00%**	2.90%
Salary increases	**2.90%**	2.80%

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

	2024	2023
Life expectancy at age 65:		
Current pensioners – males	**19.4**	19.8
Current pensioners – females	**22.0**	22.3
Future pensioners – males (currently aged 45)	**20.3**	20.7
Future pensioners – females (currently aged 45)	**23.1**	23.5

Members are assumed to take a 25% (2023: 25%) cash commutation sum on retirement.

24. Retirement benefit obligations continued

(II) THE AMOUNTS RECOGNISED IN THE INCOME STATEMENT ARE AS FOLLOWS:

	2024 £m	2023 £m
Included in operating profit:		
IAS 19R pension administration expenses	**1.3**	1.6
IAS 19R finance income	**(0.8)**	(0.6)
Total cost recognised in the Income Statement	**0.5**	1.0

(III) THE AMOUNTS RECOGNISED IN THE BALANCE SHEET ARE DETERMINED AS FOLLOWS:

	Value at 31 March 2024 £m	Value at 31 March 2023 £m
Equities	**31.4**	67.1
Bonds	**66.3**	70.2
High yield	**58.3**	58.7
Liability-driven investments	**119.9**	98.7
Cash and gilts	**15.6**	5.2
Total fair value of scheme assets	**291.5**	299.9
Present value of scheme liabilities	**(275.0)**	(285.0)
Pension asset	**16.5**	14.9

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 2024			Value at 31 March 2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	**–**	**31.4**	**31.4**	–	67.1	67.1
Bonds	**–**	**66.3**	**66.3**	–	70.2	70.2
High yield	**–**	**58.3**	**58.3**	–	58.7	58.7
Liability-driven investments	**–**	**119.9**	**119.9**	–	98.7	98.7
Cash and gilts	**15.6**	**–**	**15.6**	5.2	–	5.2
Total fair value of scheme assets	**15.6**	**275.9**	**291.5**	5.2	294.7	299.9

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

(IV) THE MOVEMENT IN THE SCHEME SURPLUS IN THE YEAR IS AS FOLLOWS:

	2024 £m	2023 £m
Asset at the beginning of the year	**14.9**	19.6
Employer contributions – deficit recovery	**4.0**	3.8
IAS 19R pension administration expenses	**(1.3)**	(1.6)
IAS 19R finance income	**0.8**	0.6
Actuarial losses	**(1.9)**	(7.5)
Asset at the end of the year	**16.5**	14.9

(V) THE RECONCILIATION OF SCHEME ASSETS IS AS FOLLOWS:

	2024 £m	2023 £m
Opening fair value of scheme assets	**299.9**	387.9
Employer contributions – deficit recovery	**4.0**	3.8
Interest income	**14.2**	10.4
Benefits paid	**(24.3)**	(22.0)
Actuarial losses on scheme assets	**(1.0)**	(78.6)
IAS 19R pension administration expenses	**(1.3)**	(1.6)
Closing fair value of scheme assets	**291.5**	299.9

NOTES TO THE GROUP ACCOUNTS CONTINUED
Year ended 31 March 2024

24. Retirement benefit obligations continued

(VI) THE RECONCILIATION OF SCHEME LIABILITIES IS AS FOLLOWS:

	2024 £m	2023 £m
Opening scheme liabilities	**(285.0)**	(368.3)
Interest cost	**(13.4)**	(9.8)
Actuarial gains arising from changes in financial assumptions	**7.1**	82.5
Actuarial losses arising from changes in demographic assumptions	**(3.1)**	–
Actuarial losses arising from experience adjustment	**(4.9)**	(11.4)
Benefits paid	**24.3**	22.0
Closing fair value of scheme liabilities	**(275.0)**	(285.0)

(VII) AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME ARE AS FOLLOWS:

	2024 £m	2023 £m
Actuarial losses	**(1.9)**	(7.5)
Deferred tax	**0.5**	1.9
	(1.4)	(5.6)

(VIII) SENSITIVITIES

Judgements are required in relation to the principal assumptions. The sensitivities regarding these principal assumptions used to measure the Plan's liabilities are as follows:

	Impact on scheme obligations	
Assumption	2024 £m	2023 £m
Discount rate – 0.1% decrease	**2.6**	2.6
Inflation rate (RPI and CPI)[1] – 0.1% increase	**1.4**	1.5
Increase in life expectancy by one year	**11.9**	11.2

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

	2024 £m	2023 £m
Issued and fully paid		
2024: 89,596,593 (2023: 89,274,204) ordinary shares of 10p each	**8.9**	8.9

In the year, 322,389 of 10p ordinary shares were issued in order to satisfy vesting of options under the Company's SAYE schemes. At 31 March 2024, 297,563 shares were held by the Employee Benefit Trust (2023: 103,716). In the prior year, the opening share capital was 81,052,426 10p ordinary shares. 8,088,700 10p ordinary shares were then issued as an equity placing ahead of the Grant Westfield acquisition and 133,078 of 10p ordinary shares were also issued in order to satisfy vesting of options under the Company's SAYE schemes.

26. Other non-current liabilities

	2024 £m	2023 £m
Deferred contingent consideration	**3.0**	5.1
Deferred remuneration	**1.4**	0.8
Other non-current liabilities	**0.2**	0.3
	4.6	6.2

Deferred contingent consideration and deferred remuneration are recognised at fair value as they are dependent on the future financial performance of Grant Westfield. To the extent that certain profit and cashflow performance criteria are met, cash payments ranging from £nil to £7.0m (on an undiscounted basis) for the deferred contingent consideration and £nil and £3.0m for the deferred remuneration, will be paid in the year ended 31 March 2026. A weighted probability approach has been taken to value these liabilities. Other non-current liabilities relate to post-retirement healthcare liabilities in our South African business.

27. Consolidated Cash Flow Statement

(a) Cash generated from operations

The analysis of cash generated from operations is given below:

	2024 £m	2023 £m
Profit before taxation	**32.6**	21.7
Adjustments for:		
– IAS 19R administrative expenses included in the Income Statement	**1.3**	1.6
– acquisition related costs included in the Income Statement	**4.3**	8.4
– exceptional items included in the Income Statement	**(2.3)**	9.8
– finance costs included in the Income Statement	**8.1**	6.4
– IAS 19R finance credit included in the Income Statement	**(0.8)**	(0.6)
– cash flows from exceptional items and acquisition related costs	**(3.4)**	(3.3)
– depreciation of property, plant and equipment	**4.0**	4.9
– underlying amortisation	**0.3**	0.1
– depreciation of right of use asset	**4.7**	4.6
– pension fund deficit recovery contributions	**(4.0)**	(3.8)
– IFRS 2 charges	**0.9**	1.2
Operating cash flows before movement in working capital	**45.7**	51.0
Changes in working capital:		
– decrease/(increase) in inventories	**2.9**	(3.0)
– decrease/(increase) in trade and other receivables	**9.3**	(3.1)
– decrease in trade and other payables	**(8.9)**	(7.2)
Cash generated from operations	**49.0**	37.7

NOTES TO THE GROUP ACCOUNTS CONTINUED
Year ended 31 March 2024

27. Consolidated Cash Flow Statement continued

(b) Outflow related to exceptional items
This includes expenditure charged to exceptional provisions relating to 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 2022	27.4	–	(18.8)	8.6	(24.0)	(15.4)
Cash flow	4.5	–	(60.0)	(55.5)	6.4	(49.1)
Non-cash finance costs	–	–	(0.1)	(0.1)	(1.8)	(1.9)
Other non-cash movements	–	–	–	–	(7.2)	(7.2)
Exchange movement	(2.9)	–	–	(2.9)	1.9	(1.0)
At 31 March 2023	29.0	–	(78.9)	(49.9)	(24.7)	(74.6)
Cash flow	3.3	–	11.0	14.3	6.5	20.8
Non-cash finance costs	–	–	(0.2)	(0.2)	(1.6)	(1.8)
Other non-cash movements	–	–	–	–	(3.6)	(3.6)
Exchange movement	(1.5)	–	–	(1.5)	1.2	(0.3)
At 31 March 2024	**30.8**	**–**	**(68.1)**	**(37.3)**	**(22.2)**	**(59.5)**

Non-cash finance costs relate to the movement in the capitalised costs of raising debt finance in the year and interest on lease liabilities.

28. Dividends
A final dividend in respect of the year ended 31 March 2023 of £6.1m (6.8p per 10p ordinary share) was paid on 26 July 2023, and an interim dividend of £3.0m (3.4p per 10p ordinary share) was paid on 16 January 2024. A final dividend in respect of the year ended 31 March 2024 of £6.1m (6.8p per 10p ordinary share) is to be proposed at the Annual General Meeting on 24 July 2024. These financial statements do not reflect this dividend.

29. Capital commitments

	2024 £m	2023 £m
Contracts placed for future capital expenditure not provided in the financial statements	**0.6**	0.5

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 150 to 170. Share-based payments in relation to the Directors can be found in note 10.

31. Events after the reporting period
On 25 April 2024, the Group announced that, following a strategic review, it had entered into an agreement to sell the trade and assets of the Johnson Tiles UK division to Johnson Tiles Limited, a new company incorporated and run by the former divisional management team.

Consideration for the sale was £1m, with a further modest earn out dependent on the future equity value of the business, with both payable in April 2028.

The sale was completed on 19 May 2024 after the conclusion of the customary employee consultation period.

Given the proximity of the sale to the balance sheet date, the Group have not fully assessed tangible fixed asset and working capital values transferred, but estimate the loss on disposal, to be accounted for in the year to 31 March 2025, to be approximately £20m, plus associated professional fees of less than £1m.

The Johnson Tiles land and buildings were not transferred as part of the sale and following an independent valuation, an impairment reversal of £4m has been recognised in the financial statements for the year to 31 March 2024. The group has also entered into an agreement to lease the site to Johnson Tiles Limited on an arm's length basis.

PARENT COMPANY BALANCE SHEET
At 31 March 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Investments	3	**177.3**	177.3
Other receivables	4	**0.9**	27.1
Deferred tax assets	5	**1.1**	0.9
		179.3	205.3
Current liabilities			
Trade and other payables	6	**(1.3)**	(1.6)
Net current liabilities		**(1.3)**	(1.6)
Total assets less current liabilities		**178.0**	203.7
Non-current liabilities			
Financial liabilities – borrowings	7	**(68.1)**	(78.9)
Net assets		**109.9**	124.8
Financed by:			
Share capital	8	**8.9**	8.9
Share premium account		**47.6**	47.6
Treasury reserve		**0.2**	(0.1)
Retained earnings before loss for the financial year		**59.0**	73.1
Loss for the financial year		**(5.8)**	(4.7)
Total shareholders' funds		**109.9**	124.8

The financial statements of Norcros plc, registered number 3691883, on pages 226 to 233 were authorised for issue on 12 June 2024 and signed on behalf of the Board by:

THOMAS WILLCOCKS
Chief Executive Officer

JAMES EYRE
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2024

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Retained earnings £m	Total equity £m
At 1 April 2022	8.1	30.3	(0.1)	81.1	119.4
Comprehensive expense:					
Loss for the year	–	–	–	(4.7)	(4.7)
Total comprehensive expense for the year	–	–	–	(4.7)	(4.7)
Transactions with owners:					
Shares issued	0.8	17.3	–	–	18.1
Dividends paid	–	–	–	(9.2)	(9.2)
Equity-settled share options	–	–	–	–	–
Value of employee services	–	–	–	1.2	1.2
At 31 March 2023	8.9	47.6	(0.1)	68.4	124.8
Comprehensive expense:					
Loss for the year	–	–	–	(5.8)	(5.8)
Total comprehensive expense for the year	–	–	–	(5.8)	(5.8)
Transactions with owners:					
Purchase of treasury shares	–	–	(0.8)	–	(0.8)
Dividends paid	–	–	–	(9.1)	(9.1)
Settlement of share option schemes	–	–	1.1	(1.2)	(0.1)
Value of employee services	–	–	–	0.9	0.9
At 31 March 2024	**8.9**	**47.6**	**0.2**	**53.2**	**109.9**

NOTES TO THE PARENT COMPANY ACCOUNTS
Year ended 31 March 2024

1. Statement of accounting policies

General information

Norcros plc (the Company) is the ultimate holding company of the Norcros Group, a market-leading designer and supplier of high-quality bathroom and kitchen products in the UK, Europe and South African markets.

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 31 March 2024. All references to the financial year, therefore, relate to the 52 weeks commencing on 3 April 2023. In the previous year, the accounting period was 52 weeks, beginning on 4 April 2022 and ending on 2 April 2023.

Basis of preparation

Norcros plc is a qualifying entity able to apply FRS 101 'Reduced disclosure framework'. The separate financial statements of the Company have been prepared in accordance with FRS 101, on the going concern basis and under the historical cost convention modified for fair values, and in accordance with the Companies Act 2006 and with applicable accounting standards.

These financial statements and accompanying notes have been prepared in accordance with the reduced disclosure framework for all periods presented. A separate profit and loss account dealing with the results of the Company has not been presented as permitted by Section 408(3) of the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the following paragraphs of IAS 1 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 111 (cash flow statement information); and
  - 134–136 (capital management disclosures);
- IFRS 7 'Financial instruments: disclosures';
- IAS 7 'Statement of cash flows';
- IAS 8 'Accounting policies, changes in accounting estimates and errors' – impact of future accounting standards;
- IAS 24 (paragraph 17) 'Related party disclosures' – key management compensation; and
- IAS 24 'Related party disclosures' – the requirement to disclose related party transactions between two or more members of a group.

As the Group financial statements include the equivalent disclosures, the Company has taken the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 'Share-based payments', in respect of Group equity-settled share-based payments; and
- certain disclosures required by IFRS 13 'Fair value measurement', and disclosures required by IFRS 7 'Financial instruments: disclosures'.

Critical estimates and judgements

The Directors believe that there are no critical accounting estimates or judgements relating to these financial statements.

A summary of the more important accounting policies, which have been applied consistently, is set out opposite.

Investments in subsidiaries

Investments held as fixed assets are stated at cost, less any provision for impairment. The Directors believe the carrying value of investments is supported by their underlying assets and cash flow projections derived from detailed budgets and forecasts. Dividends received from investments are recognised on receipt of the dividend.

1. Statement of accounting policies continued

Foreign currency transactions

Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at rates applicable at the year end. Exchange gains and losses are dealt with in arriving at operating profit.

Taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the Balance Sheet date that give rise to an obligation to pay more taxation in the future or a right to pay less taxation in the future. An asset is recognised only when the transfer of economic benefits is more likely than not to occur.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders or when paid if earlier.

Financial assets and liabilities

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 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 (2023: £3,000) and staff costs relating to two employees (2023: two) are borne by one of the Company's subsidiaries, without recharge.

Further information about the Directors' remuneration can be found in the Annual Report on Remuneration on pages 150 to 170.

3. Investments

	Shares in subsidiaries £m
At 1 April 2023 and 31 March 2024	**177.3**

Details of the subsidiaries owned by the Company, held both directly and indirectly, are shown in note 12.

4. Other receivables

	2024 £m	2023 £m
Amounts owed by Group undertakings	**0.9**	27.1

Amounts owed by Group undertakings are owed entirely by Norcros Group (Holdings) Limited. The year on year movement in this receivable is driven by periodic repayments from Norcros Group (Holdings) Limited and a £15.0m dividend declared by Norcros Group (Holdings) Limited in the year. This dividend was settled in specie by the transfer to Norcros plc of an intercompany debtor owed by Norcros Estates Limited. This intercompany debtor has been fully provided for in the Norcros plc entity financial statements.

NOTES TO THE PARENT COMPANY ACCOUNTS
CONTINUED
Year ended 31 March 2024

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

	2024 £m	2023 £m
Deferred tax asset	**1.1**	0.9

The analysis of the deferred tax asset is as follows:

	2024 £m	2023 £m
Other timing differences	**1.1**	0.9

	2024 £m	2023 £m
To be recovered after more than 12 months	**–**	–
To be recovered within 12 months	**1.1**	0.9
	1.1	0.9

The full potential asset for deferred tax is as follows:

	2024 £m	2023 £m
Other timing differences	**1.1**	0.9
Tax losses	**4.5**	4.5
	5.6	5.4

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 on the basis that entity level profits are unlikely to arise.

6. Trade and other payables

	2024 £m	2023 £m
Accruals	**1.3**	1.6

7. Financial liabilities – borrowings

	2024 £m	2023 £m
Bank loans	**69.0**	80.0
Costs of raising finance	**(0.9)**	(1.1)
	68.1	78.9
Repayable after more than one year:		
– between one and two years	**–**	–
– between two and five years	**69.0**	80.0
– costs of raising finance	**(0.9)**	(1.1)
	68.1	78.9

The amount of committed banking facility remains at £130m (plus a £70m uncommitted accordion). The Group exercised the second of its two one-year extension options in the year, extending the maturity date to October 2027.

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

8. Called-up share capital

	2024 £m	2023 £m
Issued and fully paid		
2024: 89,596,593 (2023: 89,274,204) ordinary shares of 10p each	**8.9**	8.9

In the year, 322,389 of 10p ordinary shares were issued in order to satisfy vesting of options under the Company's SAYE schemes. At 31 March 2024, 297,563 shares were held by the Employee Benefit Trust (2023: 103,716). In the prior year, the opening share capital was 81,052,426 10p ordinary shares. 8,088,700 10p ordinary shares were then issued as an equity placing ahead of the Grant Westfield acquisition and 133,078 of 10p ordinary shares were also issued in order to satisfy vesting of options under the Company's SAYE schemes.

9. Dividends
A final dividend in respect of the year ended 31 March 2023 of £6.1m (6.8p per 10p ordinary share) was paid on 26 July 2023, and an interim dividend of £3.0m (3.4p per 10p ordinary share) was paid on 16 January 2024. A final dividend in respect of the year ended 31 March 2024 of £6.1m (6.8p per 10p ordinary share) is to be proposed at the Annual General Meeting on 24 July 2024. These financial statements do not reflect this dividend.

10. Related party transactions
The Company considers its two employees to be its key management personnel. Compensation for these employees, who have the sole responsibility for planning, directing and controlling the Company, are set out in the Remuneration Report on pages 150 to 170. Employee remuneration is settled on behalf of the entity by Norcros Group (Holdings) Limited.

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

NOTES TO THE PARENT COMPANY ACCOUNTS

CONTINUED

Year ended 31 March 2024

12. Subsidiaries

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

Held directly by Norcros plc

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

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, UK
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

12. Subsidiaries continued

Held indirectly by Norcros plc continued

Company	Country of incorporation or registration	Registered address
Granfit Holdings Ltd	Scotland	Westfield Avenue, Edinburgh EH11 2QH, Scotland
Grant Westfield Ltd	Scotland	As above
Ocean Interiors GMBH	Germany	Vogt 21, 52072 Aachen, Germany
Ocean Interiors BV	Netherlands	WTC Heerlen Aachen, Vogt 21, 6422 RK Heerlen, Netherlands
Cronors Insurance Ltd	Guernsey	Dorey Court, Admiral Park, St. Peter Port GY1 2HT, Guernsey
Merlyn Industries Ltd	Ireland	Merlyn House, Purcellsinch Industrial Estate, Dublin Road, Kilkenny, Ireland
Christa 271 (Pty) Ltd	Namibia	3rd Floor, 344 Independence Avenue, Windhoek, Namibia
Tile Africa Windhoek Property (Pty) Ltd	Namibia	15 van Zyl Street, Suiderhof, Windhoek, Namibia
Ceracon (Pty) Ltd	South Africa	4 Porcelain Road, Olifantsfontein 1665, South Africa
General Adhesives (Pty) Ltd	South Africa	As above
Johnson Tiles Pty Ltd	South Africa	As above
Lesatsi Trading (Pty) Ltd	South Africa	As above
Norcros SA (Pty) Ltd	South Africa	As above
RAP Plumbing Supplies (Pty) Ltd	South Africa	As above
TAL (Pty) Ltd	South Africa	As above
Talcor Properties (Pty) Ltd	South Africa	As above
Tile Adhesives (Pty) Ltd	South Africa	As above
Tile Africa Group (Pty) Ltd	South Africa	As above
Triton SA (Pty) Ltd	South Africa	As above
Norcros Middle East Building Materials Trading LLC	UAE	Warehouse No. 5, St. No. 4, Umm Ramool, Marrakesh Road, P.O. Box 393937, Dubai, UAE

NORCROS

Planting trees to catch carbon

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The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.

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