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If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares, please send this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer is/was effected for transmission to the purchaser or transferee, except that, subject to certain limited exceptions, such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including the United States and any of the other Excluded Territories.

**The release, publication or distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions or applicable requirements. Failure to comply with any such restriction or applicable requirements may constitute a violation of the securities laws of any such jurisdiction.**

This document comprises: (i) a circular prepared in accordance with the Listing Rules made under section 73A of FSMA for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document; and (ii) a prospectus prepared in accordance with the Prospectus Rules made under section 73A of FSMA relating to the New Ordinary Shares by Norcros plc (the “**Company**”). This document has been approved by the Financial Conduct Authority (the “**FCA**”) in accordance with section 87A of FSMA and made available to the public in accordance with the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in Part XVI (*Documents Incorporated by Reference*) of this document) will be made available to the public free of charge, at [www.norcros.com](http://www.norcros.com) and at the Company’s registered office at Ladyfield House, Station Road, Wilmslow, Cheshire, SK9 1BU.

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# **norcros**

## **NORCROS PLC**

*(incorporated in England and Wales with registered number 3691883)*

**Proposed acquisition of Merlyn Industries Limited**

and

**Firm Placing of 6,165,312 Firm Placing Shares at 172 pence per share, Placing and Open Offer of 12,088,849 Open Offer Shares at 172 pence per share, application for admission of the New Ordinary Shares to the Official List and to trading on the Main Market**

and

**Notice of General Meeting**

# **Numis**

**Sponsor, Bookrunner and Broker**

**Numis Securities Limited**

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out in Part I (*Letter from the Chairman*) of this document and which contains a recommendation from the Board that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. The section of this document entitled**

**“Risk Factors” includes a discussion of certain risk factors which should be taken into account when considering the matters referred to in this document.**

The Company and the Directors (whose names appear on page 45 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Applications will be made for the New Ordinary Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s Main Market (together **“Admission”**). It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 23 November 2017.

Numis Securities Limited (**“Numis”**) has been appointed as sponsor, bookrunner and broker to the Company. Numis is authorised and regulated in the United Kingdom by the FCA and is acting exclusively for the Company and no one else in connection with the arrangements described in this document, and will not regard any other person (whether or not a recipient of this document) as a client in relation to the arrangements described in this document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the arrangements described in this document or any other transaction or arrangement referred to in this document. Numis and its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company for which they would have received customary fees. Apart from the responsibilities and liabilities, if any, that may be imposed on Numis by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Numis accepts no responsibility whatsoever for, and makes no representation or warranty, express or implied, as to the contents of, this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New Ordinary Shares or the arrangements described in this document and nothing in this document will be relied upon as a promise or representation in this respect, whether or not to the past or future. Numis accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement. Numis has given and not withdrawn its consent to the issue of this document with the inclusion of the references to its name in the form and context to which they are included.

**A Notice of General Meeting of the Company, to be held at the offices of Addleshaw Goddard LLP, One St Peter’s Square, Manchester M2 3DE at 10.00 a.m. on 22 November 2017, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by not later than 10.00 a.m. on 20 November 2017 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). If you are a member of CREST, you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 10.00 a.m. on 20 November 2017 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, should you so wish.**

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, New Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Unless otherwise determined by the Company in its sole discretion and permitted by applicable law and regulation, this document and the accompanying Form of Proxy are not being, nor may they be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed, or sent outside of the United Kingdom, including in, into or from the United States or any of the other Excluded Territories, and persons receiving this document and the accompanying Form of Proxy (including, without limitation, trustees, nominees or custodians) must not send them outside of the United

Kingdom, including in, into or from the United States or any of the other Excluded Territories, as to do so may constitute a violation of the securities laws of any such jurisdictions. Any person (including, without limitation, trustees, nominees or custodians) who would or otherwise intends to, or who may have a contractual or legal obligation to, forward this document and the accompanying Form of Proxy to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

None of the New Ordinary Shares have been nor will be registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”), or with any regulatory authority or under the applicable securities laws of any state or other jurisdiction of the United States or qualified for distribution under any applicable securities laws outside of the United Kingdom. None of the New Ordinary Shares may be offered, sold, taken up, resold, transferred or delivered, directly or indirectly, in the United States (as defined in Rule 902 under Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of the states of the United States. There will be no public offer of the New Ordinary Shares in the United States.

Neither the New Ordinary Shares, the Form of Proxy, this document nor any other document connected with the arrangements described in this document have been or will be approved or disapproved by the United States Securities and Exchange Commission or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities or any securities commission passed comment upon or endorsed the merits of the offering and/or allotment and issue of the New Ordinary Shares, the Form of Proxy or the accuracy or adequacy of this document or any other document connected with the Capital Raising or this document. Any representation to the contrary is a criminal offence in the United States.

This document and any other document or material in connection with the offer or sale or invitation for subscription or purchase, of any investment described in this document is not a prospectus, short form prospectus, profile statement, offer information statement, or product disclosure statement (as those terms are defined by the Corporations Act 2001 (Commonwealth of Australia) (the “**Corporations Act**”)), does not purport to include the information required of any such document, and has not and will not be lodged with the Australian Securities and Investments Commission.

The document(s) provided may not be circulated or distributed, nor may shares or other securities be offered or sold, or be made the subject of any invitation for subscription or purchase, whether directly or indirectly, to any Australian domiciled persons except where disclosure would not be required to such persons under Chapters 6 and 7 of the Corporations Act.

Recipients of this document may not reproduce or distribute this document, in whole or in part, and may not disclose any of the contents of this document or use any information in it for any purpose other than considering an investment in Ordinary Shares. Recipients of this document agree to the foregoing by accepting delivery of this document.

Unless required to do so by law or regulation, the Company does not envisage publishing any supplementary prospectus, supplementary circular or an update statement, as the case may be.

**The contents of this document are not to be construed as legal, business or tax advice. Shareholders should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.**

All references to time in this document are to Greenwich Mean Time unless otherwise stated.

This document is dated 2 November 2017.

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## SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of the words 'not applicable'.

<b>SECTION A – Introduction and warnings</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
A.1	Introduction and warning	<p>This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor.</p> <p>Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this document before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the securities.</p>
A.2	Consent for intermediaries	Not applicable – there will be no resale or final placement of securities by financial intermediaries.
<b>SECTION B – Issuer</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
B.1	Legal and commercial name	The Company's legal and commercial name is Norcros plc.
B.2	Domicile / legal form / legislation / country of incorporation	The Company is incorporated and registered in England and Wales as a public company limited by shares with registered number 3691883. The principal legislation under which the Company operates is the Companies Act.
B.3	Current operations / principal activities / principal markets	<p><b>Norcros</b></p> <p>Norcros is a leading supplier of high quality and innovative showers, taps, bathroom accessories, ceramic wall and floor tiles and adhesive products with operations primarily in the UK and South Africa. The Group employs approximately 2,000 people worldwide and is based in Wilmslow, UK.</p> <p>In the UK, the Group offers a wide range of quality bathroom and kitchen products both for domestic and commercial applications. The Group's UK portfolio of businesses is well established, services a broad customer base and benefits from leading market positions and strong brands. The Group's six UK complementary businesses are:</p> <ul style="list-style-type: none"> <li>– Triton – the leading manufacturer and distributor of electric and mixer showers and accessories</li> <li>– Vado – manufacturer and distributor of taps, mixer showers, bathroom accessories and valves</li> <li>– Croydex – market-leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories</li> <li>– Abode – a leading niche designer and distributor of high quality kitchen taps, bathroom taps, and kitchen sinks</li> <li>– Johnson Tiles – a leading manufacturer and distributor of ceramic wall and floor tiles</li> <li>– Norcros Adhesives – manufacturer of tile and stone adhesives and ancillary products</li> </ul>

		<p>The Group also has complementary businesses in South Africa, operating principally from a shared manufacturing and administrative site near Johannesburg, allowing operational, revenue and cost synergies. The Group's three South African businesses are:</p> <ul style="list-style-type: none"> <li>- Tile Africa – a leading retailer of local and international tiles and associated bathroom and kitchen products</li> <li>- Johnson Tiles South Africa (“JTSA”) – a leading manufacturer and distributor of ceramic wall and floor tiles</li> <li>- TAL – the leading manufacturer of tile adhesives, pourable floor coverings and tiling tools</li> </ul> <p>The UK currently represents the Group's key market in both revenue and profit though increasing Group revenue outside of the UK is a key strategic target.</p> <p>In 2013, the Board set out three clear strategic targets:</p> <ul style="list-style-type: none"> <li>- to double Group revenue to £420 million by 2018</li> <li>- to achieve sustainable underlying return on capital employed of 12 to 15 per cent.</li> <li>- to maintain approximately 50 per cent. of Group revenue derived outside the UK</li> </ul> <p>The Board declared that achieving this strategy would be delivered through a combination of organic growth and acquisitions; with the successful integration and development of acquisitions made since 2013 being an important step in supporting and accelerating the Group's strategy.</p> <p><b>Merlyn</b></p> <p>Merlyn is the market-leading, innovative designer and distributor of mid to high end branded shower enclosures founded by Michael Hoyne in 2000, launching several ranges of mid to high end shower enclosures for the Independent Retail market in the UK and Ireland. The Vivid brand, specifically designed for distribution partners was launched in 2005 and The Series Collection was launched in 2009 for Independent Retailers. In 2010, Charlie Soden joined as CEO and the following year, Merlyn was appointed exclusive own brand supplier to Wolseley. The Ionic brand was launched for the Merchant industry in 2013 and an exclusive shower enclosure, bath screens and trays contract with the UK's largest housebuilder Barratt Developments was awarded in the subsequent year. Broadlake Private Equity undertook an investment into Merlyn to become a minority shareholder in 2015.</p>
B.4a	Most significant recent trends affecting the Group and the industry in which it operates	<p><b>Consumer trends</b></p> <p>Changing consumer trends continue to impact demand for the Group's products in the UK, South Africa and in export markets. The Board believes that the Group's ability to identify and adapt to changing consumer preferences is a key driver of performance.</p> <p><b>Macroeconomic</b></p> <p>Demand in the Group's markets is dependent on new building activity and repair, maintenance and improvement (RMI) activity in both the public and private sectors. This is in turn influenced by macroeconomic factors, consumer confidence and government spending policy.</p> <p>Current uncertainty around global economic growth and the future of the European Union makes demand unpredictable and there is a risk of market conditions deteriorating. The uncertainty caused by the UK's vote to leave the European Union and the resultant depreciation of Sterling has led to increased inflationary pressures, which may impact demand for the Group's products and its margins.</p> <p>There are a number of factors that would limit the impact on the Group of a deterioration in market conditions such as the geographic spread of the Group's businesses, the Group's diverse product portfolio, a flexible cost base and supply chain, and the replacement cycle of a number of its key products.</p> <p><b>Acquisitions</b></p> <p>During the period under review the Group has acquired two businesses in addition to Vado which was acquired in March 2013. Performance of acquired businesses may not reach expectations impacting Group profitability and cash flows. The Group has detailed target appraisal procedures in place, including appropriate due diligence, and has senior management experienced in this field of work. The Group also has robust Board approval procedures in place to ensure independent review of proposals. Integration plans are finalised prior to acquisition so that newly acquired businesses are integrated efficiently and swiftly after acquisition. The acquisitions of Vado, Croydex and most recently Abode provide demonstrable evidence of the Group's ability to integrate new businesses.</p> <p><b>Currency movements</b></p> <p>The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates. In particular, the Group sources a significant proportion of its components and goods for resale from Europe and the Far East which are</p>

		denominated in foreign currencies (primarily the US Dollar and the Euro). These currencies have strengthened relative to Sterling over the past year following the UK's vote to leave the European Union.																																																							
B.5	Description of Issuer's Group	The Company holds and, in the case of the Merlyn Group, will hold following Completion of the Acquisition, the Group's operating companies through certain wholly-owned intermediate holding companies.																																																							
B.6	Shareholders	<p>As at the Latest Practicable Date, the Company had been notified in accordance with the Transparency Rules of the following interests in voting rights attaching to Ordinary Shares:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Number of Ordinary Shares</th> <th>Percentage of Ordinary Shares</th> </tr> </thead> <tbody> <tr> <td>Canaccord Genuity Group</td> <td>9,650,000</td> <td>15.65%</td> </tr> <tr> <td>Miton Group</td> <td>7,507,240</td> <td>12.18%</td> </tr> <tr> <td>FIL Ltd</td> <td>6,068,854</td> <td>9.84%</td> </tr> <tr> <td>Artemis Fund Managers</td> <td>5,989,534</td> <td>9.7%</td> </tr> <tr> <td>SVM Asset Management</td> <td>2,681,785</td> <td>4.35%</td> </tr> </tbody> </table> <p>Save as disclosed in this section, the Company is not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure Guidance and Transparency Rules) which will represent three per cent. or more of the total voting rights in respect of the issued share capital of the Company following Admission.</p> <p>No Shareholder has or will have any special voting rights over any Ordinary Shares and, following Admission, all New Ordinary Shares will rank <i>pari passu</i> in all respects with all other Ordinary Shares.</p>	Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares	Canaccord Genuity Group	9,650,000	15.65%	Miton Group	7,507,240	12.18%	FIL Ltd	6,068,854	9.84%	Artemis Fund Managers	5,989,534	9.7%	SVM Asset Management	2,681,785	4.35%																																					
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B.7	Selected key historical financial information	<p><b>The Norcros Group</b></p> <p>The selected key historical financial information sets out the consolidated income statement, balance sheet and cash flow statement of the Norcros Group as at, and for the years ended, 31 March 2015, 2016 and 2017. The information has been extracted without material adjustment from the audited financial statements of the Group for the years ended 31 March 2017 and 2015. For the year ended 31 March 2016, such information has been derived from the restated comparative financial information for the Group for such financial year contained in the Group's Annual Report and Accounts for the year ended 31 March 2017. Such comparative financial information differs from the audited consolidated accounts of the Group for the year ended 31 March 2016 due to a restatement.</p> <p><b>Consolidated income statement</b></p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">For the year ended 31 March.</th> </tr> <tr> <th>2017 £ million</th> <th>2016 £ million</th> <th>2015 £ million</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>271.2</td> <td>235.9</td> <td>222.1</td> </tr> <tr> <td>Underlying operating profit</td> <td>23.8</td> <td>21.3</td> <td>17.0</td> </tr> <tr> <td>IAS 19R administrative expenses</td> <td>(2.0)</td> <td>(1.7)</td> <td>(1.7)</td> </tr> <tr> <td>Acquisition related costs</td> <td>(2.7)</td> <td>(5.2)</td> <td>(2.2)</td> </tr> <tr> <td>Exceptional operating items</td> <td>(2.3)</td> <td>2.3</td> <td>2.5</td> </tr> <tr> <td><b>Operating profit</b></td> <td><b>16.8</b></td> <td><b>16.7</b></td> <td><b>10.6</b></td> </tr> <tr> <td>Finance costs</td> <td>(3.3)</td> <td>(1.1)</td> <td>(1.8)</td> </tr> <tr> <td>Finance income</td> <td>—</td> <td>1.2</td> <td>3.3</td> </tr> <tr> <td><b>IAS 19R finance cost</b></td> <td><b>(2.0)</b></td> <td><b>(1.4)</b></td> <td><b>(1.1)</b></td> </tr> <tr> <td><b>Profit before taxation</b></td> <td><b>11.5</b></td> <td><b>15.4</b></td> <td><b>11.0</b></td> </tr> <tr> <td>Taxation</td> <td>(3.0)</td> <td>(2.4)</td> <td>(2.9)</td> </tr> <tr> <td><b>Profit for the year from continuing operations</b></td> <td><b>8.5</b></td> <td><b>13.0</b></td> <td><b>8.1</b></td> </tr> </tbody> </table>		For the year ended 31 March.			2017 £ million	2016 £ million	2015 £ million	Revenue	271.2	235.9	222.1	Underlying operating profit	23.8	21.3	17.0	IAS 19R administrative expenses	(2.0)	(1.7)	(1.7)	Acquisition related costs	(2.7)	(5.2)	(2.2)	Exceptional operating items	(2.3)	2.3	2.5	<b>Operating profit</b>	<b>16.8</b>	<b>16.7</b>	<b>10.6</b>	Finance costs	(3.3)	(1.1)	(1.8)	Finance income	—	1.2	3.3	<b>IAS 19R finance cost</b>	<b>(2.0)</b>	<b>(1.4)</b>	<b>(1.1)</b>	<b>Profit before taxation</b>	<b>11.5</b>	<b>15.4</b>	<b>11.0</b>	Taxation	(3.0)	(2.4)	(2.9)	<b>Profit for the year from continuing operations</b>	<b>8.5</b>	<b>13.0</b>	<b>8.1</b>
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**Consolidated balance sheet**
**As at 31 March**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>Non-current assets</b>			
Goodwill	31.1	30.4	22.2
Intangible assets	13.7	14.8	4.7
Property, plant and equipment	43.0	38.2	37.6
Deferred tax assets	11.0	10.0	13.8
	<u>98.8</u>	<u>93.4</u>	<u>78.3</u>
<b>Current assets</b>			
Inventories	70.3	60.1	52.2
Trade and other receivables	56.8	50.9	40.5
Derivative financial instruments	0.7	2.5	2.1
Cash and cash equivalents	37.5	25.5	5.6
	<u>165.3</u>	<u>139.0</u>	<u>100.4</u>
<b>Current liabilities</b>			
Trade and other payables	(72.0)	(64.7)	(54.9)
Derivative financial instruments	(0.8)	(0.1)	(1.0)
Current tax liabilities	(2.0)	—	(1.3)
Financial liabilities – borrowings	(30.9)	(22.4)	(1.4)
	<u>(105.7)</u>	<u>(87.2)</u>	<u>(58.6)</u>
<b>Net current assets</b>	<u>59.6</u>	<u>51.8</u>	<u>41.8</u>
<b>Total assets less current liabilities</b>	<u>158.4</u>	<u>145.2</u>	<u>120.1</u>
<b>Non-current liabilities</b>			
Financial liabilities – borrowings	(29.8)	(35.6)	(18.4)
Pension scheme liability	(62.7)	(55.7)	(44.3)
Other non-current liabilities	(3.6)	(3.0)	(1.4)
Provisions	(5.7)	(3.3)	(3.3)
	<u>(101.8)</u>	<u>(97.6)</u>	<u>(67.4)</u>
<b>Net assets</b>	<u>56.6</u>	<u>47.6</u>	<u>52.7</u>
<b>Financed by:</b>			
Share capital	6.1	6.1	6.0
Share premium	1.1	1.1	1.0
Retained earnings and other reserves	49.4	40.4	45.7
<b>Total equity</b>	<u>56.6</u>	<u>47.6</u>	<u>52.7</u>

**Consolidated cashflow statement**
**For the Year End 31 March**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>Cash generated from operations</b>			
	<b>25.5</b>	<b>18.5</b>	<b>16.2</b>
Income taxes paid	(1.9)	(1.0)	(0.5)
Interest paid	(0.9)	(0.9)	(1.3)
<b>Net cash generated from operating activities</b>	<u>22.7</u>	<u>16.6</u>	<u>14.4</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment property	—	—	6.1
Proceeds from sale of property, plant and equipment	—	—	0.4

		<b>For the Year End 31 March</b>		
		<b>2017</b>	<b>2016</b>	<b>2015</b>
		<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
	Purchase of investment property	—	—	(0.9)
	Purchase of property, plant and equipment and intangible assets	(8.0)	(6.6)	(7.0)
	Acquisition of subsidiary undertakings (including payment of deferred consideration) net of cash acquired	(2.7)	(23.6)	(0.5)
	Disposal of subsidiary undertaking net of cash	—	—	3.8
	<b>Net cash used in investing activities</b>	<b>(10.7)</b>	<b>(30.2)</b>	<b>1.9</b>
	<b>Cash flows from financing activities</b>			
	Net proceeds from issue of ordinary share capital	—	0.1	0.2
	(Repayment)/drawdown of borrowings	(6.0)	17.0	(12.1)
	Cost of raising debt finance	—	—	(0.7)
	Dividends paid to the Company's shareholders	(4.2)	(3.6)	(3.1)
	<b>Net cash (used in)/generated from financing activities</b>	<b>(10.2)</b>	<b>13.5</b>	<b>(15.7)</b>
	<b>Net increase/(decrease) in cash at bank and in hand and bank overdrafts</b>	<b>1.8</b>	<b>(0.1)</b>	<b>0.6</b>
	Cash at bank and in hand and bank overdrafts at the beginning of the year	3.1	4.2	3.7
	Exchange movements on cash and bank overdrafts	1.7	(1.0)	(0.1)
	<b>Cash at bank and in hand and bank overdrafts at the end of the year</b>	<b>6.6</b>	<b>3.1</b>	<b>4.2</b>
	<b>Revenue</b>			
	Revenue increased by 15.0 per cent. to £271.2 million for the year ended 31 March 2017 compared to £235.9 million for the year ended 31 March 2016. Revenue for the year ended 31 March 2016 increased by 6.3% compared to £222.1 million for the year ended 31 March 2015. Growth in revenue during the periods under review was driven by organic growth in South Africa and the success of the Group's acquisition strategy.			
	<b>Underlying operating profit</b>			
	Underlying operating profit increased by 11.7 per cent. to £23.8 million for the year ended 31 March 2017 compared to £21.3 million for the year ended 31 March 2016. Underlying operating profit for the year ended 31 March 2016 increased by 25.3 per cent. compared to £17.0 million for the year ended 31 March 2015. Growth in underlying operating profit during the periods under review was driven by a significant improvement in the performance of the Group's South African business and the contribution from recently acquired businesses.			
	<b>Net cash generated from operating activities</b>			
	Cash generated from operations in the year end 31 March 2017 was £7.0 million higher than the previous year at £25.5 million, largely due to higher underlying operating profit of £2.5 million and lower working capital outflows.			
	Cash generated from operating activities in the year end 31 March 2016 was £2.3 million higher than the previous year at £18.5 million, largely due to an increase in underlying operating profit of £4.3 million and higher cash in-flows from exceptional items net of higher working capital outflows.			
	For the years ended 31 March 2017, 2016 and 2015, net cash generated from operating activities was £22.7 million, £16.6 million and £14.4 million, respectively.			
	There has been no significant change in the financial condition and operating results during or subsequent to the period covered by the historical key financial information on the Norcros Group set out in this section.			

**The Merlyn Group**

The selected key historical financial information sets out the combined and consolidated income statement, balance sheet and cash flow statement of the Merlyn Group as at, and for the years ended, 31 March 2015, 2016 and 2017 derived from the historical financial information included in Section B of Part XI of this Prospectus.

**Combined and consolidated income statement****For the year ended 31 March.**

	<b>2015</b> <b>£ million</b>	<b>2016</b> <b>£ million</b>	<b>2017</b> <b>£ million</b>
Revenue	21.4	26.4	30.7
<b>Operating profit</b>	<b>2.7</b>	<b>4.4</b>	<b>6.4</b>
Finance costs	—	(0.1)	(0.6)
Finance income	0.3	0.6	—
<b>Profit before taxation</b>	<b>3.0</b>	<b>4.9</b>	<b>5.8</b>
Taxation	(0.4)	(0.6)	(0.8)
<b>Profit for the year from continuing operations</b>	<b>2.6</b>	<b>4.3</b>	<b>5.0</b>

**Combined and consolidated balance sheet****As at 31 March.**

	<b>2015</b> <b>£ million</b>	<b>2016</b> <b>£ million</b>	<b>2017</b> <b>£ million</b>
<b>Non-current assets</b>			
Intangible assets	0.3	0.7	1.1
Property, plant and equipment	0.7	0.7	0.7
	1.0	1.4	1.8
<b>Current assets</b>			
Inventories	2.6	3.4	3.2
Trade and other receivables	5.5	6.2	8.1
Derivative financial instruments	0.4	0.7	0.2
Cash and cash equivalents	3.3	5.4	10.2
	11.8	15.7	21.7
<b>Current liabilities</b>			
Trade and other payables	(4.6)	(5.4)	(6.1)
Derivative financial instruments	(0.3)	—	(0.1)
Current tax liabilities	(0.2)	(0.3)	(0.1)
	(5.1)	(5.7)	(6.3)
<b>Net current assets</b>	<b>6.7</b>	<b>10.0</b>	<b>15.4</b>
Total assets less current liabilities	7.7	11.4	17.2
<b>Non-current liabilities</b>			
Deferred tax liabilities	(0.1)	(0.1)	(0.1)
<b>Net assets</b>	<b>7.6</b>	<b>11.3</b>	<b>17.1</b>
<b>Financed by:</b>			
Share capital	—	—	—
Invested capital	7.6	—	—
Retained earnings	—	10.8	15.8
Translation reserve	—	0.5	1.3
<b>Total equity</b>	<b>7.6</b>	<b>11.3</b>	<b>17.1</b>

		<b>Combined and consolidated cashflow statement</b>		
		<b>For the year ended 31 March</b>		
		<b>2015</b>	<b>2016</b>	<b>2017</b>
		<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
		<b>Cash generated from operations</b>		
		2.7	4.7	6.2
		(0.2)	(0.5)	(1.0)
		—	(0.1)	—
		<b>Net cash generated from operating activities</b>		
		2.5	4.1	5.2
		<b>Cash flows from investing activities</b>		
		<b>Purchase of property, plant and equipment and intangible assets</b>		
		(0.4)	(0.6)	(0.7)
		<b>Net cash used in investing activities</b>		
		(0.4)	(0.6)	(0.7)
		<b>Cash flows from financing activities</b>		
		<b>Distributions to owners</b>		
		—	(1.6)	—
		<b>Net cash used in investing activities</b>		
			(1.6)	(0.7)
		<b>Net increase in cash and cash equivalents</b>		
		2.1	1.9	4.5
		<b>Cash and cash equivalents at the beginning of the year</b>		
		1.4	3.3	5.4
		<b>Exchange movements on cash</b>		
		(0.2)	0.2	0.3
		<b>Cash and cash equivalents at the end of the year</b>		
		3.3	5.4	10.2
		<b>Revenue</b>		
		Revenue increased by 16.3% to £30.7 million for the year ended 31 March 2017 from £26.4 million for the year ended 31 March 2016 and by 23.4% over the £21.4 million for year ended 31 March 2015. The increase in each year was due to price increases implemented during the year, organic growth and new customer wins.		
		<b>Operating profit</b>		
		Operating profit increased by 45.5% to £6.4 million for the year ended 31 March 2017 from £4.4 million for the year ended 31 March 2016 and by 63.0% from £2.7 million for year ended 31 March 2015. The year on year increases were primarily due to the growth in revenue noted above and improvements in operating margins.		
		<b>Net cash generated from operating activities</b>		
		Net cash generated from operating activities increased to £5.2 million in the year ended 31 March 2017 from £4.1 million in the year ended 31 March 2016 mainly as a result of £2.0 million higher operating profits, net of £0.5 million higher tax cash outflows and £0.3 million higher working capital outflows.		
		Net cash generated from operating activities increased to £4.1 million in the year ended 31 March 2016 from £2.5 million in the year ended 31 March 2015, which was mainly due to £1.7 million higher operating profits.		
		<b>Key events affecting the accounting information</b>		
		There has been no significant change in the financial condition and operating results during or subsequent to the period covered by the historical key financial information on the Merlyn Group set out in this section.		
B.8	Unaudited <i>pro forma</i> financial information	The unaudited <i>pro forma</i> net assets statement below has been prepared on the basis set out in the notes below to illustrate the effect of the Refinancing, Placing and Open Offer and the Acquisition on the consolidated net assets of the Group as at 31 March 2017 as if they had taken place on 31 March 2017.  The unaudited <i>pro forma</i> income statement below has been prepared on the basis set out in the notes below to illustrate the effect of the Refinancing, Placing and Open Offer and the Acquisition on the consolidated income statement of the Group for the year ended 31 March 2017 as if they had taken place at the beginning of that financial year.		

The unaudited *pro forma* income statement and unaudited *pro forma* net assets statement (together the “Unaudited Pro Forma Financial Information”) have been prepared in a manner consistent with the accounting policies adopted by the Group for the year ended 31 March 2017 and in accordance with Annex II of the Prospectus Directive Regulation.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation. It does not purport to represent what the Group’s financial position or results of operations actually would have been if the Refinancing, Placing and Open Offer and/or Acquisition had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or financial position at any future date. It does not reflect the results of any purchase price allocation exercise as this will be conducted following the Acquisition. The adjustments in the Unaudited Pro Forma Financial Information are expected to have a continuing impact on the Group, unless otherwise stated.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of Section 434 of the Act. Shareholders should read the whole of this Prospectus and not rely solely on the summarised financial information contained in this summary.

#### Income statement

	Norcross 31 March 2017 £m	Merlyn Group 31 March 2017 £m	Refinancing £m	Acquisition adjustments £m	Total £m
	Note 1	Note 2	Note 3	Note 4	
<b>Revenue</b>	<b>271.2</b>	<b>30.7</b>	—	—	<b>301.9</b>
Underlying operating profit	23.8	6.4	—	—	30.2
IAS 19R administration expenses	(2.0)	—	—	—	(2.0)
Acquisition related costs	(2.7)	—	—	(1.9)	(4.6)
Exceptional operating items	(2.3)	—	—	—	(2.3)
<b>Operating profit</b>	<b>16.8</b>	<b>6.4</b>	—	<b>(1.9)</b>	<b>21.3</b>
Finance costs	(3.3)	(0.6)	(1.4)	—	(5.3)
IAS 19R finance cost	(2.0)	—	—	—	(2.0)
<b>Profit before taxation</b>	<b>11.5</b>	<b>5.8</b>	<b>(1.4)</b>	<b>(1.9)</b>	<b>14.0</b>
Taxation	(3.0)	(0.8)	0.3	—	(3.5)
<b>Profit for the year</b>	<b>8.5</b>	<b>5.0</b>	<b>(1.1)</b>	<b>(1.9)</b>	<b>10.5</b>

#### Note 1

The financial information relating to Norcross has been extracted without material adjustment from the consolidated audited financial statements of Norcross for the year ended 31 March 2017 which were published on 14 June 2017 and incorporated by reference into Part X (*Historical Financial Information Relating to the Group*) this document.

#### Note 2

The financial information relating to the Merlyn Group has been extracted without material adjustment from the consolidated statement of comprehensive income of Merlyn for the year ended 31 March 2017 as set out in section B of Part XI (*Historical Financial Information of the Merlyn Group*) of this document.

#### Note 3

The *pro forma* adjustment relates to the additional finance costs in connection with the amendment and restatement of the existing revolving credit facility.

*This pro forma adjustment calculated as follows:*

Estimated additional interest charge arising from the additional drawdown on the Amended RCF	(1.0) million
Estimated additional amortisation of costs associated with the amendment and restatement of the existing revolving credit facility	(0.2) million
Write off of the unamortised costs relating to the existing revolving credit facility	(0.2) million
<b>Total</b>	<b>(1.4) million</b>
Estimated tax impact of these adjustments based on a tax rate of 19 per cent	0.3 million
<b>Pro forma finance cost adjustment</b>	<b>(1.1) million</b>

Due to the amendment and restatement of the RCF the unamortised costs of £0.2 million relating to the RCF will be expensed.

#### Note 4

As a result of the Acquisition it is expected that £1.9 million of transaction fees will be incurred. There is expected to be no tax impact of the transaction fees.

Following the Acquisition, as set out in note 5 above, the Group will perform an exercise to allocate the purchase price to the identified assets and liabilities, which will include any identified intangible assets subject to amortisation. The related annual amortisation charge of those assets

will result in a reduction to operating profit and earnings per share in future periods. As this fair value exercise has not yet been undertaken, no account has been taken in the *pro forma* of any additional amortisation charges that may arise following the Acquisition.

**Note 5**

In preparing the unaudited *pro forma* income statement no account has been taken of the trading or other transactions of the Merlyn Group or the Group since 31 March 2017.

**Net assets statement**

	Norcros 31 March 2017 £m	Merlyn Group 31 March 2017 £m	Placing and Open Offer and Firm placing £m	Refinancing £m	Acquisition adjustments £m	Total £m
	Note 6	Note 7	Note 8	Note 9	Note 10	
<b>Non-current assets</b>						
Goodwill	31.1	—	—	—	51.7	82.8
Intangible assets	13.7	1.1	—	—	—	14.8
Property, plant and equipment	43.0	0.7	—	—	—	43.7
Deferred tax	11.0	—	—	—	—	11.0
	<b>98.8</b>	<b>1.8</b>	<b>—</b>	<b>—</b>	<b>51.7</b>	<b>152.3</b>
<b>Current assets</b>						
Inventories	70.3	3.2	—	—	—	73.5
Trade and other receivables	56.8	8.1	—	—	—	64.9
Derivative financial instruments	0.7	0.2	—	—	—	0.9
Cash and cash equivalents	37.5	10.2	29.9	40.8	(70.7)	47.7
	<b>165.3</b>	<b>21.7</b>	<b>29.9</b>	<b>40.8</b>	<b>(70.7)</b>	<b>187.0</b>
<b>Current liabilities</b>						
Trade and other payables	(72.0)	(6.1)	—	—	—	(78.1)
Derivative financial instruments	(0.8)	(0.1)	—	—	—	(0.9)
Current tax liabilities	(2.0)	(0.1)	—	—	—	(2.1)
Financial liabilities – borrowings	(30.9)	—	—	—	—	(30.9)
	<b>(105.7)</b>	<b>(6.3)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(112.0)</b>
<b>Net current assets</b>	<b>59.6</b>	<b>15.4</b>	<b>29.9</b>	<b>40.8</b>	<b>(70.7)</b>	<b>75.0</b>
<b>Total assets less current liabilities</b>	<b>158.4</b>	<b>17.2</b>	<b>29.9</b>	<b>40.8</b>	<b>(19.0)</b>	<b>227.3</b>
<b>Non-current liabilities</b>						
Financial liabilities – borrowings	(29.8)	—	—	(41.0)	—	(70.8)
Pension scheme liability	(62.7)	—	—	—	—	(62.7)
Other non-current liabilities	(3.6)	—	—	—	—	(3.6)
Provisions	(5.7)	(0.1)	—	—	—	(5.8)
	<b>(101.8)</b>	<b>(0.1)</b>	<b>—</b>	<b>(41.0)</b>	<b>—</b>	<b>(142.9)</b>
<b>Net assets</b>	<b>56.6</b>	<b>17.1</b>	<b>29.9</b>	<b>(0.2)</b>	<b>(19.0)</b>	<b>84.4</b>

**Note 6**

The financial information relating to Norcros has been extracted without material adjustment from the consolidated audited financial statements of Norcros for the year ended 31 March 2017 which were published on 14 June 2017 and incorporated by reference into Part X (*Historical Financial Information Relating to the Group*) of this document.

**Note 7**

The financial information relating to the Merlyn Group has been extracted without material adjustment from the consolidated statement of financial position of Merlyn as at 31 March 2017 as set out in section B of Part XI (*Historical Financial Information of the Merlyn Group*) of this document.

**Note 8**

The adjustment to cash represents the net proceeds from the Placing and Open Offer and Firm Placing, being gross proceeds of the capital raise of £31.4 million net of transaction costs associated with the capital raising of £1.5 million.

**Note 9**

This adjustment to cash and non-current borrowings represents the additional drawdown on the amended and restated revolving credit facility (the "Amended RCF") of £41.8 million which, together with the proceeds of the Placing and Open Offer and Firm Placing, will fund the acquisition of the Merlyn Group.

The increase in cash of £40.8 million is net of £0.6 million costs associated with the amendment and restatement of the existing revolving credit facility which will be capitalised and shown net of the non-current borrowings. As the existing revolving credit facility has been amended and restated, the unamortised costs relating to the cost of raising the existing revolving credit facility will be written off and expensed. The balance of these unamortised costs as at 31 March 2017 was £0.2 million.

*The pro forma adjustment to cash is calculated as follows:*

Drawdown of the Amended RCF	41.4 million
Less: Costs associated with the amendment and restatement of the existing revolving credit facility	(0.6) million
Pro forma adjustment	40.8 million

		<p><i>The pro forma adjustment to the non-current borrowings is calculated as follows:</i></p> <table> <tr> <td>Drawdown of the Amended RCF</td> <td style="text-align: right;">(41.4) million</td> </tr> <tr> <td>Less: Capitalisation of costs associated with the amendment and restatement of the existing revolving credit facility</td> <td style="text-align: right;">0.6 million</td> </tr> <tr> <td>Add: Unamortised costs relating to the existing revolving credit facility to be written off</td> <td style="text-align: right;">(0.2) million</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> </tr> <tr> <td>Pro forma adjustment</td> <td style="text-align: right;">(41.0) million</td> </tr> </table> <p><i>Note 10</i></p> <p>The Group will account for the Acquisition under IFRS by applying the purchase method. Under this method the cost of the Acquisition is the aggregate of the fair values, at the Acquisition date, of the assets and liabilities acquired. The identifiable assets and liabilities of the Acquisition will be measured initially at fair value at the Acquisition date. The excess of the cost of the Acquisition over the net fair value of the identifiable assets and liabilities is recognised as goodwill. A fair value exercise to allocate the purchase price will be completed following completion of the Acquisition; therefore, no account has been taken in the <i>pro forma</i> of any fair value adjustments that may arise on the Acquisition.</p> <p>As a result of the Acquisition, the following <i>pro forma</i> adjustments to goodwill and cash have been made:</p> <p><i>The pro forma adjustment to goodwill is calculated as follows:</i></p> <table> <tr> <td>Enterprise value</td> <td style="text-align: right;">60.0 million</td> </tr> <tr> <td>Add: financial net funds</td> <td style="text-align: right;">8.8 million</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> </tr> <tr> <td><b>Cash consideration</b></td> <td style="text-align: right;">68.8 million</td> </tr> <tr> <td>Less: Merlyn Group net assets</td> <td style="text-align: right;">(17.1) million</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> </tr> <tr> <td>Pro forma adjustment to goodwill</td> <td style="text-align: right;">51.7 million</td> </tr> </table> <p><i>The pro forma adjustment to cash is calculated as follows:</i></p> <table> <tr> <td>Cash consideration</td> <td style="text-align: right;">68.8 million</td> </tr> <tr> <td>Transaction fees associated with the acquisition</td> <td style="text-align: right;">1.9 million</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> </tr> <tr> <td>Pro forma adjustment to cash</td> <td style="text-align: right;">70.7 million</td> </tr> </table> <p><i>Note 11</i></p> <p>In preparing the unaudited <i>pro forma</i> net assets statement no account has been taken of the trading or other transactions of the Merlyn Group or the Group since 31 March 2017.</p>	Drawdown of the Amended RCF	(41.4) million	Less: Capitalisation of costs associated with the amendment and restatement of the existing revolving credit facility	0.6 million	Add: Unamortised costs relating to the existing revolving credit facility to be written off	(0.2) million		<hr/>	Pro forma adjustment	(41.0) million	Enterprise value	60.0 million	Add: financial net funds	8.8 million		<hr/>	<b>Cash consideration</b>	68.8 million	Less: Merlyn Group net assets	(17.1) million		<hr/>	Pro forma adjustment to goodwill	51.7 million	Cash consideration	68.8 million	Transaction fees associated with the acquisition	1.9 million		<hr/>	Pro forma adjustment to cash	70.7 million
Drawdown of the Amended RCF	(41.4) million																																	
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	<hr/>																																	
Pro forma adjustment to cash	70.7 million																																	
B.9	Profit forecast / estimate	Not applicable – no profit forecasts or estimates have been made.																																
B.10	Audit report – qualifications	Not applicable – there are no qualifications made in the audit report.																																
B.11	Insufficient working capital	<p>Not applicable.</p> <p>The Company is of the opinion that, taking into account the bank facilities available to the Group (as constituted from time to time), the working capital available to the Group (as constituted from time to time) is sufficient for its present requirements, that is, for at least the period of 12 months from the date of this document.</p> <p>The Company is of the opinion that, taking into account the net proceeds of the Capital Raising and the bank facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is, for at least the period of 12 months from the date of this document.</p>																																
<b>SECTION C – Securities</b>																																		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>																																
C.1	Description of the New Ordinary Shares	<p>The Company proposes to issue 6,165,312 Firm Placing Shares pursuant to the Firm Placing and 12,088,849 Open Offer Shares pursuant to the Placing and Open Offer.</p> <p>The nominal value of each New Ordinary Share is £0.10.</p> <p>When admitted to trading, the New Ordinary Shares will have an ISIN of GB00BYYJL418, SEDOL number BYYJL41 and will trade under the symbol "NXR.L".</p>																																
C.2	Currency of the New Ordinary Shares	Pounds sterling.																																
C.3	Issued Share Capital	As at the Latest Practicable Date, the Company had in issue 61,653,134 fully paid Ordinary Shares of £0.10 each.																																

C.4	Rights attaching to the New Ordinary Shares	<p>The New Ordinary Shares will rank <i>pari passu</i> in all respects with each other and with all Existing Ordinary Shares, including for voting and dividend rights and rights on a return of capital.</p> <p>The New Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the New Ordinary Shares on or off- market, subject to the Companies Act and the requirements of the Listing Rules.</p>
C.5	Restrictions on transfer	The New Ordinary Shares will be freely transferable and there are no restrictions on transfer.
C.6	Admission to trading	Applications will be made for the New Ordinary Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 23 November 2017.
C.7	Dividend Policy	The Board intends to continue with its progressive dividend policy subject to the Group's earnings, cash flow and balance sheet position.

#### SECTION D – Risks

Element	Disclosure requirement	Disclosure
D.1	Information on the key risks specific to the Issuer or its industry	<p><b>Risks relating to the Group, the Merlyn Group and, following Completion, the Enlarged Group</b></p> <p>The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates, in particular the US Dollar, the Euro and the South African Rand.</p> <p>The Group translates its results in South Africa from the South African Rand into Sterling. Should the South African Rand weaken against Sterling, the Group's reported profits will decrease as a result. Any changes in the foreign exchange rates relevant to such translation could affect the Group's ability to meet the banking covenants to which it is subject, which are referred to below.</p> <p>The Group's financial results show an aggregate deficit in its defined benefit pension scheme, as at 31 March 2017, of £62.7 million (2016: £55.7 million) assessed in accordance with IAS 19 (revised). There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations.</p> <p>Demand in the Group's markets is dependent on new building activity and repair, maintenance and improvement activity in both the public and private sectors. This is in turn influenced by macroeconomic factors, such as GDP, interest rate fluctuations, inflation rates, availability of credit, equity market conditions, unemployment rates, consumer confidence and changes in government spending policy.</p> <p>The implications of the decision of the UK to leave the EU, together with the outcome of the negotiations of the UK's exit, are not known as at the date of this document. The Group will face a period of prolonged uncertainty regarding aspects of the UK economy including the possibility of a period of recession, together with other risks which could materially and adversely affect the legal, operational, regulatory, insurance and tax regime(s) to which the Group is currently subject.</p> <p>The Group is dependent on consumer and commercial demand for showers, taps, bathroom accessories and for wall and floortiles in the UK and South African markets and in export markets. A material shift in consumer preferences, or competitive pressures from the Group's direct and indirect competitors, could result in a decline in sales volume or pricing pressure.</p> <p>Competition could be intensified due to a major development or breakthrough in the manufacture of showers, taps, bathroom accessories and/or floor and wall tiles which might create a substitute for one or more of the Group's key product lines.</p> <p>New manufacturers may enter the markets in which the Group operates and some of its current competitors have, and future competitors may have, significant financial, marketing and other resources and established brand names.</p> <p>There is one key customer who accounts for 11.8 per cent. of the Group's revenue for the year ended 31 March 2017. Any significant deterioration in the relationships between the Group's businesses and that customer, whether as a result of inability to agree terms on renewal of any relevant contract, a change of management in that customer, gains made by the Group's competitors or otherwise, could have a material adverse effect on the Group's business, financial position and/or results of operations.</p> <p>Many of the contractual arrangements with customers are short term in nature (as is common in the Group's markets) and there exists some risk that the current performance of a business may not be maintained, and further growth may not be achieved, if such contracts were not renewed or extended, or were maintained at lower volumes due to a decline in economic activity.</p>

		<p>There are certain key suppliers who account for high levels of supply. Many of the contractual arrangements with suppliers are short term in nature (as is common in the Group's markets) and there exists some risk that the current performance of a business may not be maintained, and further growth may not be achieved, if such contracts were not renewed or extended, or if alternative suppliers needed to be engaged.</p> <p>A lack of supply of raw materials such as clay or sand, components such as electronics or brassware, or gas or electricity could have significant impacts on the Group's ability to manufacture product.</p> <p>The Group has a number of manufacturing facilities for the manufacture of tiles and adhesives. Each of these facilities is subject to operating risks such as shortages in raw materials, industrial accidents (including fire), extended power outages, withdrawal of permits and licenses, breakdowns in machinery, equipment or information systems, prolonged maintenance activity, strikes, natural disasters and other unforeseen events. The risk of energy supply interruption is an elevated risk in South Africa as its utility infrastructure is less well developed than in the UK.</p> <p>The success of the Group and its ability to grow and increase its market share depends significantly on its continuing ability to recruit, retain and motivate highly skilled employees in each area of its activities. There can be strong competition for personnel from other companies and organisations and there may at any time be shortages in the availability of appropriately skilled people at any particular levels within the Group.</p> <p>The Group is subject to key banking covenants including interest cover and debt cover. Failure to meet these covenants could result in the Group being in default of its banking facilities, which could result in an acceleration of the Group's obligation to repay its borrowings before the expiry date of the Group's principal banking facilities and the lending banks would also be able to make a demand on any guarantees given in respect of the facilities.</p> <p>Part of the Group's strategy is to grow through selective acquisitions. Performance of acquired businesses may not reach expectations impacting Group profitability and cash flows. The process of integrating an acquired business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of the Group's resources and management's attention.</p> <p>The Group relies heavily on the proper operation, performance and development of its IT systems and processes to carry on its business. New IT systems and changes to management systems may not be successfully implemented, managed or integrated. Furthermore, information and communication systems by their nature are susceptible to internal and external security breaches, including computer hacker and cyberterrorist attacks or wilful breaches by employees, and can fail or become unavailable for a period of time.</p> <p>The Group pays interest and other facility fees based on local base rates and LIBOR rates. It is therefore exposed to movements in interest rates. In addition, interest rate fluctuations will affect the return on the Group's cash investments.</p> <p><b>Risks relating to the Acquisition</b></p> <p>Successful implementation of a smooth and efficient integration of the Merlyn Group operations following Completion of the Acquisition will require a significant amount of management time and, as a result, may affect or impair the ability of the management team of the Enlarged Group to run the business effectively during the period of integration.</p> <p>Achieving the advantages of the Acquisition will depend partly on the efficient management and coordination of the activities of the Group and the Merlyn Group.</p> <p>The Group conducted due diligence on the Merlyn Group that it deemed reasonable and appropriate based on the facts and circumstances applicable to the Acquisition. There can be no assurance that the assessments or due diligence conducted on the Merlyn Group will prove to be correct or reveal or highlight all relevant facts that may be necessary or helpful in evaluating the Acquisition, and actual developments may differ significantly from the Group's expectations.</p> <p>The Acquisition is conditional upon the passing of the Resolutions at the General Meeting and the Sponsor and Placing Agreement not having been terminated and being unconditional in all respects save as regards the Placing Conditions, with provisions in the Acquisition Agreement for the Acquisition Agreement and other acquisition documents to enter into escrow following the satisfaction of Resolution Condition with the only conditions to their release from escrow being Admission. There can be no assurance that these conditions will be satisfied or waived, if applicable, and that Completion will be achieved. Prior to Completion, the Company has limited rights to terminate the Acquisition. Accordingly, in the event that there is an adverse event affecting the value of Merlyn or the value of the Merlyn business declines prior to Completion, the value of the Merlyn business purchased by the Group may be less than the consideration agreed to be paid by the Company and, as a result, the net assets of the Enlarged Group could be reduced.</p>
D.3	Information on the key risks specific to the New Ordinary Shares	Investors should be aware that the value of Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

		<p>The Group cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares.</p> <p>The Firm Placing is being offered only to certain institutional investors, and only the Open Offer Shares are being made available to Qualifying Shareholders. The percentage of the Company's issued share capital that the Existing Ordinary Shares represent will be reduced by 22.8 per cent. to 77.2 per cent. as a result of the Capital Raising. If Qualifying Shareholders do not respond to the Open Offer by 11.00 a.m. on 21 November 2017 (being the latest date for acceptance and payment in full in respect of their entitlements), the percentage that their Existing Ordinary Shares represent of the Company's issued share capital will be reduced even further. Certain Overseas Shareholders will, in any event, not be able to participate in the Open Offer. Qualifying Shareholders who do not take up any of their Open Offer Entitlements under the Open Offer, and Shareholders who are not eligible to participate in the Open Offer, will suffer a dilution of up to approximately 22.8 per cent. of their interests in the Company.</p> <p>The Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Group may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. To the extent that such issues take place on a non-pre-emptive or partially non-pre-emptive basis, the Company's shareholders will suffer dilution in their percentage ownership of the Ordinary Shares.</p> <p>The Company may issue additional shares in the longer term, which may adversely affect the market price of the Ordinary Shares in issue prior to that new issue. It is possible that the Company may decide to offer or issue additional shares in the future. An additional offering or issue of shares by the Company, significant sales of shares by major Shareholders or public perception that an offering, issue or sale may occur could each have an adverse effect on the market price of the Ordinary Shares.</p> <p>The Company cannot guarantee that it will always or ever be in a position to pay a dividend. Future dividends to be received by the Shareholders will depend on the progress of the Group's businesses and the Group's ability to be profitable and cash generative.</p> <p>The New Ordinary Shares may not be a suitable investment for all the recipients of this document. Before making a final decision, investors are advised to consult an appropriate independent investment adviser authorised under FSMA who specialises in advising on acquisitions of shares and other securities.</p> <p>Sales of a substantial number of Ordinary Shares in the market, whether of New Ordinary Shares which were acquired in the Capital Raising or of Existing Ordinary Shares, or the perception that those sales might occur, could adversely depress the market price of Ordinary Shares.</p> <p>The Open Offer is not being made to certain Overseas Shareholders as the securities laws of certain jurisdictions restrict the Company's ability to allow participation by certain Overseas Shareholders in the Open Offer (and in any future issue of shares carried out by the Company). Their proportionate ownership interests in the Company will therefore be diluted.</p> <p>Subject to certain exceptions, there are additional restrictions on the resale of the New Ordinary Shares in Australia for a period of 12 months after Admission. These restrictions could make it more difficult to resell the New Ordinary Shares in many instances and this could have an adverse effect on the market value of the New Ordinary Shares.</p> <p>The Ordinary Shares will be quoted, and any dividends to be paid in respect of them will be paid, in pounds Sterling. An investment in Ordinary Shares by an investor in a jurisdiction whose principal currency is not pounds Sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of the pound Sterling in relation to such foreign currency will reduce the value of the investment of the Ordinary Shares or any dividends in foreign currency terms.</p> <p>Any change in taxation legislation or the interpretation of taxation legislation could affect the Company's ability to provide returns to Shareholders.</p>
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**SECTION E – Capital Raising**

<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
E.1	Net Proceeds / Expenses	<p>The net proceeds of the Capital Raising will be approximately £29.9 million, after expected expenses of £1.5 million incurred in relation to the Capital Raising. Expenses in connection with the Acquisition are expected to be £2.4 million.</p> <p>No expenses will be charged to subscribers for New Ordinary Shares in connection with Admission or the Capital Raising by the Company.</p>
E.2a	Reasons for the Capital Raising / Use of Proceeds	<p>The net proceeds of the Capital Raising will be used to partially fund the consideration for the Acquisition and associated transaction fees.</p>

E.3	Terms and Conditions of the Capital Raising	<p>The Company proposes to issue the Firm Placing Shares and the Open Offer Shares pursuant to the Capital Raising to raise approximately £31.4 million, before expenses. Numis has made arrangements to conditionally place the Firm Placing Shares with Firm Placees and to conditionally place the Open Offer Shares with Placees, subject to claw-back to satisfy valid applications by Qualifying Shareholders under the Open Offer, in each case pursuant to the Sponsor and Placing Agreement, or failing which, to subscribe for such Firm Placing Shares or such Open Offer Shares itself.</p> <p>Qualifying Shareholders are invited, subject to the terms and conditions of the Open Offer, to subscribe for Open Offer Shares <i>pro rata</i> to their holdings as at the Record Date at the Offer Price per Share of 172 pence, payable in full in cash on application, free of all expenses, on the basis of:</p> <p>10 Open Offer Shares for every 51 Existing Ordinary Shares</p> <p>in each case rounded down to the nearest whole number of Open Offer Shares. To the extent that the Open Offer Shares are not taken up by Qualifying Shareholders under the Open Offer, an equivalent number of shares will be subscribed for by institutional investors pursuant to the Placing.</p> <p>The Offer Price was set having regard to the prevailing market conditions and the size of the Capital Raising. The Offer Price represents a discount of approximately 5.9 per cent. to the Closing Price of 182.75 pence per Ordinary Share on 1 November 2017 (being the last Business Day before the announcement of the Capital Raising). The Directors believe that it is necessary to offer the New Ordinary Shares at a discount to complete the Capital Raising to allow the Company to raise the required funding and accordingly believe that such discount is in the best interests of the Shareholders, and that the Offer Price is appropriate for the Capital Raising.</p> <p>The Capital Raising is expected to result in 18,254,161 New Ordinary Shares being issued (representing approximately 22.8 per cent. of the Enlarged Share Capital immediately following Admission).</p> <p>The Capital Raising is conditional, amongst other things, on:</p> <ul style="list-style-type: none"> <li>• the Resolutions being passed by the Shareholders at the General Meeting;</li> <li>• the Sponsor and Placing Agreement becoming unconditional and not having been terminated in accordance with its terms; and</li> <li>• Admission becoming effective by no later than 23 November 2017.</li> </ul> <p>The Sponsor and Placing Agreement is conditional, amongst other things, on:</p> <ul style="list-style-type: none"> <li>• the Acquisition Agreement: <ul style="list-style-type: none"> <li>• having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission; and</li> <li>• becoming unconditional in all respects and having been completed in escrow (with the sole condition to release from escrow being a condition equivalent to the condition relating to Admission referred to below, the <b>Escrow Condition</b>);</li> </ul> </li> <li>• the Amendment and Restatement Agreement: <ul style="list-style-type: none"> <li>• having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission; and</li> <li>• becoming unconditional in all respects and the loan being available for draw-down upon delivery of the relevant utilisation request (subject, in each case, only to the release of the Acquisition Agreement from escrow upon satisfaction of the Escrow Condition, the satisfaction of any condition equivalent to the conditions relating to admission to the Official List, admission to trading and Admission referred to below and the Company not becoming aware, and the Facility Agent (as defined in the Facilities Agreement) not notifying the Company, that a Default (as defined in the Facilities Agreement) is continuing or would result from the proposed loan at any time before the Facility Agent (as defined in the Facilities Agreement) sends the relevant monies to the relevant account);</li> </ul> </li> <li>• the UKLA agreeing to admit the New Ordinary Shares to the Official List of the UKLA and the London Stock Exchange agreeing to admit the New Ordinary Shares to trading on its main market for listed securities (both subject only to the allotment of the New Ordinary Shares); and</li> <li>• Admission occurring on or before 8.00 a.m. on 23 November 2017.</li> </ul> <p>The above-mentioned conditionality is intended to ensure that the Refinancing, Completion and Admission occur simultaneously and that one of them cannot occur without the others occurring.</p> <p>Application will be made for the New Ordinary Shares to be admitted to listing on the premium segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence at 8.00 a.m. on 23 November 2017.</p>
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		The New Ordinary Shares will, when issued and fully paid, rank <i>pari passu</i> in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of their issue. The New Ordinary Shares will be in registered form and capable of being held in certificated or uncertificated form in CREST.
E.4	Interests that are material to the issue / conflicting interests	Not applicable. There are no interests, including conflicting interests, which are material to the Capital Raising, other than those disclosed in B.6 above.
E.5	Name of the offeror/ lock-up agreements	Not applicable.
E.6	Dilution	The New Ordinary Shares will represent approximately 22.8 per cent. of the Enlarged Share Capital immediately following Admission.  Following the issue of the Firm Placing Shares to be allotted pursuant to the Firm Placing, Shareholders, regardless of whether they take up their full entitlements under the Open Offer or not, will suffer a dilution of up to approximately 7.7 per cent. of their interests in the Company. Qualifying Shareholders who do not take up any of their Open Offer Entitlements under the Open Offer, and Shareholders who are not eligible to participate in the Open Offer, will suffer a dilution of up to approximately 22.8 per cent. of their interests in the Company.
E.7	Estimated expenses charged to investor	Not applicable. Expenses of, or incidental to, the Capital Raising will be paid by the Company. There are no commissions, fees or expenses to be charged to investors by the Company.

## RISK FACTORS

*Any investment in the Company or the New Ordinary Shares is subject to a number of risks. Before investing in the New Ordinary Shares, prospective investors should consider carefully the factors and risks associated with the New Ordinary Shares, the Enlarged Group's business and the industry in which it operates, together with all other information contained in this document including, in particular, the risk factors described below.*

*Prospective investors should note that the risks relating to the Group, the Merlyn Group and (if the Acquisition becomes effective) the Enlarged Group, their businesses and industry and the New Ordinary Shares summarised in the section of this document entitled "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares. However, as the risks which the Group and the Merlyn Group face, and the Enlarged Group will face, relate to events, and depend on circumstances, that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document entitled "Summary" but also, among other things, the risks and uncertainties described below.*

*The risks and uncertainties described below represent those which the Directors consider to be material as at the date of this document. However, these risks and uncertainties are not the only ones facing the Group, the Merlyn Group and, if the Acquisition becomes effective, the Enlarged Group. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may individually or cumulatively also materially and adversely affect their business, results of operations, financial condition and/or prospects. If any or a combination of these risks actually occurs, the business, results of operations, financial condition and/or prospects of the Group, the Merlyn Group and, if the Acquisition becomes effective, the Enlarged Group could be materially and adversely affected. In such case, the market price of the Ordinary Shares could decline and investors may lose all or part of their investment. Investors should consider carefully whether an investment in the New Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.*

*The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in New Ordinary Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operation and financial position.*

### **1 Risks relating to the Group, the Merlyn Group and, following Completion, the Enlarged Group**

#### Market conditions

Demand in the Group's markets is dependent on new building activity and repair, maintenance and improvement activity in both the public and private sectors. This is in turn influenced by macroeconomic factors, such as GDP, interest rate fluctuations, inflation rates, availability of credit, equity market conditions, unemployment rates, consumer confidence and changes in government spending policy.

A deterioration in new building activity, repair maintenance and improvement activity or the economic conditions in the markets in which the Group operates, both directly and indirectly, could adversely affect demand for the Group's products and, following Completion, the Enlarged Group and as such, their business, financial condition, prospects and/or results of operations.

The success of the Group's and, following Completion, the Enlarged Group's business depends in part on its ability to identify and respond to evolving macro-economic and sector trends in demographics and customer preferences. Failure to identify or effectively respond to changing requirements and preferences of its customer base could adversely affect the Group's and, following Completion, the Enlarged Group's business, financial condition, prospects and/or results of operations.

#### South African operations

Approximately 33 per cent. of the Group's activities by revenue are conducted in South Africa, where the Group may be exposed to risks outside of its control, such as political, social and economic instability, unexpected changes in the regulatory environment, exposure to different

legal standards or employment relations and potentially adverse tax consequences. Any of the above factors could disrupt the Group's business, resulting in increased costs, liability for damages or reduced future growth opportunities. Potential losses caused by these disruptions may not be covered by insurance. In addition, the geographical spread of the Group's operations means that management co-ordination of effort and communications with employees is subject to certain challenges, which could lead to inefficient allocation of resources or duplication of effort. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

A number of the Group's South African properties are leasehold and the Directors have made certain assumptions about future rent reviews. If these rents were to be agreed at rates higher than currently anticipated, there would be an adverse impact on the Group's financial performance.

In addition, there is a risk that leases may not be renewed. This would result in additional costs being incurred in selecting suitable alternative premises and relocating to them and there is a risk that such alternative premises may not be available.

#### Foreign currency exchange risk

The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates. In particular, the Group sources a significant proportion of its components and goods for resale from Europe and the Far East which are denominated in foreign currencies (primarily the US Dollar and the Euro). Such currencies have strengthened relative to Sterling over the past year following the UK's vote to leave the European Union.

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

The Group translates its results in South Africa from the South African Rand into Sterling. Should the South African Rand weaken against Sterling, the Group's reported profits will decrease as a result. Any changes in the foreign exchange rates relevant to such translation could affect the Group's ability to meet the banking covenants to which it is subject, which are referred to below.

#### Pension scheme management

The Group has a defined benefit pension scheme with 7,600 members and liabilities of £467 million and assets of £404 million. 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. Corporate bond and gilt yields are at historically low levels.

Triennial valuations are undertaken every three years after which recovery plans are agreed between the scheme trustee and the Company. The next valuation is due in March 2018.

The Group's financial results show an aggregate deficit in this scheme, as at 31 March 2017, of £62.7 million (2016: £55.7 million) assessed in accordance with IAS 19 (revised). There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations, including the following:-

- 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 scheme and consequently an increase in scheme liabilities;
- 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; and
- 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.

#### Government regulations and standards

Proposals relating to the manufacturing, assembly and production of showers, taps, bathroom accessories and wall and floor tiles are often under consideration in the United Kingdom and the EU. If the Group was required to substitute materials or processes to comply with

regulatory changes, it may have difficulties sourcing such materials at competitive prices or adjusting its processes to accommodate any changes. Although its products have obtained approval from government regulators in the past, if government regulators determine that its products no longer meet applicable standards or if it is unable to obtain required approvals in the future, the Group's business, financial condition, prospects and/or results of operations may be adversely affected.

#### Environmental regulations and matters

The Group's businesses are subject to a broad and increasingly stringent range of environmental, health and safety laws as well as building, product and other laws, regulations and standards in the jurisdictions in which it operates. The nature of its operations means that it faces a risk of the contamination of land with hazardous wastes resulting from its manufacturing processes and causing nuisance in certain circumstances.

Costs related to the Group's compliance with environmental laws may have a significant negative impact on its operating results. These include obligations related to sites currently or formerly owned or operated by it, if it caused or knowingly permitted any contamination there, or where it disposed of waste from its operations. It also has to comply with stringent waste management regulations, particularly in relation to hazardous waste. Failure to comply with waste regulations could potentially result in regulatory action, fines and additional capital and/or operational costs. In addition, claims or corrective action to abate nuisance caused by its operations may result in increased capital expenditure and liabilities.

The Group is also unable to predict future changes in environmental laws or policies, including with respect to carbon emissions in the production of its products and the environmental impact of its products. It is also unable to predict future changes in the ultimate cost of compliance with such laws and policies. It may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. New regulations could require it to modify or renew its existing permits, acquire costly equipment, refit existing plants or redesign products or to incur other significant expenses. The Group's business, financial condition, prospects and/or results of operations could also be materially adversely affected by both domestic and foreign regulatory issues and proceedings.

#### Health and safety

The Group's manufacturing and distribution operations are carried out under potentially hazardous conditions. Although it intends to continue to operate in accordance with relevant health and safety regulations and requirements, it remains susceptible to the possibility that liabilities may arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond its control. Accidents or events that are detrimental to the health and safety of its employees could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

#### Intellectual property

The Group relies on a combination of patents, trademarks, trade names, product certificates, confidentiality and nondisclosure clauses and agreements, copyrights and registered and unregistered design rights to define and protect its rights to the intellectual property in its products. It also relies on extensive product, industry, manufacturing and market "know-how" that cannot be registered and may not be subject to any confidentiality and nondisclosure clauses or agreements. It cannot guarantee that any of its know-how or registered or unregistered intellectual property rights, or claims to such rights, will now or in the future successfully protect what it considers to be the intellectual property underlying its products in any or all of the jurisdictions in which it does business, or that its registered or unregistered rights subsequently will not be successfully opposed or otherwise challenged.

To the extent that the Group's innovations and products are not protected by patents, copyrights or other intellectual property rights in any of its key markets, third parties (including competitors) may be able to commercialise its innovations or products or use its know-how, which could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations. In addition, legal protection of its intellectual property rights in one country will not provide protection in certain other countries where it operates.

The Group may face claims that it is infringing the intellectual property rights of others. If any of its products are found to infringe the patents or other intellectual property rights of others, its manufacture and sale of such products could be significantly restricted or prohibited and it may be required to pay substantial damages, which could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

#### Product failures or product recalls

The Group's business is dependent on the continued performance of its installed products in the marketplace. Its quality control procedures or those of its component suppliers may fail to test for all possible conditions of use of, or to identify all defects in the design, engineering or specifications of, its products. The inadvertent supply of defective or inferior products that cause product failure during use or the recall of products for any reason could cause damage to properties or dwellings giving rise to potentially extensive claims for damage, as well as negatively impacting its reputation and the perception of its product quality and reliability in its principal markets.

Product liability claims, arising from personal injury or other damage, present a risk of protracted litigation, substantial money damages, reputational damage, costs and expenses and diversion of management's attention from the operation of the Group's business, which could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

#### The UK's membership of the European Union

On 23 June 2016, UK citizens voted in favour of the UK leaving the EU. The terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiated the withdrawal process on 29 March 2017. The implications of this decision, together with the outcome of the negotiations of the UK's exit from the EU with other EU member states, are not known as at the date of this document.

The Group accordingly faces and, following Completion, the Enlarged Group will face a period of prolonged uncertainty regarding aspects of the UK economy including the possibility of a period of recession, together with other risks which could materially and adversely affect the legal, operational, regulatory, insurance and tax regime(s) to which the Group is currently subject.

The effect of these risks could also be to increase compliance and operating costs whilst restricting the movement of its capital and the mobility of its personnel. Changes in the way goods are imported into and exported from the UK may result in higher tariffs and other cost increases.

The uncertainty created by the outcome of the referendum may also lead to heightened levels of market volatility both in the UK and globally. Any of these risks, taken singularly or in aggregate, could have a material adverse effect on the Group's and, following Completion, the Enlarged Group's business, financial position and/or results of operations.

As a result of the uncertainty following the referendum, the British pound sterling experienced a sharp depreciation against a range of currencies. This has led to increased inflationary pressures on the Group's business.

#### Response of the Group to changing consumer preferences

The Group is dependent on consumer and commercial demand for showers, taps, bathroom accessories and for wall and floor tiles in the UK and South African markets and in export markets. A material shift in consumer preferences for any of the Group's products, or competitive pressures from the Group's direct and indirect competitors, could result in a decline in sales volume or pricing pressure that would have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

The Group must identify and interpret trends and respond in a timely manner. The Group continually markets new products, but demand for and market acceptance of these new products are uncertain. The Group's failure to anticipate, identify or react swiftly to changes in consumer preferences could result in lower sales, higher markdowns to reduce excess inventories and lower profits. Conversely, if the Group fails to anticipate increased consumer demand for its products, it may experience inventory shortages, which would result in lost sales and could negatively impact the Group's customer goodwill, brand and profitability.

### Competition

Competition could be intensified due to a major development or breakthrough in the manufacture of shower, taps, bathroom accessories and/or floor and wall tiles which might create a substitute for one or more of the Group's key product lines, due to companies developing new cost structures or due to competitors establishing co-operative relationships or alliances among themselves or with third parties to increase the competitiveness of their products. Accordingly, in such instances, the Group's sales, margins and/or market shares may decrease.

New manufacturers may enter the markets in which the Group operates and some of its current competitors have, and future competitors may have, significant financial, marketing and other resources and established brand names. The Group's competitors could use their significant resources to increase their marketing, develop new products or reduce their prices in a manner that adversely affects the Group's ability to sell its products at prices that generate the same margins the Group has earned in the past or at all.

The industry may undergo a period of consolidation and the Group's current and potential competitors may pursue strategic acquisitions to enable them to penetrate the market the Group currently occupies and to acquire market share at the Group's expense. Existing and/or increased competition could adversely affect the Group's market share and/or force the Group to consider price reductions which could have a material adverse effect on the Group's business, financial condition, prospects and/or results from operations. The inability of the Group to maintain its competitiveness may also have a material adverse effect on the Group's business, financial position and/or results of operations.

These and other competitive pressures may prevent the Group from competing successfully against current or future competitors. Such competitive pressures could have a material adverse effect on the Group's business, financial position and/or results of operations.

### Reliance on key customer and customer relationships

There is one key customer who accounts for 11.8 per cent. of the Group's revenue for the year ended 31 March 2017. Any significant deterioration in the relationships between the Group's businesses and that customer, whether as a result of inability to agree terms on renewal of any relevant contract, a change of management in that customer, gains made by the Group's competitors or otherwise, could have a material adverse effect on the Group's business, financial position and/or results of operations.

Whilst the Group has a diverse range of customers and has maintained relationships with such customers through the relationships and contacts of the management teams engaged in each of the Group's businesses, many of the contractual arrangements with customers are short term in nature (as is common in the Group's markets) and there exists some risk that the current performance of a business may not be maintained, and further growth may not be achieved, if such contracts were not renewed or extended, or were maintained at lower volumes due to a decline in economic activity.

### Relationships with the Group's suppliers

Whilst the Group has a diverse range of suppliers and has maintained relationships with such suppliers through the relationships and contacts of the management teams engaged in each of the Group's businesses, there are nevertheless certain key suppliers who account for high levels of supply. Many of the contractual arrangements with suppliers are short term in nature (as is common in the Group's markets) and there exists some risk that the current performance of a business may not be maintained, and further growth may not be achieved, if such contracts were not renewed or extended, or if alternative suppliers needed to be engaged.

The Group aims to capitalise on the longstanding relationships it has developed with suppliers. These relationships can change over time as a result of many factors, including change of personnel (either at the Group or at the supplier), change in ownership of the supplier or disagreement over the manner in which products are sold by the Group. Any significant deterioration in the Group's relationship with any of its key suppliers, whether as a result of a change of management or ownership in any supplier or disagreement over the manner in which products are sold by the Group, could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

The Group may not be able to acquire suitable products in sufficient quantities on terms acceptable to it in the future. The Group is dependent on suppliers to assure the quality, quantity, price and existence of external products used or sold within the Group and its inability to acquire suitable products in the future, or the loss of one or more of its suppliers and its failure to replace any one or more of them, could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

If there were delays in product shipments due to freight difficulties, industrial action (including strikes by personnel at ports through which products are transported) or elsewhere in its supply chain, the Group's business, financial condition, prospects and/or results of operations could be materially affected.

#### Availability of raw materials/components, and supply chain failure

Raw materials, components and energy represent a significant proportion of the Group's input costs. In the event that all of the Group's suppliers were unable or unwilling to meet its demand for raw materials on a timely basis or on acceptable commercial terms, it would be forced to seek alternative raw materials which may be time consuming or otherwise not commercially feasible. A lack of supply of raw materials such as clay or sand, components such as electronics or brassware, or gas or electricity could have significant impacts on the Group's ability to manufacture product and, therefore, on the Group's business, financial condition, prospects and/or results of operations.

#### Reliance on production facilities

The Group has a number of manufacturing facilities for the manufacture of tiles and adhesives. Each of these facilities is subject to operating risks such as shortages in raw materials, industrial accidents (including fire), extended power outages, withdrawal of permits and licenses, breakdowns in machinery, equipment or information systems, prolonged maintenance activity, strikes, natural disasters and other unforeseen events. Although it is able in limited circumstances to meet certain manufacturing requirements at other facilities, any significant interruption of operations at its manufacturing facilities could seriously impede its ability to meet customer orders or maintain appropriate levels of inventory, which could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations. The risk of energy supply interruption is an elevated risk in South Africa as its utility infrastructure is less well developed than in the UK.

#### Staff retention and recruitment

The Group employs approximately 2,000 people worldwide. The success of the Group and its ability to grow and increase its market share depends significantly on its continuing ability to recruit, retain and motivate highly skilled employees in each area of its activities. This includes retaining key senior management. There can be strong competition for personnel from other companies and organisations and there may at any time be shortages in the availability of appropriately skilled people at any particular levels within the Group. While the Group has employment or service contracts with its key executives and personnel, and has in place the Plans to incentivise key executives and technical personnel, it cannot guarantee the retention of such key executives and personnel. The failure to retain and/or recruit additional or substitute senior managers and/or other key employees could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

In addition, while the Group has in place succession planning measures aimed at ensuring the development of its employees to provide successors, over time, for its existing executive directors and senior managers, there can be no assurance that these measures will be successful or that the Group will be able to attract, develop or retain executives of the right calibre. The departure of any of the executive directors or certain other senior employees of the Group could, in the short term, have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

Future growth plans may be restricted or delayed by difficulties experienced in recruiting and retaining appropriate staff. The Group offers market rates for employment however any increase in market demand for specific key functions within the Group may lead to upward pressure on wages and limit the availability of recruitment of personnel into key positions.

The Group's business is dependent upon maintaining relationships with its key customers. These relationships are maintained by senior Group personnel. The Group has in place restrictive covenants and employs other measures, such as the Plans, to dissuade such personnel, including the executive Directors, from leaving the Group. Notwithstanding this, if key personnel were lost, it could lead to the weakening or loss of the Group's relationships with key customers.

#### Collective bargaining agreements and trade unions

Norcros SA (Pty) Ltd is one of a number of employers who abide by a collective bargaining agreement with the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union and, although Norcros SA (Pty) Ltd does not recognise the National Union of Miners, some of its employees are members of that union and that union has, in the past, organised strikes in which those employees were involved. Any inability to negotiate acceptable new arrangements under that collective bargaining agreement could cause strikes or other work stoppages, any new arrangements could result in increased operating costs and limit the Group's flexibility in dealing with relevant operational matters and those unions could organise further strikes or other work stoppages. If any such strikes or other work stoppages occur, or if other employees become represented by a trade union, the Group could experience a disruption in its operations and increased labour costs. Labour relations affecting its suppliers of products and services could also adversely affect the Group's businesses.

#### Performance against banking covenants

The Group is subject to key banking covenants including interest cover and debt cover. Failure to meet these covenants could result in the Group being in default of its banking facilities, which could result in an acceleration of the Group's obligation to repay its borrowings before the expiry date of the Group's principal banking facilities and the lending banks would also be able to make a demand on any guarantees given in respect of the facilities. The Group cannot give any assurance that it would be able to refinance any such borrowings on commercially reasonable terms, or at all, in the longer term. The failure by the Company to comply with all of these covenants and/or its inability to refinance its borrowings in the longer term could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

#### Acquisition risk

Part of the Group's strategy is to grow through selective acquisitions. Performance of acquired businesses may not reach expectations impacting Group profitability and cash flows. The process of integrating an acquired business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of the Group's resources and management's attention. The Directors cannot assure investors that they will be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into the Group's operations or expand into new markets, or that acquisitions will not dilute investors' equity or harm the Group's business.

Furthermore, once integrated, acquisitions may not achieve comparable levels of revenues, profitability or productivity as existing Group businesses or otherwise perform as expected. The occurrence of any of these events could harm the Group's business, financial condition, prospects or results of operations. Future acquisitions may require substantial capital resources, which may require the Company to seek additional debt or equity financing.

Future acquisitions by the Group could result in the following, any of which could seriously impact the Company's financial position or the share price:

- issuance of equity securities that would dilute Shareholders' percentage of ownership;
- large one-time write-offs;
- the incurring of debt and contingent liabilities;
- difficulties in the assimilation and integration of operations, personnel, technologies, products and information systems of the acquired businesses;
- diversion of management's attention from other business concerns;
- contractual disputes;
- risks of entering geographic markets in which the Group has no or only limited prior experience; and

- potential loss of key employees, customers or suppliers of acquired organisations.

#### Reliance on information technology

The Group relies heavily on the proper operation, performance and development of its IT systems and processes to carry on its business. New IT systems and changes to management systems may not be successfully implemented, managed or integrated. Either of these risks may lead to a loss of data, a failure of IT systems or an IT environment that is inadequate to support the Enlarged Group's business and operations.

Furthermore, information and communication systems by their nature are susceptible to internal and external security breaches, including computer hacker and cyberterrorist attacks or wilful breaches by employees, and can fail or become unavailable for a period of time. A significant performance failure of the Group's or the Enlarged Group's IT systems could lead to loss of control over critical business information and/or systems (such as those relating to contract costs, invoicing, payroll management and/or internal reporting (whether financial, commercial or operational)), adversely affecting the business' ability to operate effectively or to fulfil its contractual obligations, which may in turn lead to a loss of customers, revenue and profitability and the incurrence of significant consequential and remedial costs, any of which could have a material adverse effect on the business, financial condition, prospects and/or results of operation of the Group and the Enlarged Group.

#### Operating and financial restrictions resulting from existing debt facilities

The Group has debt and debt service obligations. The quantum of this debt could have a potentially material adverse effect on the Group's business, results of operations and overall financial condition in the longer term insofar as it:

- may limit the Group's flexibility in planning for, or reacting to, changes in its business or to the industry in which it operates;
- requires the Group to dedicate a larger portion of its cash flows from operations to fund payments in respect of the debt if interest rates increase or fluctuate, thereby reducing the availability of cash to fund working capital, capital expenditure and other general corporate needs;
- potentially increases the Group's vulnerability to adverse general economic conditions by virtue of the requirements to achieve certain covenant tests; and
- potentially makes it more challenging to secure new facilities to replace the existing ones when they expire.

The Group pays interest and other facility fees based on local base rates and LIBOR rates. It is therefore exposed to movements in interest rates. In addition, interest rate fluctuations will affect the return on the Group's cash investments. Movements in interest rates could have a material adverse effect on any unhedged borrowing exposure or on the returns generated by the Group's investments, either of which could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

#### Lack of funds available to the Group on acceptable terms and unforeseen additional capital to fund ongoing operations in the longer term

The Group's ability to grow and adapt its business is dependent, in part, on its banking financing facilities. Recent challenging financial market conditions have led to a reduction in the availability of bank lending generally and the costs of most types of lending have significantly increased. Whilst the Group has committed funding until 21 July 2019 (or, subject to the automatic release of the Acquisition Agreement and other acquisition documents from Escrow, at least the fourth anniversary of the date on which such release occurs), it is possible that the Group may find it difficult to obtain financing on commercially acceptable terms in the longer term.

Should unforeseen working capital demands arise, an increase in the cost, or lack of availability, of finance (whether for macroeconomic reasons, such as a lack of liquidity in debt markets or the inability of a financing counterparty to honour pre-existing lending arrangements, reasons specific to the Group or credit rating volatility) could impact both the Group's ability to progress capital investment or acquisition opportunities and on the financing requirements of the Group's business over the longer term.

This risk factor relates to risks which fall outside the twelve month period covered by the working capital statement contained in paragraph 13 of Part XV of this document, and does not qualify anything contained in that statement.

## 2 Risks relating to the Acquisition

### Integration of the Merlyn Group into the Group may be more time consuming and costly than expected and unforeseen difficulties may arise

Successful implementation of a smooth and efficient integration of the Merlyn Group operations following Completion of the Acquisition will require a significant amount of management time and, as a result, may affect or impair the ability of the management team of the Enlarged Group to run the business effectively during the period of integration. If the integration process takes longer, or proves more costly, than expected, or difficulties relating to the integration, of which the Directors are not yet aware, arise, there is a risk to the operations of the Enlarged Group. These unforeseen difficulties in the integration may result in increased expenses. Furthermore, the Group may not have or be able to retain personnel with the appropriate skill set for the tasks associated with the integration programme, which may adversely affect the implementation of the Group's plans. In such circumstances, the profitability of the Enlarged Group might be adversely affected, which could have a negative impact on the price of Ordinary Shares.

### The Group may be unable to realise the benefits that it believes will result from the Acquisition

Achieving the advantages of the Acquisition will depend partly on the efficient management and coordination of the activities of the Group and the Merlyn Group. Furthermore, the Acquisition and any uncertainty regarding the effect of the Acquisition could cause disruptions to the businesses of the Enlarged Group. These uncertainties may materially and adversely affect the Enlarged Group's business and its operations. Any such issues may adversely affect the financial position of the Enlarged Group, and ultimately the trading price of the Ordinary Shares.

### Due diligence on the Merlyn Group

The Group conducted due diligence on the Merlyn Group that it deemed reasonable and appropriate based on the facts and circumstances applicable to the Acquisition. When conducting due diligence on the Merlyn Group, the Group was required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues, and outside consultants, legal advisors, accountants and investment banks were involved in the due diligence process. Nevertheless, during due diligence and in making an assessment regarding the Acquisition, the Group relied on the resources available to it, including information provided by Merlyn. The due diligence process is at times subjective and the Group's assessments were subject to a number of assumptions relating to profitability, growth and company valuations. Accordingly, there can be no assurance that the assessments or due diligence conducted on the Merlyn Group will prove to be correct or reveal or highlight all relevant facts that may be necessary or helpful in evaluating the Acquisition, and actual developments may differ significantly from the Group's expectations. As a result, the Group may pay too high a price to acquire Merlyn, assume unexpected liabilities or lose customers or employees following the Acquisition. In particular, the Group may assume responsibility for environmental liabilities in relation to sites of Merlyn and any tax liabilities and related exposure and penalties relating to any historical non-compliance of Merlyn. If any or all of these risks were to materialise, the result could have a material adverse impact on the Group's business, financial condition, prospects and/or results of operations.

### The Acquisition is subject to conditions which may not be waived or satisfied

The Acquisition is conditional upon the passing of the Resolutions at the General Meeting (**Resolution Condition**) and the Sponsor and Placing Agreement not having been terminated and being unconditional in all respects save as regards the Placing Conditions, with provisions in the Acquisition Agreement for the Acquisition Agreement and other acquisition documents to enter into escrow following the satisfaction of Resolution Condition with the only conditions to their release from escrow being Admission (**Escrow**). There can be no assurance that these conditions will be satisfied or waived, if applicable, and that Completion will be achieved.

Prior to Completion, the Company has limited rights to terminate the Acquisition. Accordingly, in the event that there is an adverse event affecting the value of Merlyn or the value of the Merlyn business declines prior to Completion, the value of the Merlyn business purchased by the Group may be less than the consideration agreed to be paid by the Company and, as a result, the net assets of the Enlarged Group could be reduced. There can be no assurance that the Company would be able to renegotiate the consideration paid for Merlyn in such circumstances and the Purchaser may therefore pay an amount in excess to market value for Merlyn, which could have a material adverse effect on the business, financial condition, prospects and results of operations of the Enlarged Group.

### **3 Risks relating to the Company's Ordinary Shares**

#### Investment risk

Investors should be aware that the value of Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of Ordinary Shares may not reflect the underlying value of the Group's net assets. The price at which investors may dispose of their Ordinary Shares in the Group may be influenced by a number of factors, some of which may be outside the Group's control. On any disposal, investors may realise less than the original amount invested.

The Company's share price has fluctuated, and may continue to fluctuate. Factors which may affect the share price of the Company include:

- the Group's expected and actual operational and financial performance;
- the level of activity in the construction, house building and home improvement sectors;
- speculation about, or actual, corporate transactions undertaken by the Group;
- the status of the Group's financing activities, including compliance with the financial covenants in its debt instruments in the longer term;
- the actual and contingent liabilities of the Group;
- variations in operating results in the Group's reporting periods;
- cyclical fluctuations in the performance of the Group's business;
- changes in financial estimates by securities analysts;
- changes in market valuations of similar companies;
- announcements by the Group of significant contracts, acquisitions, joint ventures or capital commitments;
- speculation, whether or not well-founded, regarding the intentions of the Group's major Shareholders or significant sales of shares by any such Shareholders or short selling of the Ordinary Shares;
- speculation, whether or not well-founded, regarding possible changes in the Group's management team;
- loss of one or more major customers;
- additions or departures of key employees;
- any shortfall in revenue or net profit or any increase in losses from levels expected by securities analysts; and
- future issues or sales of Ordinary Shares.

Furthermore, the Company's share price may fall in response to market appraisal of its current strategy or if the Group's operating results and prospects from time to time are below the expectations of market analysts and investors. In addition, stock markets have from time to time experienced significant price and volume fluctuations that affect the market price of securities which bear no relevance to the operational and financial performance/prospects of the companies concerned. There can be no certainty that the volatility in the share price will not continue or increase in the future. These broad market fluctuations, as well as general economic and political conditions, could have a material adverse effect on the market price of Ordinary Shares.

#### Future sale

The Group cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Future sales of substantial amounts of Ordinary Shares in the market, or the perception that such sales could occur, could have a material adverse effect on the market price of Ordinary Shares and may make it more difficult for investors to sell their Ordinary Shares at a time and price that they deem appropriate.

#### Dilution of ownership of Existing Ordinary Shares upon allotment of the Firm Placing Shares and the Open Offer Shares

The Firm Placing is being offered only to certain institutional investors, and only the Open Offer Shares are being made available to Qualifying Shareholders. The percentage of the Company's issued share capital that the Existing Ordinary Shares represent will be reduced by 22.8 per cent. to 77.2 per cent. as a result of the Capital Raising. If Qualifying Shareholders do not respond to the Open Offer by 11.00 a.m. on 21 November 2017 (being the latest date for acceptance and payment in full in respect of their entitlements), the percentage that their Existing Ordinary Shares represent of the Company's issued share capital will be reduced even further. Certain Overseas Shareholders will, in any event, not be able to participate in the Open Offer. Qualifying Shareholders who do not take up any of their Open Offer Entitlements under the Open Offer, and Shareholders who are not eligible to participate in the Open Offer, will suffer a dilution of up to approximately 22.8 per cent. of their interests in the Company.

#### Dilution of ownership of Existing Ordinary Shares upon allotment of additional shares in the Company in connection with future acquisitions, any share incentive or share option plan or otherwise

Save for the issue of the New Ordinary Shares, the Company has no current plans for a subsequent offering of its shares or of rights or invitations to subscribe for shares (other than pursuant to the Plans). However, the Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Group may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. To the extent that such issues take place on a non-pre-emptive or partially non-pre-emptive basis, the Company's shareholders will suffer dilution in their percentage ownership of the Ordinary Shares.

#### Possible issue of additional shares

The Company may issue additional shares in the longer term, which may adversely affect the market price of the Ordinary Shares in issue prior to that new issue. Save for the issue of the New Ordinary Shares, the Company has no current plans for a subsequent offering of its shares or of rights or invitations to subscribe for shares (other than pursuant to the Plans). However, it is possible that the Company may decide to offer or issue additional shares in the future. An additional offering or issue of shares by the Company, significant sales of shares by major Shareholders or public perception that an offering, issue or sale may occur could each have an adverse effect on the market price of the Ordinary Shares.

#### Ability to pay future dividends is uncertain

The Company cannot guarantee that it will always or ever be in a position to pay a dividend. Future dividends to be received by the Shareholders will depend on the progress of the Group's businesses and the Group's ability to be profitable and cash generative. Under the Companies Act, the Company can only pay dividends to the extent that it has distributable reserves and cash available for this purpose. The current dividend policy of the Company is described in paragraph 9 of Part I of this document.

#### Suitability of the New Ordinary Shares as an investment

The New Ordinary Shares may not be a suitable investment for all the recipients of this document. Before making a final decision, investors are advised to consult an appropriate independent investment adviser authorised under FSMA who specialises in advising on acquisitions of shares and other securities.

The value of the Ordinary Shares and the income received from them can go down as well as up and investors may receive less than their original investment. In the event of a winding-up of the Company, all Ordinary Shares will rank behind any claims by creditors of the Company and, therefore, any return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors.

Disposals of Ordinary Shares by major investors may reduce the market price of Ordinary Shares

Sales of a substantial number of Ordinary Shares in the market, whether of New Ordinary Shares which were acquired in the Capital Raising or of Existing Ordinary Shares, or the perception that those sales might occur, could adversely depress the market price of Ordinary Shares.

Ability of Overseas Shareholders to subscribe for New Ordinary Shares is limited and Overseas Shareholders may find it difficult to resell their New Ordinary Shares

The Open Offer is not being made to certain Overseas Shareholders as the securities laws of certain jurisdictions restrict the Company's ability to allow participation by certain Overseas Shareholders in the Open Offer (and in any future issue of shares carried out by the Company). Their proportionate ownership interests in the Company will therefore be diluted. Shareholders who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK (including any of the Excluded Territories) should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to receive New Ordinary Shares or to take up their entitlements (if any) under the Open Offer.

Subject to certain exceptions, there are additional restrictions on the resale of the New Ordinary Shares in Australia for a period of 12 months after Admission. These restrictions could make it more difficult to resell the New Ordinary Shares in many instances and this could have an adverse effect on the market value of the New Ordinary Shares.

Exchange rate fluctuation may impact on the value of and the investment in the Ordinary Shares or any dividends in foreign currency terms

The Ordinary Shares will be quoted, and any dividends to be paid in respect of them will be paid, in pounds Sterling. An investment in Ordinary Shares by an investor in a jurisdiction whose principal currency is not pounds Sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of the pound Sterling in relation to such foreign currency will reduce the value of the investment of the Ordinary Shares or any dividends in foreign currency terms.

Taxation legislation

Any change in taxation legislation or the interpretation of taxation legislation could affect the Company's ability to provide returns to Shareholders. Statements in this Prospectus concerning the taxation of investors in the Ordinary Shares are based on current tax law and practice in the UK and the United States, which are subject to change. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor.

## PRESENTATION OF INFORMATION

### 1 General

Investors should rely only on the information in this document. No person has been authorised to give any information or to make any representations in connection with the arrangements described in this document other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Numis. No representation or warranty, express or implied, is made by Numis or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Numis or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA, Rule 3.4.1 of the Prospectus Rules and Rule 4.4.1 of the Listing Rules, neither the delivery of this document nor any sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Company, the Group, the Acquisition or the other arrangements described in this document. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by FSMA, the Prospectus Rules and the Listing Rules, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the New Ordinary Shares occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. Each prospective investor should consult with such advisers as required, including for the purpose of determining whether it is legally permitted to hold Ordinary Shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

Prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors". Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. Prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved.

Holders of New Ordinary Shares will be deemed to have acknowledged that, in holding such New Ordinary Shares: (i) they have not relied on Numis or any person affiliated with Numis in connection with any investigation of the accuracy of any information contained in this document; and (ii) they have relied only on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors or Numis.

None of the Company, the Directors, Numis or any of their representatives makes any representation to any investor regarding the legality of an investment by such investor.

In connection with the Capital Raising, Numis and any of its affiliates, acting as investors for their own accounts, may acquire New Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such New Ordinary Shares and other securities of the Company or related investments in connection with the Capital Raising or otherwise. Accordingly, references in this document to the New Ordinary Shares being offered,

subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Numis and any of its affiliates acting as investors for their own accounts. Numis does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Numis and any of its respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. Numis and any of its respective affiliates may provide such services to the Company and any of its respective affiliates in the future.

## 2 Presentation of financial information

The Group's audited consolidated financial statements for the three years ended 31 March 2017 are incorporated by reference in Part X (*Historical Financial Information Relating to the Group*) of this document and have been prepared in accordance with IFRS. The significant accounting policies are set out within note 1 (Group Accounting Policies) of the Group's consolidated financial statements for the year ended 31 March 2017, incorporated by reference in Part X (*Historical Financial Information Relating to the Group*).

Where this Prospectus refers to financial information relating to the Group for the year ended 31 March 2016, such information has been derived from the restated comparative financial information for the Group for such financial year contained in the Group's Annual Report and Accounts for the year ended 31 March 2017. Such comparative financial information differs from the audited consolidated accounts of the Group for the year ended 31 March 2016 due to a restatement to reflect guidance regarding the presentation of cash and overdraft balances and measurement period adjustments in respect of business combinations. Details of the effect of such change are contained in the Group's Annual Report and Accounts for the year ended 31 March 2017.

Section B of Part XI (*Historical Financial Information Relating to the Merlyn Group*) of this document sets out the combined and consolidated financial information for the Merlyn Group for the three years ended 31 March 2017. This combined and consolidated financial information has been prepared in accordance with the Prospectus Rules, the Listing Rules and the basis of preparation set out in note 2 of Section B of Part XI.

Certain alternative performance measures have been incorporated by reference in this document through Part VII (*Operating and Financial Review of the Group*) and Part X (*Historical Financial Information Relating to the Group*), as the Directors believe that these provide important alternative measures with which to assess the Group's performance. These measures are defined within note 8 (Alternative Performance Measures) of the Group's consolidated financial statements for the year ended 31 March 2017, incorporated by reference in Part X (*Historical Financial Information Relating to the Group*). Such measures as presented in this document may not be comparable to similarly titled measures of performance presented by other companies, and they should not be considered as substitutes for, or superior to, measures calculated and presented in accordance with IFRS.

Unless otherwise indicated in this document, all references to:

- “**underlying operating profit**” are to operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items;
- “**underlying operating margin**” are to underlying operating profit expressed as a percentage of revenue;
- “**EBITDA**” are to operating profit before depreciation and amortisation;
- “**underlying EBITDA**” are to EBITDA as adjusted for IAS 19R administrative expenses, acquisition related costs and exceptional operating items;
- “**underlying operating cash flow**” are to cash generated from continuing operations before cash outflows from exceptional items and acquisition related costs and pension fund deficit recovery contributions; and
- “**underlying return on capital employed**” or “**ROCE**” are to underlying operating profit expressed as a percentage of the average of opening and closing underlying capital employed.

### **3 Market, industry and economic data**

This document contains information regarding the Group's business and the market in which it operates and competes, which the Company has obtained from third-party sources. All financial information from a third party is sourced where it appears. Where information has been sourced from a third party, it has been accurately reproduced as at the date of extraction and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading as at the date of extraction. Such information has not been audited or independently verified by the Company or any other third party and can be updated by such third party.

### **4 Rounding**

Certain figures and percentages in this document have been subject to rounding adjustments. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

### **5 Currencies**

Unless otherwise indicated in this document, all references to:

- **"pounds sterling"** or **"£"** are to the lawful currency of the UK;
- **"U.S. dollars"**, **"dollars"** or **"\$"** are to the lawful currency of the United States;
- **"euro"** or **"€"** are to the lawful currency of the European Union's member states;

Unless otherwise indicated, the financial information contained in this document has been expressed in pounds sterling. For all members of the Group incorporated in the UK, the functional currency is pounds sterling and the Group presents its financial statements in pounds sterling.

### **6 Forward-looking statements**

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the Listing Rules, the Disclosure Requirements or the Transparency Rules, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

### **7 No incorporation of website information**

The contents of the Company's website do not form part of this document and prospective investors should not rely on them.

## DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Martin Towers, <i>Non-Executive Chairman</i> Nick Kelsall, <i>Group Chief Executive</i> Shaun Smith, <i>Group Finance Director</i> David McKeith, <i>Non-Executive Director</i> Jo Hallas, <i>Non-Executive Director</i>  <i>Further information on the Directors is contained in Part XIV (Persons Responsible, Directors, Senior Managers and Corporate Governance) of this document</i>
<b>Company secretary</b>	Richard Collins
<b>Registered office</b>	Ladyfield House Station Road Wilmslow Cheshire SK9 1BU
<b>Website</b>	<a href="http://www.norcros.com">www.norcros.com</a>
<b>Sponsor, bookrunner and broker</b>	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
<b>Corporate finance adviser on the Acquisition</b>	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB
<b>Solicitors to the Company</b>	Addleshaw Goddard LLP One St Peter's Square Manchester M2 3DE
<b>Reporting accountants</b>	PricewaterhouseCoopers LLP 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Receiving Agent</b>	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

**Solicitors to the sponsor,  
bookrunner and broker**

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

**Financial public relations  
advisers to the Company**

Hudson Sandler  
29 Cloth Fair  
London  
EC1A 7NN

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

*All times are London times. Each of the times and dates in the table below is indicative only and is subject to change without further notice.*

	<i>Time and date</i>
Record Date for Open Offer Entitlements and Excess Entitlements under the Open Offer	6.00 p.m. on 31 October 2017
Announcement of the Acquisition and the Capital Raising	2 November 2017
Publication and posting of this document, the Application Form and Form of Proxy	2 November 2017
Ex-entitlement date for the Open Offer	2 November 2017
Open Offer Entitlements and Excess Entitlements enabled in CREST and credited to stock accounts of Qualifying CREST Shareholders in CREST	As soon as practical after 8.00 a.m. on 3 November 2017
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess Entitlements from CREST	4.30 p.m. on 15 November 2017
Latest time and date for depositing Open Offer Entitlements and Excess Entitlements into CREST	3.00 p.m. on 16 November 2017
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 17 November 2017
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 21 November 2017
Latest time and date for receipt of Forms of Proxy/CREST Proxy Instructions	10.00 a.m. on 20 November 2017
Announcement of results of Capital Raising through Regulatory Information Service	22 November 2017
<b>General Meeting</b>	10.00 a.m. on 22 November 2017
<b>Admission and commencement of dealings in New Ordinary Shares</b>	8.00 a.m. on 23 November 2017
<b>Date of Completion</b>	expected on 23 November 2017
New Ordinary Shares credited to CREST accounts (uncertificated holders only)	as soon as practicable after Admission
Despatch of definitive share certificates in respect of the New Ordinary Shares (where applicable)	no later than 30 November 2017

## SHARE CAPITAL AND CAPITAL RAISING STATISTICS

### Firm Placing and Placing and Open Offer

Offer Price per New Ordinary Share	172 pence
Discount to the Closing Price of an Existing Ordinary Share on 1 November 2017	5.9 per cent.
Open Offer Entitlement	10 Open Offer Shares for every 51 Existing Ordinary Shares
Number of Existing Ordinary Shares in issue at the Latest Practicable Date	61,653,134
Number of New Ordinary Shares to be issued pursuant to the Capital Raising	18,254,161
Number of Ordinary Shares in issue immediately following Admission	79,907,295
New Ordinary Shares as a percentage of the Company's Enlarged Share Capital immediately following Admission	22.8 per cent.
Estimated gross proceeds of the Capital Raising	£31.4 million
Estimated expenses of the Capital Raising	£1.5 million
Estimated net proceeds of the Capital Raising receivable by the Company after deduction of estimated expenses	£29.9 million
<b>Acquisition</b>	
Estimated expenses of the Acquisition	£2.4 million

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#### Note:

These figures are calculated assuming that:

- (a) the number of Ordinary Shares in issue and to be issued on a fully diluted basis as at close of business on the Latest Practicable Date does not change and that no issue of Ordinary Shares, other than the issue of the New Ordinary Shares under the Capital Raising, occurs between the Latest Practicable Date and Completion; and
- (b) the maximum number of Ordinary Shares proposed to be issued pursuant to the Capital Raising are issued.

## PART I – LETTER FROM THE CHAIRMAN



### NORCROS PLC

*(incorporated in England and Wales with registered number 3691883)*

#### **Directors**

Martin Towers, Chairman  
Nick Kelsall, Group Chief Executive  
Shaun Smith, Group Finance Director  
David McKeith, Non-executive Director  
Jo Hallas, Non-executive Director

#### **Registered Office**

Norcros plc  
Ladyfield House  
Station Road, Wilmslow  
Cheshire, SK9 1BU

2 November 2017

Dear Shareholder

### **Proposed acquisition of Merlyn Industries Limited (“Merlyn”), Firm Placing of 6,165,312 Firm Placing Shares, Placing and Open Offer of 12,088,849 Open Offer Shares and Notice of General Meeting**

#### **1 Introduction**

On 2 November 2017, the Company announced that the Group had entered into the Acquisition Agreement with, among others, Broadlake, a generalist Irish Private Equity fund, and Michael Hoyne, a majority shareholder, to acquire Merlyn. Merlyn designs, engineers, assembles and distributes high quality, premium, branded shower enclosures in the UK and Ireland. Total consideration of £60.0 million on a debt free, cash free basis (subject to certain adjustments) is to be satisfied through the net proceeds of the Capital Raising amounting to approximately £29.9 million, with the balance to be funded from new debt facilities.

The terms and conditions of the Acquisition are contained in the Acquisition Agreement, which is described in Part II (*Summary of Key Terms and Conditions of the Acquisition*) of this document.

Merlyn is a market-leading, innovative designer and distributor of mid to high end branded shower enclosures, bath screens and trays. The business has a multi-channel sales approach based on distinct brands for each channel. The company supplies independent retailers, national and regional merchants, targeted specification contracts (housebuilders, hotels and leisure operators) and distributors. In the year ended 31 March 2017, Merlyn reported revenue of £30.7 million and operating profit of £6.4 million.

The Board believes that the Acquisition represents an attractive opportunity for the Group to acquire a growing, profitable, market leading and well positioned business that enhances the Group’s bathroom product portfolio and is in line with the Group’s strategy of acquiring quality businesses in targeted sectors and geographies. The Acquisition is of sufficient size relative to the Group to constitute a Class 1 transaction under the Listing Rules and is therefore conditional on, among other things, the passing of the Resolutions by Shareholders at the General Meeting to be held at 10.00 a.m. on 22 November 2017. A notice of General Meeting is set out at the end of this document.

As more fully described in paragraph 10 of this Part I (*Letter from the Chairman*), the Company proposes to undertake a Capital Raising to raise gross proceeds of approximately £31.4 million, the net proceeds of which will be used to fund a proportion of the consideration payable under the Acquisition Agreement and the associated transaction fees, and to maintain an appropriate leverage position which will enable the Group to continue pursuing its growth strategy in the near term. The Capital Raising comprises the issue of, in aggregate, 18,254,161 New Ordinary Shares at an Offer Price of 172 pence per share. The Firm Placing Shares have been conditionally placed with institutional and other investors by Numis. The Open Offer Shares have been conditionally placed with institutional and other investors by Numis, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. The Capital Raising is being fully underwritten by Numis subject to, and in accordance with, the terms and conditions of the Sponsor and Placing Agreement.

The Offer Price represents a discount of 5.9 per cent. to the Closing Price of 182.75 pence per Ordinary Share on 1 November 2017 (being the last Business Day before announcement of the Capital Raising). The Capital Raising is conditional upon, among other things, the approval of the Acquisition at the General Meeting and the Sponsor and Placing Agreement becoming unconditional. The Sponsor and Placing Agreement is conditional upon, amongst other things, the Acquisition Agreement having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission, becoming unconditional in all respects and having been completed in escrow (with the sole condition to release from escrow being a condition equivalent to the condition regarding Admission referred to below, the **Escrow Condition**), the Amendment and Restatement Agreement having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission, becoming unconditional in all respects and the loan being available for draw-down upon delivery of the relevant utilisation request (subject, in each case, only to the release of the Acquisition Agreement from escrow upon satisfaction of the Escrow Condition, the satisfaction of any condition equivalent to the conditions relating to admission to the Official List, admission to trading and Admission referred to below and the Company not becoming aware, and the Facility Agent (as defined in the Facilities Agreement) notifying the Company, that a Default (as defined in the Facilities Agreement) is continuing or would result from the proposed loan at any time before the Facility Agent (as defined in the Facilities Agreement) sends the relevant monies to the relevant account, the UKLA agreeing to admit the New Ordinary Shares to the Official List of the UKLA and the London Stock Exchange agreeing to admit the New Ordinary Shares to trading on its main market for listed securities (both subject only to the allotment of the New Ordinary Shares) and Admission occurring on or before 8.00 a.m. on 23 November 2017 (or such later time, not later than 8.00 a.m. on 1 December 2017, as Numis and the Company may agree in writing). The above-mentioned conditionality is intended to ensure that the Refinancing, Completion and Admission occur simultaneously and that one of them cannot occur without the others occurring.

Applications will be made for the New Ordinary Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 23 November 2017.

The purpose of this letter is to: (i) explain the background to and reasons for the Acquisition and the Capital Raising; (ii) explain why the Board believes that the Acquisition and the Capital Raising are in the best interests of the Group and its shareholders and; (iii) recommend that you vote in favour of the Resolutions to be proposed at the General Meeting. In this respect, this document should be read in its entirety and you should not rely solely on the information in this Part I (*Letter from the Chairman*). Your attention, in particular, is drawn to the risk factors set out in the section titled "Risk Factors".

## **2 Information on the Group's strategy**

As part of the Group's growth strategy, the Group continues to seek to acquire attractive and complementary businesses that fit within its targeted sectors and geographies. In 2013, the Board set out three clear strategic targets:

- to double Group revenue to £420 million by 2018;
- to achieve sustainable underlying return on capital employed of 12 per cent. to 15 per cent.; and
- to maintain approximately 50 per cent. of Group revenue derived outside the UK.

The Board declared that this strategy would be delivered through a combination of organic growth and acquisitions; with the successful integration and development of acquisitions made since 2013 being an important step in supporting and accelerating the Group's strategy. The Group has made good progress towards its strategic objectives and in particular, by achieving an underlying a ROCE of 18.4 per cent. in the year ended 31 March 2017, ahead of target. Group revenue for the year ended 31 March 2017 increased by 15.0 per cent. to £271.2 million. The Group's progress in relation to achieving the Group revenue target of £420 million by 2018 has been held back by the significant depreciation of the Rand / Sterling exchange rate since the objective was established in 2013. In constant currency terms, Group revenue would have been £304.0 million. The Board recognises that achieving the target of £420 million remains challenging and accordingly will

reassess this timeline later in the current financial year in light of the Group's progress. The Group nevertheless remains committed to this target.

Pursuant to its growth strategy, the Group has acquired three complementary businesses since the start of 2013. Vado, which was acquired in March 2013, has performed strongly with compounded revenue growth of 10.4 per cent. per annum since acquisition up to the period ended March 2017. Croydex, acquired in June 2015, has also delivered strong like for like revenue and underlying profit growth since its acquisition up to the period ended March 2017. Abode, acquired in March 2016, has grown revenue by 5.0 per cent. and recorded profits in line with the Board's expectations up to the period ended March 2017 and, like Croydex and Vado, has been seamlessly integrated into the Group. In respect of these acquisitions, the Board has been encouraged by the progress made in identifying and pursuing opportunities in collaboration with the Group's existing portfolio, particularly in the areas of new business development, procurement and supply chain.

The Vado, Croydex and Abode acquisitions have all been funded from the Group's existing banking facilities. The Board now believes that the proposed Acquisition is the appropriate opportunity to raise equity finance to partially fund the proposed Acquisition and to ensure that the Group maintains an appropriate leverage position which will enable the Group to pursue other acquisition opportunities and/or organic growth opportunities.

### 3 Background to and reasons for the Acquisition and the Capital Raising

#### 3.1 The Acquisition

The Board believes that Merlyn is a compelling strategic fit and would complement the Group's existing portfolio of products and brands and represents an appropriate opportunity to add a growing, market leading, UK focused and well positioned brand to its existing portfolio. The acquisition of Merlyn is consistent with the Group's objective of expanding further into the bathroom products sector which will enable the Group to offer a 'one stop shop' to the trade and specification segments in the UK.

Furthermore, the Acquisition is expected to deliver a return on capital employed in excess of 13 per cent. in the financial year ending 31 March 2019, above Norcros's cost of capital. The Group expects the Acquisition to be earnings enhancing in the financial year ending 31 March 2019.<sup>1</sup>

The Board believes that Merlyn's impressive track record of growth and cash generation, as highlighted by the table below, makes it both an attractive strategic and financial proposition to the Group's shareholders.

	For the year ended 31 March		
	2017 £ million	2016 £ million	2015 £ million
Revenue	30.7	26.4	21.4
Operating profit	6.4	4.4	2.7
Cash generated from operations	6.2	4.7	2.7

#### Market share and market position

The acquisition of Merlyn will immediately provide the Group with a highly profitable business with a significant market share in both the UK and Ireland within Merlyn's product categories. Merlyn's key market is the UK, which represents 85 per cent. of sales, with the Irish market representing 13 per cent. and a small level of export sales that accounts for 2 per cent. The Board believes that there is a significant opportunity to increase sales in the future utilising Norcros's UK and international distribution channels.

Merlyn's respective shares of the UK and Irish markets are 15 per cent and 35 per cent.\* The shower enclosure, bath screen and shower tray market in the UK and Ireland in 2016 was

<sup>1</sup> These statements of expected earnings enhancement and targeted ROCE relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the expected earnings enhancement and ROCE referred to may not be achieved, or those achieved could be materially different from those targeted. These statements should not be construed as a profit forecast or interpreted to mean that the Enlarged Group's earnings in the period following the Acquisition would necessarily match or be greater than or be less than those of Norcros and/or Merlyn for the relevant preceding financial period or any other period.

estimated at approximately £213 million and is expected to grow to approximately £266 million by 2020. These markets have displayed strong levels of historical growth with the UK higher value enclosures market having grown at 9 per cent. CAGR over 2013-2016, versus 7 per cent. overall market growth, and is forecast to continue to grow at 6 per cent. CAGR, driven by volume and price increases. Merlyn has a track record of consistently outperforming the market, having achieved sales growth of 19.8 per cent. CAGR over 2015-2017. The Board believes that forecast market growth is underpinned by the following trends:

- a growing consumer preference for showers over baths;
- an ongoing premiumisation, with consumers and fitters increasingly favouring higher value products;
- a growing emphasis on the bathroom within the home, leading to more frequent bathroom renovations; and
- an increase in the number of bathrooms per property, driven by increase in demand for en-suites.

**Complementary, extensive product range and brands**

The Board believes that the acquisition of Merlyn will add a number of well-established and market leading brands to the Group’s portfolio, which together provide a significant barrier to entry. Furthermore, the Board believes that the enhancement of its bathroom product portfolio allows the offering of additional products both domestically and internationally to Norcros’s customer base.

Merlyn offers an extensive range of design-led mid to high end products manufactured to the highest specification and offers superior customer service through a dedicated, award winning sales and support team. A cornerstone of Merlyn’s success has been its channel strategy, developing differentiated brands for each of its targeted sales channels. In the financial year ended 31 March 2017, approximately 80 per cent. of gross revenue (before rebates) was generated through the sales of doors and enclosures with a further 20 per cent. through the sale of trays and bath screens. Set out below is a summary of Merlyn’s principal shower enclosure brands and their respective primary distribution channels.

<b>Brand</b>	<b>Range description</b>	<b>Primary channel</b>
Merlyn Showering : – The Series Collection	Merlyn’s most well-known range of mid-high end products	Bathroom specialists with mid-high end showrooms
Ionic	Fast and easy installation products designed for use by contractors and tradesmen	National and regional merchants and specification contracts
Arysto	Luxury range launched in May 2016, utilising high quality materials	Premium bathroom specialists with high end showrooms
Vivid	Mid-high end shower enclosures	Bathroom product distributors

Merlyn’s portfolio of aspirational brands is synonymous with superior design, quality and service. As a result, Merlyn enjoys high levels of brand advocacy and loyalty among key customers and influencers and, since Merlyn was established in 2000, the business has delivered a consistent track record of growth and has generated consistently high margins as a result of its premium products.

**Complementary sales channel management**

Merlyn has successfully established multiple sales channels across:

- independent retailers;
- regional merchants;
- national merchants;

\* UK market excludes Northern Ireland, Ireland market includes Northern Ireland

- targeted specification contracts; and
- distributors.

As a strong B2B brand, independent retailers, merchants, specifiers and installers are key influencers on Merlyn's customers in their purchasing decision. Merlyn has earned the trust of influencers over many years, based upon its superior delivery on both service and quality.

The Board believes that multiple sales channels provide end market diversification and also significant growth opportunities in the future. Merlyn's sales are delivered through a network of 19 experienced Regional Sales Managers across the UK and Ireland and Merlyn showcases its products via the recently refreshed and innovative Merlyn website and continues to grow its social media presence. The Board believes that a key differentiator of Merlyn is the strength of its sales and support team and its superior customer service. Merlyn has over 900 customers and serves approximately 2,250 delivery locations. In the financial year ended 31 March 2017, approximately 75 per cent. of gross revenue (before rebates) was generated through the repair and maintenance with 25 per cent. through sales to the new build sector.

### **Industry leading product development**

Merlyn is at the forefront of shower enclosure design and innovation and its focus on continual product evolution has allowed Merlyn to strengthen its position within the industry. Merlyn is committed to bringing new products to market with a culture of innovation that runs deep within the company and employees are encouraged to assist in new product idea generation via the Merlyn intranet. The Board believes that Merlyn's innovative culture and focus on product development is consistent with the Group's objective to expand its product range both in the UK and internationally. New product development remains a key strategic target for the Group as the Group seeks to execute on a strong pipeline of new product programmes in place for the future. Sales generated from new product development have been between 10 and 20 per cent. in the three years ended 31 March 2017. Since 2011, the company has launched on average 5.5 new or evolved product ranges per annum.

### **Supply chain**

Since 2008, Merlyn has operated a flexible and outsourced manufacturing model, with all shower enclosures and bath screen products sourced from supply partners based in China. The manufacturing is mainly spread across five engineering partners where Merlyn is the significant customer and there is ability to dual-source amongst these suppliers. The Group currently sources a significant element of its components and products from China and subsequently the Board believes that there should be an opportunity to generate economies of scale given the size of the Group's Chinese supply chain.

### **Growth initiatives**

The Group believes that Merlyn has significant opportunities to continue to grow by focusing on current core activities, including:

- existing ranges and new product innovations;
- expansion of established routes to markets; and
- increased "share of wallet" within the current customer base.

In addition, there are also a number of exciting medium and long-term strategic opportunities including:

- new geographies: driving further internationalisation of the business;
- new product categories: widening Merlyn's product range into complementary areas; and
- new channels: expanding in the commercial, hospitality and care markets.

## **3.2 The Capital Raising**

The Company is proposing to raise gross proceeds of approximately £31.4 million by way of the Capital Raising. The Board considers the Firm Placing and Placing and Open Offer to be a suitable fundraising structure as it will allow access to new investors to broaden the Company's shareholder base, whilst providing existing Shareholders with the opportunity to participate in the fundraising through the Open Offer.

The Board believes that undertaking the Capital Raising at the Offer Price represents an attractive opportunity for the Company to secure additional equity funding and maintain sufficient capacity to pursue further growth opportunities that may arise.

### 3.3 Debt refinancing

The Group agreed a five year £70 million investment grade senior multicurrency revolving facility agreement (with a £30 million accordion option) with Barclays Bank PLC, HSBC Bank plc and Lloyds Bank plc on 21 July 2014. This agreement was amended and restated on 2 November with the effect that increased facilities of £120 million (with a £30 million accordion option) were made available to the Group subject to the automatic release of the Acquisition Agreement and other acquisition documents from Escrow, being the date on which the Acquisition Agreement would be completed and dated (**Effective Date**). The amended and restated agreement has a term of four years, though the Group has the option to request a one year extension during the first year of operation of the amended and restated agreement.

The amended and restated agreement has an interest rate comprised of the aggregate of the applicable LIBOR (the London Interbank Offered Rate) (or if made in euros, EURIBOR (the Euro Interbank Offered Rate)) for the relevant drawing and a margin of between 1.7 and 3.0 per cent. per annum (depending on the Group's leverage ratio). A number of the standard representations contained in the original agreement were repeated on the date of the amendment and restatement agreement and will be repeated on the Effective Date. The representations continue to include applicable carve-outs and grace periods. The amended and restated agreement includes undertakings which the borrowers and guarantors are required to comply with including financial covenants. The events of default in the amended and restated agreement are usual and customary for the facilities being provided.

## 4 Financial impact of the Acquisition and use of proceeds

The total consideration payable under the terms of the Acquisition Agreement is £60.0 million on a debt free, cash free basis (subject to certain adjustments) and, in addition, the Company will incur expenses of approximately £3.9 million (excluding VAT) in connection with the Acquisition and the Capital Raising.

The Company proposes to use the net proceeds of the Capital Raising of approximately £29.9 million to fund a proportion of the consideration payable under the Acquisition Agreement and the associated transaction fees. The remaining £30.1 million of consideration will be funded through the Group's new banking facilities.

The Group expects the Acquisition to be earnings enhancing in the financial year ending 31 March 2019 and to deliver a return on capital employed in excess of 13 per cent. in the financial year ending 31 March 2019, significantly above Norcros's cost of capital.<sup>1</sup>

Your attention is drawn to Part XII (Unaudited Pro Forma Financial Information of the Enlarged Group) of this document which contains an unaudited *pro forma* statement of net assets and an unaudited *pro forma* income statement of the Enlarged Group, assuming that the Acquisition and Capital Raising had both occurred on 1 April 2016 for the *pro forma* income statement and on 31 March 2017 for the net asset statement. As more fully described in that Part XII, on a *pro forma* basis and based on the assumptions described therein, the unaudited *pro forma* revenues and adjusted operating profit of the Enlarged Group would be £301.9 million and £21.3 million respectively, while the *pro forma* net assets of the Enlarged Group would be £84.4 million.

The Board intends to maintain the existing Group dividend policy post completion of the Acquisition.

Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this letter.

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<sup>1</sup> *These statements of expected earnings enhancement and targeted ROCE relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the expected earnings enhancement and ROCE referred to may not be achieved, or those achieved could be materially different from those targeted. These statements should not be construed as a profit forecast or interpreted to mean that the Enlarged Group's earnings in the period following the Acquisition would necessarily match or be greater than or be less than those of Norcros and/or Merlyn for the relevant preceding financial period or any other period.*

## **5 Summary information on the Group and its current trading**

### **5.1 Overview**

Norcros is a leading supplier of high quality and innovative showers, taps, bathroom accessories, ceramic wall and floor tiles and adhesive products with operations primarily in the UK and South Africa.

In the UK, the Group offers a wide range of quality bathroom and kitchen products, both for domestic and commercial applications. The Group's UK portfolio of businesses is well established, services a broad customer base and benefits from leading market positions and strong brands. The Group's six UK complementary businesses are:

- Triton – the leading manufacturer and distributor of electric and mixer showers and accessories;
- Vado – manufacturer and distributor of taps, mixer showers, bathroom accessories and valves;
- Croydex – market-leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories;
- Abode – a leading niche designer and distributor of high quality kitchen taps, bathroom taps, and kitchen sinks;
- Johnson Tiles – a leading manufacturer and distributor of ceramic wall and floor tiles; and
- Norcros Adhesives – manufacturer of tile and stone adhesives and ancillary products.

The Group also has complementary businesses in South Africa, operating principally from a shared manufacturing and administrative site near Johannesburg, allowing operational, revenue and cost synergies. The Group's three South African businesses are:

- Tile Africa – a leading retailer of local and international tiles and associated bathroom and kitchen products;
- Johnson Tiles South Africa – a leading manufacturer and distributor of ceramic wall and floor tiles; and
- TAL – the leading manufacturer of tile adhesives, pourable floor coverings and tiling tools.

Further detailed information on the Group is provided in or incorporated by reference into subsequent parts of this document, specifically Part V (Information on the Group).

### **5.2 Current trading and prospects of Norcros**

On 12 October 2017, and in advance of the Group's interim results for the half year ended 30 September 2017, the Group published the following trading update:

- “Group revenue and underlying operating profit in the first half is expected to be in line with the Board's expectations.
- Group revenue for the first half is expected to be approximately £144.9 million (2016: £128.8 million), 12.5% higher than the prior year and 7.1% higher on a constant currency basis. The growth reflects a robust performance in the Group's UK business and continued growth in the Group's South African business. UK revenue for the first half was 8.4% higher than the prior year, reflecting growth in all channels, and benefitting in particular from the Group's strong positions in the new housebuild sector and in selective export markets. The Group's South African business again delivered revenue growth in the first half of the year, 4.8% higher than the prior year on a constant currency basis continuing the sustained progress of recent years. Revenue was 21.0% higher on a reported basis reflecting a stronger South African Rand.
- The Group continues to focus on working capital and cash management and as a result closing net debt is expected to have reduced to around £21 million (2016: £27.5 million).
- Against the backdrop of challenging market conditions, the Group's performance demonstrates the strength of its market positions and the resilience of the Group's diversified business portfolio delivering revenue growth in all UK sectors, strong growth in exports and sustained progress in South Africa. The Board remains confident that the Group will continue to make progress in line with its expectations for the year to 31 March 2018.”

- The Company will publish its interim results for the six months ended 30 September 2017 on 16 November 2017. The Company will also publish a supplementary prospectus in respect of these interim results on or around 16 November 2017.

## **6 Summary information on Merlyn**

### **6.1 Overview**

#### **Background**

Merlyn was founded by Michael Hoyne in 2000, launching several ranges of mid to high end shower enclosures, bath screens and trays for the independent retail market in the UK and Ireland. Broadlake Private Equity undertook an investment into Merlyn to become a minority shareholder in 2015.

#### **Business overview**

Merlyn designs, engineers, assembles and distributes high quality, premium, branded shower enclosures. The business has a multi-channel sales approach based on distinct brands for each channel. The company supplies independent retailers, national and regional merchants, targeted specification contracts (housebuilders, hotels and leisure operators) and distributors. Merlyn employs 58 staff at their headquarters in Kilkenny, Ireland, a 17-person sales team located in the UK and has a nine-person engineering and quality control team located in China. Third party logistics are based in Wexford, Ireland and West Bromwich, UK, with facilities of 30,000 sq.ft and 70,000 sq.ft respectively.

There are a number of routes to market of which independent retail and regional merchants are the largest. The business currently services over 900 accounts and this multi-channel distribution reduces the risk of dependence on any particular channel or customer.

Merlyn shower enclosures are brought to market through the following distinct channels:

- independent retail and regional merchants (62 per cent.);
- specification (22 per cent.);
- national merchants (12 per cent.); and
- national distributors (4 per cent.).

The percentages set out above refer to gross revenue (before rebates) and are unaudited.

The Directors consider that the key strengths of Merlyn include:

- the market leading and brand leading position in the UK and Irish shower enclosure market;
- wide distribution base with strong customer relationships;
- focus on product design and customer service;
- an opportunity for growth both within the UK market and through exports;
- a well-established outsourced manufacturing model; and
- an experienced management team.

### **6.2 Current trading and prospects of Merlyn**

Merlyn is trading in line with the expectations of the management of the business for the six months ended 30 September 2017, with the revenue growth continuing to be driven by successful price increases, new product launches and growing market share.

## **7 Summary of the key terms of the Acquisition**

### **7.1 Acquisition Agreement**

The key terms and conditions of the Acquisition Agreement are summarised in Part II of this document.

### **7.2 Class 1 transaction approvals**

Owing to its size, the Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and therefore requires approval from Shareholders. Accordingly, a General Meeting has been convened for 22 November 2017 for the purpose of passing resolutions to approve the

Acquisition and facilitate the Capital Raising. Further details about the General Meeting are set out in paragraph 15 of this Part I (*Letter from the Chairman*).

## **8 Integration, management and employees following the Acquisition**

The Board anticipates integrating Merlyn to operate as a new standalone business unit. As a result, it is anticipated that all employees of Merlyn will continue to be employed by the Enlarged Group following Completion. The Board attaches great importance to the skills and experience of the management and employees of Merlyn and believes they will be an important factor in the success of the Enlarged Group.

## **9 Dividend Policy**

The Board intends to continue with its progressive dividend policy. It still expects to retain sufficient capital to fund ongoing operating requirements, an appropriate level of dividend cover and funds to invest in the Group's long-term growth.

For the year ended 31 March 2017, the Company paid a full year dividend of 7.2p per share (2016: 6.6p per share).

The Board expects to publish the interim results for the 6 months ended 30 September 2017 on 16 November 2017. New Ordinary Shares will qualify for any interim dividend declared provided they are issued before the record date.

## **10 Principal terms of the Capital Raising**

The Company proposes to issue New Ordinary Shares pursuant to the Capital Raising to raise approximately £31.4 million, before expenses. Numis has made arrangements to conditionally place the Firm Placing Shares with Firm Placees, and to conditionally place the Open Offer Shares with Placees subject to claw-back to satisfy valid applications by Qualifying Shareholders under the Open Offer, in each case pursuant to the Sponsor and Placing Agreement.

The Offer Price was set having regard to the prevailing market conditions and the size of the Capital Raising. The Offer Price represents a discount of approximately 5.9 per cent. to the Closing Price of 182.75 pence per Existing Ordinary Share on 1 November 2017 (being the last Business Day before the announcement of the Capital Raising). The Directors believe that it is necessary to offer the New Ordinary Shares at a discount to complete the Capital Raising to allow the Company to raise the required funding and accordingly believe that such discount is in the best interests of the Shareholders, and that the Offer Price is appropriate for the Capital Raising.

The Capital Raising is conditional, amongst other things, on:

- the Resolutions being passed by the Shareholders at the General Meeting;
- the Sponsor and Placing Agreement becoming unconditional; and
- Admission becoming effective.

The Sponsor and Placing Agreement is conditional, amongst other things, on:

- the Acquisition Agreement:
  - having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission; and
  - becoming unconditional in all respects and having been completed in escrow (with the sole condition to release from escrow being a condition equivalent to the condition regarding Admission referred to below, the **Escrow Condition**);
- the Amendment and Restatement Agreement:
  - having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission; and
  - becoming unconditional in all respects and the loan being available for draw-down upon delivery of the relevant utilisation request (subject, in each case, only to the release of the Acquisition Agreement from escrow upon satisfaction of the Escrow Condition, the satisfaction of any condition equivalent to the conditions relating to admission to the Official List, admission to trading and Admission referred to below and the Company not becoming aware, and the Facility Agent (as defined in the Facilities Agreement) not notifying the Company, that a Default (as defined in the Facilities Agreement) is

continuing or would result from the proposed loan at any time before the Facility Agent (as defined in the Facilities Agreement) sends the relevant monies to the relevant account);

- the UKLA agreeing to admit the New Ordinary Shares to the Official List of the UKLA and the London Stock Exchange agreeing to admit the New Ordinary Shares to trading on its main market for listed securities (both subject only to the allotment of the New Ordinary Shares); and
- Admission occurring on or before 8.00 a.m. on 23 November 2017 (or such later time, not later than 8.00 a.m. on 1 December 2017, as Numis and the Company may agree in writing) (those three conditions being the **Placing Conditions**).

The above-mentioned conditionality is intended to ensure that the Refinancing, Completion and Admission occur simultaneously and that one of them cannot occur without the others occurring.

The Capital Raising is expected to result in 18,254,161 New Ordinary Shares being issued (representing approximately 22.8 per cent. of the Enlarged Share Capital immediately following Admission). The issue of the New Ordinary Shares is subject to the terms and conditions of the Sponsor and Placing Agreement, the principal terms of which are summarised in paragraph 11.3 of Part XV (*Additional information*) of this document.

Assuming Completion takes place, the Capital Raising proceeds of approximately £29.9 million (net of expenses) will be applied to finance part of the consideration payable under the Acquisition Agreement, and associated transaction costs.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of their issue. The New Ordinary Shares will be in registered form and capable of being held in certificated form or uncertificated form in CREST.

Application will be made for the New Ordinary Shares to be admitted to listing on the premium segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence at 8.00 a.m. on 23 November 2017.

Further details about the Capital Raising are set out in Part III (*Terms and Conditions of the Open Offer*) and Part IV (*Questions and Answers About the Capital Raising*) of this document.

### **10.1 The Firm Placing**

Numis, as agent of the Company, has made arrangements to conditionally place the Firm Placing Shares with institutional investors at the Offer Price subject to the terms and conditions of the Sponsor and Placing Agreement.

The Firm Placing is conditional as mentioned above in this paragraph 10 of this Part I (*Letter from the Chairman*).

The Firm Placing Shares represent approximately 33.8 per cent. of the New Ordinary Shares and approximately 7.7 per cent. of the Enlarged Share Capital immediately following Admission. The Firm Placing is expected to raise approximately £10.6 million. The Firm Placing Shares are not subject to clawback and therefore do not form part of the Open Offer.

A summary of the principal terms of the Sponsor and Placing Agreement is set out in paragraph 11.3 of Part XV (*Additional Information*) of this document.

### **10.2 The Placing and Open Offer**

The Open Offer is an opportunity for Qualifying Shareholders to acquire Open Offer Shares (being in aggregate 12,088,849 million New Ordinary Shares or 66.2 per cent. of the Capital Raising) by subscribing for their respective Open Offer Entitlements and, through the Excess Application Facility, applying for Excess Shares, in each case at the Offer Price in accordance with the terms of the Open Offer. The Open Offer is expected to raise approximately £20.8 million. Pursuant to the Sponsor and Placing Agreement, Numis, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares with institutional investors at the Offer Price, subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer on the basis of:

10 Open Offer Shares for every 51 Existing Ordinary Shares

in each case rounded down to the nearest whole number of Open Offer Shares plus Excess Shares for which Qualifying Shareholders are entitled to apply through the Excess Application Facility, details of which are set out below. To the extent that the Open Offer Shares are not taken up by Qualifying Shareholders under the Open Offer, an equivalent number of shares will be subscribed for by institutional investors pursuant to the Placing.

**The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement in CREST, neither the Open Offer Entitlements nor the Excess Entitlements will be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that their Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, and Qualifying Shareholders who do not apply to take up their Open Offer Entitlements will have no rights under the Open Offer or receive any proceeds from it.**

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment are contained in Part III (*Terms and Conditions of the Open Offer*) to this document and for Qualifying Non-CREST Shareholders on the Application Form.

The Open Offer will proceed, subject to Shareholder passing of the Resolutions and to the other conditions of the Capital Raising being satisfied. The Open Offer is conditional as mentioned above in this paragraph 10 of this Part I (*Letter from the Chairman*). The Firm Placing and the Placing and Open Offer are inter-conditional and conditional as mentioned above in this paragraph 10 of this Part I (*Letter from the Chairman*).

The Open Offer Shares represent approximately 66.2 per cent. of the New Ordinary Shares and approximately 15.1 per cent. of the Enlarged Share Capital immediately following Admission.

The rights attaching to the Open Offer Shares will be uniform in all respects and will form a single class for all purposes. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer. In the event that the Open Offer does not become unconditional by 8.00 a.m. on 23 November 2017 or such later time and date as the Company and Numis shall agree, the Open Offer will lapse and application monies will be returned, if the applicant holds their Existing Ordinary Shares in certificated form, by post at the applicant's risk and without payment of interest to the address set out on the Application Form, within 14 days thereafter. If the applicant holds their shares in uncertificated form, a refund will be made directly to their CREST account.

### **10.3 The Excess Application Facility**

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to the number of Open Offer Shares less their Open Offer Entitlement, subject to availability. Qualifying non-CREST Shareholders who wish to apply to acquire more than their Open Offer Entitlement should complete the relevant sections of the Application Form. Qualifying CREST Shareholders will have Excess Entitlements credited to their stock account in CREST and should refer to the section "If a Qualifying Shareholder has Open Offer Entitlements credited to his stock account in CREST in respect of his entitlement under the Open Offer" of Part III of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

The aggregate number of Open Offer Shares available for acquisition pursuant to the Open Offer will not exceed 12,088,849 New Ordinary Shares.

#### 10.4 Effect of the Capital Raising

Immediately following Admission, the Enlarged Share Capital is expected to be 79,907,295 Ordinary Shares. On this basis, the New Ordinary Shares will represent approximately 22.8 per cent. of the Enlarged Share Capital immediately following Admission.

Following the issue of the Firm Placing Shares to be allotted pursuant to the Firm Placing, Shareholders, regardless of whether they take up their full entitlements under the Open Offer or not, will suffer a dilution of up to approximately 7.7 per cent. of their interests in the Company. Qualifying Shareholders who take up their full Open Offer Entitlements under the Open Offer, but do not acquire any Excess Shares, will suffer a dilution of up to approximately 7.7 per cent. of their interests in the Company. Qualifying Shareholders who do not take up any of their Open Offer Entitlements under the Open Offer, and Shareholders who are not eligible to participate in the Open Offer, will suffer a dilution of up to approximately 22.8 per cent. of their interests in the Company.

#### 11 Risk Factors

Investors should consider fully and carefully the risk factors associated with the Group, the Enlarged Group, the Acquisition and the Ordinary Shares. Your attention is drawn to the risk factors set out in the part of this document entitled “Risk Factors”.

#### 12 Effect of the Capital Raising on the Plans

In accordance with the rules of each Plan and if applicable, the number or exercise prices of options and awards under the Plans may be adjusted to take account of the Capital Raising. If this is the case, participants will be contacted separately.

#### 13 Director participation in the Open Offer

The Directors intend to take up the following number of Open Offer Shares in respect of Open Offer Entitlements. Certain of the directors will also apply for Excess Shares:

<u>Director</u>	<u>Open Offer Entitlement</u>	<u>Number of Open Offer Shares in respect of the Open Offer Entitlement</u>
Martin Towers	26,363	26,363
Nicholas Kelsall	155,965	155,965
Shaun Smith	3,921	3,921
David McKeith	2,941	2,941
Joanna Hallas	3,921	3,921

#### 14 Taxation

Certain information about UK taxation in relation to the Capital Raising is set out in Part XIII (*Taxation*) of this document. The information is intended only as a general guide to the current UK tax position.

If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent tax adviser without delay.

#### 15 General Meeting

Set out at the end of this document entitled “Notice of General Meeting” is a notice convening a General Meeting of the Company to be held at the offices of Addleshaw Goddard LLP, One St Peter’s Square, Manchester M2 3DE at 10.00 a.m. on 22 November 2017, at which the Resolutions to approve the Acquisition and Capital Raising will be proposed. The Resolutions are set out in full in the Notice of General Meeting.

**Your attention is drawn to the fact that the Acquisition is conditional (among other things) upon Shareholder approval.** As a result of the size of the Merlyn Group when compared to the Group, the Acquisition is classified under the Listing Rules as a Class 1 transaction and its implementation requires the approval of Shareholders.

Voting on the Resolutions at the General Meeting will be by way of poll. Please refer to the notes contained in the Notice of the General Meeting set out at the end of this document.

## **16 Action to be taken**

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting.

**Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, by not later than 10.00 a.m. on 20 November 2017, as soon as possible and, in any event, so as to arrive not later than 10.00 a.m. on 20 November 2017.**

The completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the issuer's agent, ID RA10, so that it is received no later than 10.00 a.m. on 20 November 2017.

## **17 Further information**

Your attention is drawn to the further information set out in Parts II to XV (inclusive) of this document. Shareholders should read all of the information contained in this document before deciding the action to take in respect of the General Meeting.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Company's website ([www.norcros.com](http://www.norcros.com)). It is expected that this will be on 22 November 2017.

## **18 Recommendation and voting intentions**

**The Board considers the Acquisition, the Capital Raising and the Resolutions to be in the best interests of the Company and its Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of all of the Resolutions, as all of the Directors intend to do in respect of their own beneficial shareholdings, amounting to 984,878 Ordinary Shares in aggregate as at the Latest Practicable Date (representing approximately 1.6 per cent. of the Existing Ordinary Shares).**

Yours sincerely

Martin Towers  
Chairman

2 November 2017

## **PART II – SUMMARY OF KEY TERMS AND CONDITIONS OF THE ACQUISITION**

### **1 Introduction**

The Acquisition Agreement was entered into on 2 November 2017 by the Sellers, the Purchaser and the Company.

In accordance with the provisions of the Acquisition Agreement and subject to the satisfaction or the waiver of the conditions set forth therein, the Purchaser has agreed to purchase all of the issued shares in Merlyn and, by virtue of acquiring Merlyn, the Purchaser shall also indirectly acquire its subsidiary Merlyn UK.

### **2 Consideration**

The total consideration to be paid by the Purchaser for all of the shares in Merlyn is £60.0 million on a debt free, cash free basis (subject to certain adjustments), to be satisfied in cash on the day following the day of Completion.

### **3 Conditions to Completion**

Under the terms of the Acquisition Agreement, Completion is conditional upon the passing, with the requisite respective majorities of votes, by the members of Norcros, at the General Meeting, of the Resolutions and the Sponsor and Placing Agreement not having been terminated and being unconditional in all respects save as regards the Placing Conditions, with provisions in the Acquisition Agreement for the Acquisition Agreement and other acquisition documents to enter into escrow following the passing of such resolutions with the only conditions to their release from escrow being Admission (the “**Conditions**”).

### **4 Termination rights**

The Purchaser and the Sellers shall each have the right to terminate the Acquisition Agreement if the Conditions are not satisfied by the Long Stop Date, being 1 December 2017.

The Purchaser may also terminate the Acquisition Agreement if the Purchaser becomes aware of the occurrence of an event or events which is or are materially adverse to the Merlyn Group; the Acquisition Agreement specifies what is considered to be materially adverse in this regard.

### **5 Pre-Completion undertakings of the Sellers**

Pursuant to the Acquisition Agreement, among other undertakings, the Sellers have agreed that each member of the Merlyn Group carries on its business in its normal course and that no share or loan capital shall be allotted or issued or agreed to be allotted or issued prior to Completion.

### **6 Sellers’ warranties**

The Acquisition Agreement contains commercial warranties, given by the Non-PE Sellers, and which are limited under the Acquisition Agreement, as to, *inter alia*:

- the valid incorporation of each member of the Merlyn Group under the laws of its jurisdiction of incorporation;
- the shares to be acquired pursuant to the Acquisition Agreement comprising the whole of the allotted and issued share capital of Merlyn and being properly and validly allotted and issued and fully paid;
- certain financial statements of Merlyn;
- tax;
- properties;
- employee and pension matters;
- material contracts;
- intellectual property and IT systems;
- litigation;
- insurance;
- compliance with applicable legislation and laws; and
- assets.

The Acquisition Agreement also contains fundamental warranties, given by all of the Sellers, and which are limited under the Acquisition Agreement, as to, *inter alia*:

- each Seller having the capacity to enter into the Acquisition Agreement and to perform fully their obligations under it in accordance with its terms;
- each Seller being the sole legal and beneficial owner of the shares they are selling, free from encumbrances; and
- no Seller being the subject of any bankruptcy or administration proceedings (or similar) in any jurisdiction.

## **7 Limitations**

The Non-PE Sellers shall not be liable in respect of any claim for breach of the commercial warranties (including tax warranties) unless:

- the Non-PE Sellers' liability in respect of that claim exceeds £70,000 (with claims arising from the same subject matter or circumstances or which are consequent on or attributable to one source or original cause being aggregated); and
- the aggregate amount of the liability of the Non-PE Sellers to the Purchaser in respect of all claims for breach of the commercial warranties or tax warranties exceeds £500,000 (disregarding those excluded under the limit referred to above), in which case the Non-PE Sellers shall be liable for the full aggregate amount of such claim and not only for the excess.

The Sellers' total liability for all claims covered by the warranty and indemnity insurance (which includes commercial and tax warranties, and the tax covenant given by the Non-PE Sellers) shall be limited to £3,000,000. In addition, the Non-PE Sellers shall be liable for all commercial and tax warranties, and tax covenant claims, not covered by the warranty and indemnity insurance up to an amount equal to percentage of their sale proceeds stated in the Acquisition Agreement. Each Non-PE Seller is liable on a proportionate basis, with certain Non-PE Sellers being liable on a jointly and several basis.

In addition, the Sellers shall be liable for all claims (other than claims in respect of the commercial warranties, tax warranties, tax covenant or leakage claims) up to 100 per cent. of the proceeds received by that Seller.

Claims under the commercial and fundamental warranties must be notified within two and seven years respectively of the date of Completion. Claims under the tax warranties or tax covenant must be notified on or before the date falling five years from the last day of the Merlyn Group's current financial year in the case of non-UK tax or seven years from the date of Completion in the case of UK tax.

Warranty and indemnity insurance has been taken out by the Purchaser in respect of the commercial warranties, tax warranties and tax covenant set out in the Acquisition Agreement. The insurance has been taken out for the total purchase price for the entire issued share capital of Merlyn with a premium of £0.4 million. The thresholds under the Warranty and Indemnity Insurance are aligned to the thresholds in the Acquisition Agreement.

## **8 Restrictions**

The Acquisition Agreement includes certain post-Completion restrictions on the Non-PE Sellers, including that they may not for the period of two years following the Completion, carry on or participate or assist or be engaged or concerned in, or provide any funding or assistance to, any business in competition with the business of the Merlyn Group.

## PART III – TERMS AND CONDITIONS OF THE OPEN OFFER

### Introduction

As explained in Part I (*Letter from the Chairman*) of this document, the Company proposes to raise approximately £31.4 million (gross) or £29.9 million (net of expenses) by the issue of the New Ordinary Shares at 172 pence per share.

The Capital Raising consists of a Firm Placing of 6,165,312 Firm Placing Shares and a Placing and Open Offer of 12,088,849 Open Offer Shares.

Pursuant to the Placing, the Open Offer Shares have been conditionally placed with institutional and other investors by Numis (subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer). Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer.

The Capital Raising has been fully underwritten by Numis on the terms and subject to the conditions set out in the Sponsor and Placing Agreement. The Capital Raising is conditional, amongst other things, on the Sponsor and Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. If the conditions to the Sponsor and Placing Agreement are not satisfied, the Capital Raising will not proceed and application monies in relation to the Open Offer will be returned to applicants (without interest) as soon as possible thereafter. A summary of the principal terms of the Sponsor and Placing Agreement is set out in paragraph 11.3 of Part XV (*Additional Information*) of this document.

A Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to 2 November 2017, being the last date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer by the London Stock Exchange, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee from his counterparty pursuant to the rules of the London Stock Exchange.

A summary of the arrangements relating to the Open Offer is set out below. This document and, for Qualifying non-CREST Shareholders only, the accompanying Application Form contain the formal terms and conditions of the Open Offer.

### Terms and conditions of the Open Offer

Subject to the terms and conditions set out below and, in the case of Qualifying non-CREST Shareholders, in the Application Form, the Company hereby invites Qualifying Shareholders to apply for Open Offer Shares at the Offer Price, payable in full on application, free of all expenses, up to a *pro rata* entitlement, which shall be calculated on the basis of:

10 Open Offer Shares for every 51 Existing Ordinary Shares

held by them and registered in their names on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held. Qualifying Shareholders are also invited, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to the number of Open Offer Shares less his Open Offer Entitlement. Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders and entitlements to apply for Open Offer Shares will be rounded down to the nearest whole number of Open Offer Shares. The fractional entitlements will be aggregated and sold for the benefit of the Company under the Excess Application Facility and/or the Placing. Accordingly, Qualifying Shareholders holding fewer than 51 Existing Ordinary Shares will have no entitlement to subscribe under the Open Offer. The aggregate number of Open Offer Shares available for subscription pursuant to the Open Offer (including the Excess Application Facility) is 12,088,849 Open Offer Shares. The total number of Open Offer Shares is fixed and will not be increased in response to applications under the Excess Application Facility.

Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

The inclusion of a limit on the number of Open Offer Shares that can be applied for under the Excess Application Facility of the number of Open Offer Shares less Qualifying Shareholders' Open Offer Entitlements is due to technical reasons and to ensure the orderly processing of applications for Excess Shares. Please refer to the sections headed "The Excess Application Facility" below in this Part I for further details of the Excess Application Facility.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Qualifying Shareholders' entitlements under the Open Offer, as will holdings under different designations and in different accounts.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to and including their maximum entitlement (which, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST) and they may also apply, on the basis set out below, for Excess Shares under the Excess Application Facility. No application in excess of a Qualifying Shareholder's Open Offer Entitlement and the maximum number of Excess Shares for which he is entitled to apply under the Excess Application Facility will be accepted and any Qualifying Shareholder so applying will be deemed to have applied only for his maximum Open Offer Entitlement as specified on his Application Form and the maximum number of Excess Shares for which he is entitled to apply under the Excess Application Facility (or, in the case of a Qualifying CREST Shareholder, for the Open Offer Entitlement and Excess Entitlement standing to the credit of his stock account in CREST), in each case provided that the application is valid and complete in all other respects. Any monies paid in excess of such entitlement will be, returned to the applicant (at the applicant's risk) without interest within 14 days by way of cheque or CREST payment, as appropriate. If a Qualifying Shareholder does not take up any of his entitlement under the Open Offer, his shareholding will be diluted by up to 22.8 per cent. by the issue of the New Ordinary Shares. If a Qualifying Shareholder takes up his full entitlement under the Open Offer, but does not acquire any Excess Shares under the Excess Application Facility, his shareholding will be diluted by up to 7.7 per cent. by the issue of the Firm Placing Shares.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees, trustees and agents) who has a contractual or other legal obligation to forward this document and/or the Application Form into a jurisdiction other than the UK is drawn to the section "Overseas Shareholders" of this Part III (*Terms and Conditions of the Open Offer*). In particular, subject to the provisions of that section, Qualifying Shareholders with registered addresses in the United States or any of the other Excluded Territories will not be sent Application Forms and will not have their CREST stock accounts credited with Open Offer Entitlements or Excess Entitlements.

The Open Offer Shares have been conditionally placed by Numis with institutional and other investors at the Offer Price, but are subject to clawback to satisfy valid applications made by Qualifying Shareholders under the Open Offer.

The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, a Qualifying Shareholder has an Application Form in respect of his entitlement under the Open Offer or has Open Offer Entitlements and Excess Entitlements credited to his stock account in CREST in respect of such entitlement:

- a Qualifying Shareholder who has received an Application Form with this document should refer to the section "If a Qualifying Shareholder has an Application Form in respect of his entitlement under the Open Offer" of this Part III (*Terms and Conditions of the Open Offer*); or
- a Qualifying Shareholder who holds his Existing Ordinary Shares in CREST and has received a credit of Open Offer Entitlements to his CREST stock account should refer to the section "If a Qualifying Shareholder has Open Offer Entitlements credited to his stock account in CREST in respect of his entitlement under the Open Offer" of this Part III (*Terms and Conditions of the Open Offer*) and also to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying CREST Shareholders should also note that, although the Open Offer Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally

entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that, in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, and Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. Instead, any Open Offer Shares not taken up by Qualifying Shareholders will be sold for the benefit of the Company under the Excess Application Facility and/or the Placing.

Before making any decision to acquire Open Offer Shares, a Qualifying Shareholder should read and carefully consider all of the information in this document, including, in particular, the important information set out in Part I (*Letter from the Chairman*) of this document, as well as this section and the risk factors set out on pages 20 to 31 (inclusive) of this document. Shareholders will experience dilution of their shareholdings by the issue of the New Ordinary Shares. The material terms of the Capital Raising are contained in this document.

The Existing Ordinary Shares are listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market. Applications will be made to the FCA and to the London Stock Exchange for the Open Offer Shares to be issued in the Capital Raising to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective on at 8.00 a.m. on 23 November 2017 and that dealings for normal settlement in the New Ordinary Shares will commence on the same day at 8.00 a.m. on the London Stock Exchange. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated and uncertificated form.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Open Offer Shares; all such shares, when issued and fully paid, may be held and transferred by means of CREST.

Application has been made for the Open Offer Entitlements and Excess Entitlements of Qualifying CREST Shareholders to be admitted to CREST. The conditions for such admission have already been met and those Open Offer Entitlements and Excess Entitlements are expected to be admitted to CREST with effect from 3 November 2017.

The New Ordinary Shares will, when issued and fully paid, be identical to and rank in full for all dividends or other distributions declared, made or paid after Admission and in all other respects will rank *pari passu* with the Existing Ordinary Shares in issue. No temporary documents of title will be issued. Further details of the rights attaching to the New Ordinary Shares are set out in paragraph 3 of Part XV (*Additional Information*) of this document.

The ISIN for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB00BYYJL418.

If, for any reason, it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

### **Conditions of the Capital Raising**

The Capital Raising is conditional, amongst other things, upon the Sponsor and Placing Agreement becoming unconditional in all respects by 8.00 a.m. on 23 November 2017 (or such later time and/or date as Numis and the Company may agree, being not later than 8.00 a.m. on 1 December 2017) and the Sponsor and Placing Agreement not being terminated in accordance with its terms. The Sponsor and Placing Agreement is conditional, among other things, upon:

- the passing of the Resolutions at the General Meeting
- the Company having complied with those of its obligations under the Sponsor and Placing Agreement which fall to be performed on or prior to Admission;
- the Acquisition Agreement having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission, becoming unconditional in all respects and having been completed in escrow (with the sole condition to release from escrow being a condition equivalent to the condition regarding Admission referred to below, the **Escrow Condition**);

- the Amendment and Restatement Agreement having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission, becoming unconditional in all respects and the loan being available for draw-down upon delivery of the relevant utilisation request (subject, in each case, only to the release of the Acquisition Agreement from escrow upon satisfaction of the Escrow Condition, the satisfaction of any condition equivalent to the conditions relating to admission to the Official List, admission to trading and Admission referred to below and the Company not becoming aware, and the Facility Agent (as defined in the Facilities Agreement) not notifying the Company, that a Default (as defined in the Facilities Agreement) is continuing or would result from the proposed loan at any time before the Facility Agent (as defined in the Facilities Agreement) sends the relevant monies to the relevant account);
- the UKLA agreeing to admit the New Ordinary Shares to the Official List of the UKLA and the London Stock Exchange agreeing to admit the New Ordinary Shares to trading on its main market for listed securities (both subject only to the allotment of the New Ordinary Shares); and
- Admission becoming effective by not later than 8.00 a.m. on 23 November 2017 (or such later time and/or date as Numis and the Company may agree, being not later than 8.00 a.m. on 1 December 2017).

The above-mentioned conditionality is intended to ensure that the Refinancing, Completion and Admission occur simultaneously and that one of them cannot occur without the others occurring.

It is expected that all of these conditions will be satisfied by 8.00 a.m. on 23 November 2017, that Admission will become effective at 8.00 a.m. on 23 November 2017 and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 23 November 2017. Definitive certificates in respect of New Ordinary Shares will be prepared and are expected to be posted by 30 November 2017 to those allottees who have validly elected to hold their shares in certificated form. In respect of those allottees who have validly elected to hold their shares in uncertificated form, the New Ordinary Shares are expected to be credited to their accounts maintained in the CREST system as soon as practicable after Admission.

Further details of the Sponsor and Placing Agreement are set out in paragraph 11.3 of Part XV (*Additional Information*) of this document. If the Sponsor and Placing Agreement does not become unconditional in all respects by 8.00 a.m. on 23 November 2017 (or such later time and/or date as Numis and the Company may agree, being not later than 8.00 a.m. on 1 December 2017) or the Sponsor and Placing Agreement is terminated in accordance with its terms, the Capital Raising will be revoked and will not proceed. In such event, no New Ordinary Shares will be issued, all monies received by the Receiving Agent in connection with the Open Offer will be returned to applicants without interest and at their risk as soon as practicable and any Open Offer Entitlements and Excess Entitlements admitted to CREST will thereafter be disabled.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up under the Open Offer are expected to be posted by no later than 30 November 2017 to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST as soon as practicable after Admission.

### **Procedure for application and payment**

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, the Qualifying Shareholder is a Qualifying non-CREST Shareholder who has an Application Form in respect of his entitlement under the Open Offer or, in the case of a Qualifying CREST Shareholder, if he has Open Offer Entitlements and Excess Entitlements credited to his CREST stock account in respect of such entitlement.

Subject to the section "If a Qualifying Shareholder has an Application Form in respect of his entitlement under the Open Offer" of this Part III (*Terms and Conditions of the Open Offer*), Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Existing Ordinary Shares in certificated form. Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in

uncertificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible to deposit Open Offer Entitlements and Excess Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal is set out in the section “If a Qualifying Shareholder has Open Offer Entitlements credited to his stock account in CREST in respect of his entitlement under the Open Offer” of this Part III (*Terms and Conditions of the Open Offer*).

CREST-sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and/or Excess Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If a Qualifying Shareholder does not wish to apply to acquire Open Offer Shares, he should not complete or return the Application Form or submit a USE instruction to Euroclear (as applicable). The Board asks that, whether or not he intends to be present at the General Meeting, such a Qualifying Shareholder still completes a Form of Proxy in accordance with the instructions printed on it and returns it to the Registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, as soon as possible and, in any event, so as to arrive no later than 10.00 a.m. on 20 November 2017.

### **If a Qualifying Shareholder has an Application Form in respect of his entitlement under the Open Offer**

#### ***General***

Subject as provided in the section “Overseas Shareholders” of this Part III (*Terms and Conditions of the Open Offer*) in relation to certain Overseas Shareholders, Qualifying non-CREST Shareholders will have received an Application Form enclosed with this document. The Application Form shows the number of Existing Ordinary Shares registered in the name of the corresponding Qualifying Shareholder on the Record Date. It also shows the maximum number of Open Offer Shares for which such Qualifying Shareholder is entitled to apply as a result of his holding of Existing Ordinary Shares in certificated form, being the total number of Open Offer Entitlements and Excess Entitlements allocated therein. Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders and entitlements to apply for Open Offer Shares will be rounded down to the nearest whole number of Open Offer Shares. The fractional entitlements will be aggregated and subscribed for or sold for the benefit of the Company under the Excess Application Facility and/or the Placing. Accordingly, Qualifying Shareholders holding fewer than 51 Existing Ordinary Shares will have no entitlement to subscribe under the Open Offer.

The aggregate number of Open Offer Shares available for subscription under the Open Offer is 12,088,849 Open Offer Shares. A Qualifying Shareholder may apply for less or more than his full Open Offer Entitlement should he wish to do so. A valid application up to the relevant Qualifying non-CREST Shareholder’s *pro rata* entitlement will be accepted in full. A Qualifying Shareholder may apply for more than the amount of his Open Offer Entitlement should he wish to do so under the Excess Application Facility, provided that he has agreed to take up his Open Offer Entitlement in full. An application by a Qualifying Shareholder for Excess Shares under the Excess Application Facility will be limited to a maximum number of Excess Shares equal to the number of Open Offer Shares less his Open Offer Entitlement. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

A Qualifying Shareholder may also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form part of the terms of the Open Offer.

Subject to certain exceptions, the Application Form has not been, and will not be, sent to Overseas Shareholders in, or with registered addresses in, the United States or any of the other Excluded

Territories, and brokers, banks and other agents may not send an Application Form to, or submit Application Forms on behalf of, Overseas Shareholders in, or with addresses in, any of these countries or a person (including, without limitation, stockbrokers, banks or other agents) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom.

### **Market claims**

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer by the London Stock Exchange, being 2 November 2017. Application Forms may be split in order to satisfy *bona fide* market claims up to 3.00 p.m. on 17 November 2017. A Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to 2 November 2017, being the last date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer by the London Stock Exchange, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee from his counterparty pursuant to the rules of the London Stock Exchange. Qualifying non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The purchaser or transferee may then apply to acquire Open Offer Shares by completing Box 11 on the Application Form (if the Open Offer Shares are to be settled outside of CREST), or Box 13 on the Application Form (if the purchaser or transferee wishes to deposit the Open Offer Shares into CREST). The Application Form should not, however, be forwarded to, or transmitted in or into, the United States (subject to certain exceptions) or any of the other Excluded Territories.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in the section “If a Qualifying Shareholder has Open Offer Entitlements credited to his stock account in CREST in respect of his entitlement under the Open Offer” of this Part III (*Terms and Conditions of the Open Offer*).

### **Application procedures**

If a Qualifying non-CREST Shareholder wishes to apply for all or some of his entitlement to Open Offer Shares under the Open Offer (whether in respect of all or part of his Open Offer Entitlement or in addition to his Open Offer Entitlement under the Excess Application Facility), he should complete and sign the Application Form in accordance with the instructions printed on it and send it, together with the appropriate remittance and in accordance with the instructions in the section “If a Qualifying Shareholder has an Application Form in respect of his entitlement under the Open Offer” of this Part III (*Terms and Conditions of the Open Offer*), by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received no later than 11.00 a.m. on 21 November 2017. A reply-paid envelope is enclosed for use by Qualifying non-CREST Shareholders in connection with the Open Offer.

A Qualifying non-CREST Shareholder may only apply for Excess Shares under the Excess Application Facility if he has agreed to take up his Open Offer Entitlement in full. An application by a Qualifying non-CREST Shareholder for Excess Shares under the Excess Application Facility will be limited to a maximum number of Excess Shares equal to the number of Open Offer Shares less his Open Offer Entitlement. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

Qualifying non-CREST Shareholders should note that the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether or not a Qualifying non-CREST

Shareholder should take up his entitlement to Open Offer Shares under the Open Offer. If any Application Form is sent by first-class post within the United Kingdom, Qualifying non-CREST Shareholders are recommended to allow at least four Business Days for its delivery.

If Open Offer Shares have already been allotted to a Qualifying non-CREST Shareholder and such Qualifying non-CREST Shareholder's cheque or bankers' draft is not honoured upon first presentation or such Qualifying non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company is hereby irrevocably authorised (in its absolute discretion as to manner, timing and terms) to make arrangements for the sale of some or all of such Qualifying non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which, for these purposes, shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agent, Numis, the Company or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying non-CREST Shareholder as a result.

### ***Payments***

All payments must be in pounds sterling and cheques or banker's drafts should be made payable to "Capita Registrars Limited re: Norcros plc Open Offer A/c" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on an account at a branch of a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast clearing houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Cheques must be drawn on the personal account of the individual investor where they have sole or joint title to the funds. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque or banker's draft to such effect. The account name should be the same as that shown on the application.

Cheques or banker's drafts will be presented for payment upon receipt. Post-dated cheques may not be accepted. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company may elect, in its absolute discretion, to treat as invalid acceptances in respect of which cheques are not so honoured.

Application monies will be paid into a separate bank account pending the Capital Raising becoming unconditional. In the event that it does not become unconditional by 8.00 a.m. on 23 November 2017 or such later time and/or date as Numis and the Company shall agree (being not later than 8.00 a.m. on 1 December 2017), the Open Offer will lapse and application monies will be returned by post to applicants, at the applicants' risk and without interest, to the address set out on the Application Form, within 14 days thereafter. Any interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

### ***Incorrect, incomplete or multiple applications***

If a Qualifying non-CREST Shareholder includes payment for an incorrect sum, the Company through the Registrar reserves the right (with the consent of Numis):

- (A) to reject the application in full and refund the payment to the Qualifying non-CREST Shareholder in question;
- (B) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum, without interest, to the Qualifying non-CREST Shareholder in question, save that any sums of less than £5.00 will be retained for the benefit of the Company; or
- (C) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the Application Form and refunding any unutilised sum, without interest, to the Qualifying non-CREST Shareholder in question, save that any sums of less than £5.00 will be retained for the benefit of the Company.

The Company may, in its sole discretion with the consent of Numis, treat as valid (and binding on the Qualifying non-CREST Shareholder concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part III (*Terms and Conditions of the Open Offer*), including an application which is received after 11.00 a.m. on 21 November 2017.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

### ***The Excess Application Facility***

Provided that he/she chooses to take up his Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying non-CREST Shareholder to apply for Excess Shares up to a maximum number of Excess Shares equal to the number of Open Offer Shares less his Open Offer Entitlement.

Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

Qualifying non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and total applications for Excess Shares exceed the total number of Open Offer Shares not applied for by Qualifying Shareholders, resulting in a scaling back of applications under the Excess Application Facility, each Qualifying non-CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for Excess Shares has been received, will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for, but not allocated to, the relevant Qualifying non-CREST Shareholder, multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

Fractions of Excess Shares will not be issued under the Excess Application Facility, and fractions of Excess Shares will be rounded down to the nearest whole number.

### ***Effect of application***

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, the applicant:

- (A) represents and warrants to the Company and Numis that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (B) agrees that all applications, and contracts resulting therefrom, under the Open Offer and any non-contractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England and Wales;
- (C) confirms to the Company and Numis that in making the application he is not relying on any information or representation in relation to the Group other than that contained in this document, and he accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);

- (D) represents and warrants to the Company and Numis that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements and Excess Entitlements or, if he has received any Open Offer Entitlements or Excess Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements and Excess Entitlements by virtue of a *bona fide* market claim;
- (E) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form and subject to the Articles;
- (F) represents and warrants to the Company and Numis that he is not a person, and is not applying on behalf of a person, who, by virtue of being resident in or a citizen of any country outside the United Kingdom or a corporation, partnership or other entity created or organised outside the United Kingdom, is prevented by the law of any relevant jurisdiction from lawfully applying for Open Offer Shares;
- (G) acknowledges that neither the Open Offer Entitlements nor the Excess Entitlements nor the Open Offer Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States;
- (H) unless otherwise agreed by the Company in its sole discretion, represents and warrants to the Company, Numis and the Receiving Agent that such person (a) is not located in the United States or any other Excluded Territory; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Open Offer Shares; (c) is not exercising for the account of any person who is located in the United States, unless (1) the instruction to exercise was received from a person outside the United States and (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that is acquiring the Open Offer Shares in an “offshore transaction” within the meaning of Regulation S; and (d) it is not acquiring the Open Offer Shares with a view to offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into the United States, any of the other Excluded Territories or any other jurisdiction referred to in (b) above;
- (I) represents and warrants to the Company and Numis that neither the Open Offer Entitlements nor the Excess Entitlements nor the Open Offer Shares were offered to it by means of any “directed selling efforts” as defined in Regulation S;
- (J) represents and warrants to the Company and Numis that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986; and
- (K) confirms to the Company and Numis that, in making the application, he is not relying and has not relied on Numis or any parties affiliated with it in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

Further representations and warranties are included in the Application Form.

If a Qualifying non-CREST Shareholder is in doubt as to whether or not he should apply for any of the Open Offer Shares under the Open Offer, he should consult his independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying non-CREST Shareholders under the Open Offer should be addressed to the Receiving Agent or by telephone to the Capita Asset Services shareholder helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 a.m. and 5:30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If a Qualifying non-CREST Shareholder does not wish to apply for any of the Open Offer Shares to which he is entitled under the Open Offer, he should not complete or return the Application Form. The Board asks that, whether or not he intends to be present at the General Meeting, such a Qualifying non-CREST Shareholder still completes a Form of Proxy in accordance with the instructions printed on it and returns it to the Registrar, Capita Asset Services, PXS 1,

34 Beckenham Road, Beckenham, Kent, BR3 4ZF, as soon as possible and, in any event, so as to arrive no later than 10.00 a.m. on 20 November 2017.

### **If a Qualifying Shareholder has Open Offer Entitlements credited to his stock account in CREST in respect of his entitlement under the Open Offer**

#### **General**

Subject as provided in the section “Overseas Shareholders” of this Part III (*Terms and Conditions of the Open Offer*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements and his Excess Entitlements. Open Offer Entitlements and Excess Entitlements will be rounded down to the nearest whole number. Any fractional entitlement to Open Offer Shares arising will be aggregated and sold for the benefit of the Company under the Excess Application Facility and/or the Placing.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess Entitlements have been allocated.

If, for any reason, the Open Offer Entitlements and/or Excess Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, as soon as practical after 8.00 a.m. on 3 November 2017 or such later time as the Company and Numis may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess Entitlements which should have been credited to his stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST members who wish to apply for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST-sponsored member, you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only that CREST sponsor will be able to take the necessary action to make this application in CREST.

#### **Market claims**

Each of the Open Offer Entitlements and the Excess Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlements and/or Excess Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess Entitlement(s) will thereafter be transferred accordingly.

Shareholders should note that Excess Entitlements will not be subject to Euroclear’s market claims process. Qualifying CREST Shareholders claiming Excess Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

#### **USE instructions**

Qualifying CREST Shareholders who are CREST members and wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and Excess Entitlements in CREST must send (or, if they are a CREST-sponsored member, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (A) the crediting of a stock account of the Receiving Agent, under the Participant ID and Member Account ID specified below, with a number of Open Offer Entitlements and/or Excess Entitlements corresponding to the number of Open Offer Shares applied for; and

- (B) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in subparagraph (A) above.

***Content of USE instructions in respect of Open Offer Entitlements***

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (A) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (B) the ISIN of the Open Offer Entitlements. This is GB00BF99X472;
- (C) the Member Account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (D) the Participant ID of the accepting CREST Member;
- (E) the Participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 7RA33;
- (F) the Member Account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29333NOR;
- (G) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in sub-paragraph (A) above;
- (H) the intended settlement date. This must be on or before 11.00 a.m. on 21 November 2017; and
- (I) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 21 November 2017.

In order to assist prompt settlement of the USE instruction, CREST members (or their CREST sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (A) a contact name and telephone number (in the free-format shared note field); and
- (B) a priority of at least 80.

CREST members and, in the case of CREST-sponsored members, their CREST sponsors should note that the last time at which a USE instruction may settle on 21 November 2017 in order to be valid is 11.00 a.m. on that day.

In the event that the Capital Raising does not become unconditional by 8.00 a.m. on 23 November 2017 or such later time and/or date as Numis and the Company may agree (being no later than 8.00 a.m. on 1 December 2017), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter.

***Content of USE instructions in respect of Excess Entitlements***

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (A) the number of Open Offer Shares for which application is being made (and hence the number of the Excess Entitlement(s) being delivered to the Receiving Agent);
- (B) the ISIN of the Excess Entitlements. This is GB00BF16TS22;
- (C) the Member Account ID of the accepting CREST member from which the Excess Entitlements are to be debited;
- (D) the Participant ID of the accepting CREST Member;

- (E) the Participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 7RA33;
- (F) the Member Account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29333NOR;
- (G) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in sub-paragraph (A) above;
- (H) the intended settlement date. This must be on or before 11.00 a.m. on 21 November 2017; and
- (I) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 21 November 2017.

In order to assist prompt settlement of the USE instruction, CREST members (or their CREST sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (A) a contact name and telephone number (in the free-format shared note field); and
- (B) a priority of at least 80.

CREST members and, in the case of CREST-sponsored members, their CREST sponsors should note that the last time at which a USE instruction may settle on 21 November 2017 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess Entitlement security.

In the event that the Capital Raising does not become unconditional by 8.00 a.m. on 23 November 2017 or such later time and/or date as Numis and the Company may agree (being no later than 8.00 a.m. on 1 December 2017), the Open Offer will lapse, the Excess Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter.

***Deposit of Open Offer Entitlements and Excess Entitlements into, and withdrawal from, CREST***

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements and Excess Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements and Excess Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and the entitlement under the Excess Application Facility are reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and Excess Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 21 November 2017. After depositing their Open Offer Entitlements into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess Entitlements, which will be managed by the Receiving Agent.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements and Excess Entitlements in CREST, is 3.00 p.m. on 16 November 2017, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements or Excess Entitlements from CREST is 4.30 p.m. on 15 November 2017, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and Excess Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and/or

Excess Entitlements prior to 11.00 a.m. on 21 November 2017. CREST holders inputting the withdrawal of their Open Offer Entitlements from their CREST account must ensure that they withdraw both their Open Offer Entitlements and their Excess Entitlements.

Delivery of an Application Form with the CREST Deposit Form duly completed, whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that, subject to certain exceptions: (A) he is not a citizen of, or resident or located in, the United States, any of the other Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for Open Offer Shares; (B) he is not acting for the account or benefit of a person who is a citizen of or resident in or otherwise located within the United States, any of the other Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for Open Offer Shares and was not acting for the account or benefit of such a person at the time the instruction to apply for the Open Offer Shares was given; (C) he is not acquiring the Open Offer Shares with a view to the offer, sale, resale, delivery or transfer, directly or indirectly, of any such Open Offer Shares into the United States, any of the other Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for Open Offer Shares, in each case, except where proof satisfactory to the Company has been provided that he is entitled to take up his entitlement without breach of applicable law; and (D) where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

#### ***Validity of application***

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 21 November 2017 will constitute a valid application under the Open Offer.

#### ***CREST procedures and timings***

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST-sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 21 November 2017. In this connection, CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

#### ***Incorrect or incomplete applications***

If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Receiving Agent reserves the right (with the consent of Numis):

- (A) to reject the application in full and refund the payment to the CREST member in question;
- (B) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum, without interest, to the CREST member in question, save that any sums of less than £5.00 will be retained for the benefit of the Company; or
- (C) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum, without interest, to the CREST member in question, save that any sums of less than £5.00 will be retained for the benefit of the Company.

#### ***The Excess Application Facility***

Provided that he chooses to take up his Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying CREST Shareholder to apply for New Ordinary Shares in excess of his Open Offer Entitlement up to a maximum number of Excess Shares equal to the number of Open Offer Shares less his Open Offer Entitlement.

Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

An Excess Entitlement may not be sold or otherwise transferred. Subject as provided in the section "Overseas Shareholders" of this Part III in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess Entitlement in order for any applications for Excess Shares to be settled through CREST. The Excess Entitlements will not be tradeable or listed. The credit of such Excess Entitlement does not in any way give Qualifying CREST Shareholders a right to the Open Offer Shares attributable to the Excess Entitlement, as an Excess Entitlement is subject to scaling back in accordance with the terms of this document.

In order to apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque.

**Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess Entitlement credited to CREST, and allocated to the relevant Qualifying CREST Shareholder, will be transferred to the purchaser. Please note that an additional USE Instruction must be sent in respect of any application under the Excess Entitlement.**

Should the Open Offer become unconditional and total applications for Open Offer Shares by Qualifying Shareholders under the Excess Application Facility exceed the total number of Open Offer Shares not applied for by Qualifying Shareholders, resulting in a scaling back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for the Excess Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest, and at the applicant's sole risk.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number. Any fractional Excess Shares will be aggregated and sold for the benefit of the Company.

#### ***Effect of valid application***

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (A) represents and warrants to the Company and Numis that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any person on a non-discretionary basis;
- (B) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (C) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles;
- (D) agrees that all applications and contracts resulting therefrom under the Open Offer and any non-contractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England and Wales;

- (E) represents and warrants to the Company and Numis that he is not a person, and is not applying on behalf of any such person, who by virtue of being resident in or a citizen of any country outside the United Kingdom, or a corporation, partnership or other entity created or organised outside the United Kingdom is prevented by the law of any relevant jurisdiction from lawfully applying for Open Offer Shares;
- (F) acknowledges that neither the Open Offer Entitlements nor the Excess Entitlements nor the Open Offer Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States;
- (G) unless otherwise agreed by the Company in its sole discretion, represents and warrants to the Company, Numis and the Receiving Agent that such person (a) is not located in the United States or any other Excluded Territory; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Open Offer Shares; (c) is not exercising for the account of any person who is located in the United States, unless (1) the instruction to exercise was received from a person outside the United States and (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that is acquiring the Open Offer Shares in an “offshore transaction” within the meaning of Regulation S; and (d) it is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into the United States, any of the other Excluded Territories or any other jurisdiction referred to in (b) above;
- (H) represents and warrants to the Company and Numis that neither the Open Offer Entitlements nor the Excess Entitlements nor the Open Offer Shares were offered to it by means of any “directed selling efforts” as defined in Regulation S;
- (I) represents and warrants to the Company and Numis that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (Depository receipts) or section 96 (Clearance services) of the Finance Act 1986;
- (J) confirms to the Company and Numis that, in making the application, he is not relying and has not relied on Numis or any parties affiliated with it in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (K) confirms to the Company and Numis that, in making such application, he is not relying on any information or representation in relation to the Group other than that contained in this document and he accordingly agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all of the information contained in this document (including information incorporated by reference); and
- (L) represents and warrants to the Company and Numis that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements and Excess Entitlements or that he has received such Open Offer Entitlements and Excess Entitlements by virtue of a *bona fide* market claim.

***The Company’s discretion as to rejection and validity of applications***

The Company may, in its sole discretion (with the consent of Numis):

- (A) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part III (Terms and Conditions of the Open Offer), including an application which is received after 11.00 a.m. on 21 November 2017;
- (B) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (C) treat a properly authenticated dematerialised instruction (in this sub-paragraph, the “first instruction”) as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first

instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; or

- (D) accept an alternative instruction or notification from a CREST member or CREST-sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST-sponsored member or (where applicable) CREST sponsor, the CREST member or CREST-sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

The Company reserves the right, with the consent of Numis, to reject any Application Form or USE Instruction if it has reason to believe such representations and warranties cannot be given.

The Company also reserves the right detailed in the fourth paragraph under the sub-heading United States of this section.

### **Money Laundering Regulations and holders of Application Forms**

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations (as amended and supplemented), the Receiving Agent may require, in its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”).

The person(s) (the “applicant”) who, by lodging an Application Form with payment, and in accordance with the other terms as described above, accept(s) the Open Offer in respect of the Open Offer Shares (the relevant shares) comprised in such Application Form shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as it may require to satisfy the verification of identity requirements.

The Receiving Agent may therefore undertake searches for the purposes of verifying identity. To do so, the Receiving Agent may verify the details against the applicant’s identity, but also may request further proof of identity.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant shares (notwithstanding any other term of the Open Offer) will not be issued to the applicant unless and until the verification of identity requirements have been satisfied in respect of that application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and neither the Receiving Agent, Numis nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable period of time and in any event by not later than 11.00 a.m. on 21 November 2017, following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, terminate the contract of allotment in which event the monies payable on acceptance of the Open Offer will be returned at the applicant’s risk and without interest to the account of the bank from which such monies were originally debited (without prejudice to the right of the Company to take proceedings to recover the amount by which the net proceeds of sale of the relevant Open Offer Shares fall short of the amount payable thereon).

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Numis and the Receiving Agent from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on the prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or
- (iv) if the aggregate subscription price for the relevant shares is less than the sterling equivalent of €15,000 (approximately £13,000 (as at the Latest Practicable Date)).

In other cases, the verification of identity requirements may apply. The following guidance is provided in order to assist in satisfying the verification of identity requirements and to reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of the Receiving Agent to require verification of identity as stated above). Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (A) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature by the building society or bank on the reverse of the cheque or banker's draft;
- (B) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the current non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, India, Japan, Mexico, New Zealand, Norway, People's Republic of China, Republic of Korea, Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation that it has that status with the Application Form and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will, on demand, make such evidence available to the Registrar or the relevant authority;
- (C) in order to confirm the acceptability of any written assurance referred to in sub-paragraph (B) above or any other case, the applicant should contact the Receiving Agent; or
- (D) if (an) Application Form(s) is/are in respect of relevant shares with an aggregate subscription price of the sterling equivalent of €15,000 (currently approximately £13,000 at the Latest Practicable Date) or more and is/are lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the back of the building society cheque or banker's draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

If a Qualifying Shareholder delivers an Application Form by hand, he should ensure that he has with him evidence of identity bearing his photograph (for example, a passport). If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 21 November 2017, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to receive monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

## **Open Offer Entitlements and Excess Entitlements in CREST**

If a Qualifying Shareholder holds his Open Offer Entitlements and Excess Entitlements in CREST and applies for Open Offer Shares in respect of all or some of his Open Offer Entitlements and/or Excess Entitlements as agent for one or more persons and he is not a UK or EU regulated person or institution (for example, a UK financial institution), irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is being made. Such Qualifying Shareholder must therefore contact the Receiving Agent before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which, on its settlement, constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may, in its absolute discretion, take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## **Overseas Shareholders**

### **General**

The making of the Open Offer to Overseas Shareholders may be affected by the laws or regulatory requirements of the relevant jurisdiction. Overseas Shareholders who are in any doubt in this respect should consult their professional advisers without delay.

**Whilst Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are resident in, or citizens of, countries other than the United Kingdom are entitled to participate in the Open Offer, the ability of those persons to take up their allocations may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to all legal, tax, regulatory or other formalities required to enable them to take up their allocations, including whether they require any governmental or other consents or need to observe any other formalities in such territory, including paying any issue, transfer or other taxes. The comments set out in the section “Overseas Shareholders” of this Part III (*Terms and Conditions of the Open Offer*) are intended as a general guide only and any Overseas Shareholder should seek professional advice without delay.**

No action has been or will be taken by the Company or any other person to permit a public offering or distribution of this document or the Application Form in any jurisdiction where action for that purpose may be required, other than in the UK.

No person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements or Excess Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form or credit of Open Offer Entitlements or Excess Entitlements to a stock account in CREST, unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form or credit of Open Offer Entitlements or Excess Entitlements to a stock account in CREST could lawfully be used without contravention of any legislation or other local regulatory requirements. Receipt of this document and/or an Application Form or the crediting of Open Offer Entitlements or Excess Entitlements to a stock account in CREST does not constitute an invitation or offer to Overseas Shareholders in the territories in which it would be unlawful to make an invitation or offer and, in such circumstances, this document and/or any Application Forms are sent for information only. It is the responsibility of any Shareholder receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements or Excess Entitlements to a stock account in CREST outside the United Kingdom and wishing to make an application for any Open Offer Shares to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be

required or observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such other territory.

The Company reserves the right, in its absolute discretion with the consent of Numis, to treat as invalid any application for Open Offer Shares under the Open Offer, and the Company will not be bound to allot or issue any Open Offer Shares in respect of any acceptance or purported acceptance of the offer of Open Offer Shares, if it appears to the Company or its agents that such application or acceptance thereof may involve a breach of the laws or regulations of any jurisdiction or if in respect of such application the Company has not been given the relevant warranty concerning overseas jurisdictions set out in the Application Form or in this document, as appropriate. All payments under the Open Offer must be made in pounds sterling.

The Company is not making any representation to any offeree or purchaser of Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

### **United States and other Excluded Territories**

Due to restrictions under the securities laws of the Excluded Territories and certain commercial considerations, Application Forms will not be sent to, and neither Open Offer Entitlements nor Excess Entitlements will be credited to stock accounts in CREST of, Shareholders in Excluded Territories or their agents or intermediaries, except where the Company is satisfied, at its sole and absolute discretion, that such action would not result in the contravention of any registration or other legal requirement in the relevant jurisdiction. Persons (including stockbrokers, banks and other agents) receiving an Application Form and/or receiving a credit of Open Offer Entitlements and/or Excess Entitlements to a stock account in CREST should not, in connection with the Open Offer, distribute or send the Application Form or transfer Open Offer Entitlements and/or Excess Entitlements into any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an Application Form or a credit of Open Offer Entitlements and/or Excess Entitlements to a stock account in CREST is received by any person in any such jurisdiction or by the stockbrokers, banks and other agents or nominees of such person, he must not seek to take up the Open Offer Shares except pursuant to an express agreement with the Company. Any person who does forward an Application Form or transfer Open Offer Entitlements and/or Excess Entitlements into any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph. The Company reserves the right to reject an Application Form or transfer of Open Offer Entitlements and/or Excess Entitlements from or in favour of Shareholders in any such jurisdiction or persons who are acquiring Open Offer Shares for resale in any such jurisdiction.

### **United States**

None of the New Ordinary Shares or the Open Offer Entitlements or the Excess Entitlements have been, or will be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, none of the New Ordinary Shares, Open Offer Entitlements or Excess Entitlements may be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Ordinary Shares or the Open Offer Entitlements or the Excess Entitlements in the United States.

The Company has not been, and will not be, registered under the US Investment Company Act of 1940, as amended, and investors will not be entitled to the benefits of that Act.

The Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions set out below, none of this document, the Application Form nor the crediting of any Open Offer Entitlements or Excess Entitlements to a stock account in CREST constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Open Offer Shares in the United States. Subject to certain limited exceptions, neither this document nor the Application Form will be sent to, and neither Open Offer Entitlements nor Excess Entitlements nor Open Offer Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain limited exceptions,

Application Forms sent from or postmarked in the United States, or including a United States registered address, will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address outside the United States for registration of the Open Offer Shares.

The Company reserves the right (with the consent of Numis) to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States or any other Excluded Territory, or that provides an address in the United States or any other Excluded Territory for the receipt of Open Offer Shares, or which does not make the warranties set out in the Application Form or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. In addition, except as set out below, any person exercising Open Offer Entitlements or Excess Entitlements must make the representations and warranties set out in the section "If a Qualifying Shareholder has an Application Form in respect of his entitlement under the Open Offer" of this Part III (*Terms and Conditions of the Open Offer*), as appropriate. Accordingly, except as set out below, the Company reserves the right to treat as invalid with the consent of Numis (i) any Application Form which does not make the representations and warranties set out in the section "Procedure for application and payment" of this Part III (*Terms and Conditions of the Open Offer*) and (ii) any USE instruction which does not make the representations and warranties set out in the section "If a Qualifying Shareholder has Open Offer Entitlements credited to his stock account in CREST in respect of his entitlement under the Open Offer" of this Part III (*Terms and Conditions of the Open Offer*). The attention of persons holding for the account of persons located in the United States or located or resident in any of the other Excluded Territories is directed to such paragraphs. In addition, the Company and/or Numis reserve the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States, any other Excluded Territory or which appears to the Company to have been despatched from the United States or any other Excluded Territory, in a manner which may involve a breach of the laws of any jurisdiction or they or their agents believe may violate any applicable legal or regulatory requirement, or which does not make the representations and warranties set out in the section "If a Qualifying Shareholder has an Application Form in respect of his entitlement under the Open Offer" of this Part III (*Terms and Conditions of the Open Offer*).

Any person in the United States into whose possession this document comes should inform himself about and observe any applicable legal restrictions; any such person in the United States is required to disregard this document.

No representation has been, or will be, made by the Company or Numis as to the availability of any exemption under the US Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares.

#### ***Other Excluded Territories***

Due to the restrictions under the securities laws of the Excluded Territories, Shareholders who have registered addresses in or who are resident or ordinarily resident in, or citizens of, any Excluded Territories will not, subject to certain exceptions, qualify to participate in the Open Offer and will not be sent an Application Form and no Open Offer Entitlements or Excess Entitlements will be credited to their CREST stock accounts.

The New Ordinary Shares have not been and will not be registered under the relevant laws of any of the Excluded Territories or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any of the Excluded Territories or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Excluded Territories except pursuant to an applicable exemption.

This document and any other document or material in connection with the offer or sale or invitation for subscription or purchase, of any investment described in this document is not a prospectus, short form prospectus, profile statement, offer information statement, or product disclosure statement (as those terms are defined by the Corporations Act 2001 (Commonwealth of Australia) (Corporations Act)), does not purport to include the information required of any such document, and has not and will not be lodged with the Australian Securities and Investments Commission.

The document(s) provided may not be circulated or distributed, nor may shares or other securities be offered or sold, or be made the subject of any invitation for subscription or purchase, whether

directly or indirectly to any Australian domiciled persons except where disclosure would not be required to such persons under Chapters 6 and 7 of the Corporations Act.

## **Representations and warranties relating to Overseas Shareholders**

### ***Qualifying non-CREST Shareholders***

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, Numis and the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (A) such person is not requesting registration of the relevant Open Offer Shares from within any Excluded Territory; (B) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares or to use the Application Form in any manner in which such person has used or will use it; (C) such person is not acting on a non-discretionary basis for a person located within any Excluded Territory or any territory referred to in (B) above at the time the instruction to accept was given; and (D) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Receiving Agent with the consent of Numis may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from an Excluded Territory or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; (ii) provides an address in an Excluded Territory for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the representation and warranty required by this paragraph.

### ***Qualifying CREST Shareholders***

A CREST member or CREST-sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III (*Terms and Conditions of the Open Offer*) represents and warrants to the Company, the Receiving Agent and Numis that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (A) neither it nor its client is within any Excluded Territory; (B) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (C) it is not accepting on a non-discretionary basis for a person located within any Excluded Territory or any territory referred to in (B) above at the time the instruction to accept was given; and (D) neither it nor its client is acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

### ***Waiver***

The provisions of this Part III (*Terms and Conditions of the Open Offer*) and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company and Numis, in their absolute discretion. Subject to this, the provisions of the section "Overseas Shareholders" of this Part III (*Terms and Conditions of the Open Offer*) supersede any terms of the Open Offer inconsistent herewith. References in the section "Overseas Shareholders" of this Part III (*Terms and Conditions of the Open Offer*) to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of the section "Overseas Shareholders" of this Part III (*Terms and Conditions of the Open Offer*) shall apply to them jointly and to each of them.

### ***Withdrawal rights***

Qualifying Shareholders wishing to exercise statutory withdrawal rights under Section 87Q(4) of FSMA after publication by the Company of a supplementary prospectus supplementing this document must do so by lodging a written notice of withdrawal, which includes a notice sent via email to [withdraw@capita.co.uk](mailto:withdraw@capita.co.uk), which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the Participant ID and the Member Account ID of such CREST member, with Capita Asset Services,

Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, so as to be received by no later than two business days after the date on which the supplementary prospectus is published, withdrawal being effective as at posting of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant Qualifying Shareholder of its subscription in full and the allotment of Open Offer Shares to such Qualifying Shareholder becoming unconditional, save to the extent required by statute. In such event, Shareholders are advised to seek independent legal advice.

### **Taxation**

Information regarding the United Kingdom in respect of the New Ordinary Shares and the Capital Raising is set out in Part XIII (*Taxation*) of this document. If a Qualifying Shareholder is in any doubt about his tax position or is subject to tax in a jurisdiction other than the United Kingdom, he should consult his professional advisers without delay.

### **Listing, settlement, dealings and publication**

Applications will be made to the FCA for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for them to be admitted to trading on the Main Market subject to the fulfilment of the conditions of the Capital Raising. Subject to the Capital Raising becoming unconditional in all respects (save only as to Admission), it is expected that admission of the New Ordinary Shares to the premium segment of the Official List and to trading on the London Stock Exchange will become effective and that dealings therein for normal settlement will commence at 8.00 a.m. on 23 November 2017.

Open Offer Entitlements and Excess Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 21 November 2017 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 23 November 2017). On this day, the Registrar will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlement to Open Offer Shares with effect from Admission (expected to be 8.00 a.m. on 23 November 2017). The stock accounts to be credited will be the accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right with the consent of Numis to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess Entitlements and to allot and/or issue any New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

For Qualifying non-CREST Shareholders who have applied by using an Application Form, definitive share certificates in respect of the Open Offer Shares validly applied for are expected to be despatched by post no later than 30 November 2017. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers of the Open Offer Shares by Qualifying non-CREST Shareholders will be certified against the share register. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying non-CREST Shareholders are referred to the Application Form.

Qualifying CREST Shareholders should note that they will be sent no confirmation of the credit of the Open Offer Shares to their CREST stock account or any other written communication by the Company in respect of the issue of the Open Offer Shares.

The completion and results of the Capital Raising will be announced and made public through an announcement on a Regulatory Information Service as soon as possible after the results are known on 22 November 2017.

**Times and dates**

The Company shall be entitled, with the consent of Numis, to amend the dates on which Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the FCA, and make an announcement on a Regulatory Information Service and, if appropriate, to Shareholders, but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is published by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is at least three Business Days after the date of publication of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

**Governing law and jurisdiction**

The terms and conditions of the Capital Raising as set out in this document and the Application Form, and any non-contractual obligation related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Capital Raising, this document or the Application Form, including disputes relating to any non-contractual obligations arising out of or in connection with the Capital Raising, this document or the Application Form. By taking up Open Offer Shares under the Open Offer (whether by way of his Open Offer Entitlements or through the Excess Application Facility) in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

**Other information**

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

## PART IV – QUESTIONS AND ANSWERS ABOUT THE CAPITAL RAISING

*The questions and answers set out in this Part IV (Questions and Answers about the Capital Raising) are intended to be in general terms only and, as such, you should read Part III (Terms and Conditions of the Open Offer) of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under FSMA, if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.*

*This Part IV (Questions and Answers about the Capital Raising) deals with general questions relating to the Capital Raising and more specific questions relating to Ordinary Shares held by persons resident in the UK who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read the section “Overseas Shareholders” in Part III (Terms and Conditions of the Open Offer) of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Ordinary Shares in uncertificated form (that is, through CREST), you should read Part III (Terms and Conditions of the Open Offer) of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Receiving Agent, Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.*

*Timetable dates in this Part IV (Questions and Answers about the Capital Raising) have been included on the basis of the expected timetable set out on page 37.*

### **What is the Firm Placing and the Placing and Open Offer?**

A firm placing and placing and open offer is a way for companies to raise money. They usually do this by giving their existing shareholders a right to subscribe for further shares at a fixed price in proportion to their existing shareholdings (an open offer) and providing for new investors to subscribe for new shares in the Company (a firm placing and/or a placing). The fixed price is normally at a discount to the closing mid-market price of the existing ordinary share prior to the announcement of the open offer.

### **What is the Company’s Open Offer?**

The Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire 10 Open Offer Shares for every 51 Existing Ordinary Shares at a price of 172 pence per Open Offer Share. In this document, this is referred to as your “**Open Offer Entitlement**”. Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to the number of Open Offer Shares less their Open Offer Entitlement. In this document, this is referred to as your “**Excess Entitlement**”. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder either located, or with a registered address, in an Excluded Territory, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 10 Open Offer Shares for every 51 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your Open Offer Entitlement is not a whole number, you will not be entitled, in relation to your Open Offer Entitlement, to buy Open Offer Shares in respect of any fraction of an Open Offer Share and your Open Offer Entitlement will be rounded down to the nearest whole number. If you hold fewer than 51 Existing Ordinary Shares, you will not receive an Open Offer Entitlement.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their Open Offer Entitlement.

Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST

Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

The inclusion of a limit on the number of Excess Shares that can be applied for under the Excess Application Facility of the number of Open Offer Shares less Qualifying Shareholders' Open Offer Entitlements is due to technical reasons and to ensure the orderly processing of applications for Excess Shares. The number of available Excess Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. If every Qualifying Shareholder takes up their Open Offer Entitlement in full, there will be no Excess Shares available under the Excess Application Facility.

To the extent that Open Offer Shares are not taken up under the Placing and Open Offer (whether by way of Qualifying Shareholders' Open Offer Entitlements, through the Excess Application Facility or placed with any Placees), then, pursuant to and subject to the terms of the Sponsor, Placing and Underwriting Agreement, Numis has agreed to acquire such Open Offer Shares at the Offer Price.

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess Entitlements will be credited to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and/or Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply to take up their Open Offer Entitlements and/or Excess Entitlements. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. Instead, any Open Offer Shares not taken up by Qualifying Shareholders will be sold for the benefit of the Company under the Placing.**

#### **When will the Capital Raising take place?**

The Capital Raising is subject to, amongst other things, Admission becoming effective by not later than 8.00 a.m. on 23 November 2017, or such later time and/or date as Numis and the Company may agree (being not later than 8.00 a.m. on 1 December 2017).

#### **What is an Application Form?**

It is a form sent to those Qualifying Shareholders who hold their Ordinary Shares in certified form. It sets out your entitlement to subscribe for the Open Offer Shares and is a form which you should complete if you want to participate in the Open Offer.

#### **I hold my Existing Ordinary Shares in certificated form. How do I know whether I am eligible to participate in the Open Offer?**

If you receive an Application Form and, subject to certain exceptions, are not a shareholder either located, or with a registered address, in an Excluded Territory, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 2 November 2017 (the time when the Existing Ordinary Shares were marked "ex-entitlement" by the London Stock Exchange).

#### **I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in any Excluded Territory, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Open Offer Shares are comprised in your Open Offer Entitlement;
- how much you need to pay if you want to take up your right to buy the maximum number of Open Offer Shares under your Open Offer Entitlement;

- how many Excess Shares you may apply for under the Excess Application Facility if you take up your Open Offer Entitlement in full; and
- how much you need to pay if you wish to take up your maximum entitlement to Excess Shares.

If you would like to apply for any or all of, or more than, the Open Offer Shares comprised in your Open Offer Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be posted, along with a cheque or banker's draft drawn in the appropriate form, in the accompanying pre-paid envelope or returned by post or by hand (during normal office hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer) so as to be received by no later than 11.00 a.m. on 21 November 2017, after which time Application Forms will not be valid (unless otherwise determined by the Company with the consent of Numis).

**I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?**

**If you do not want to take up your Open Offer Entitlement**

If you do not want to take up your Open Offer Entitlement, you do not need to do anything but you are encouraged to complete a Form of Proxy and return it to the Registrar, Capita Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF as soon as possible and, in any event, so as to arrive no later than 10.00 a.m. on 20 November 2017. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form, your Open Offer Entitlement or your Excess Entitlement to anyone else.

If you do not return your Application Form applying for the Open Offer Shares to which you are entitled by 11.00 a.m. on 21 November 2017, other Qualifying Shareholders may acquire those Open Offer Shares under the Excess Application Facility or Numis will try to find investors to take up your entitlements and the entitlements of others who have not taken them up, falling which Numis will take them itself.

If you do not take up your Open Offer Entitlement, then, following the issue of the New Ordinary Shares pursuant to the Capital Raising, your interest in the Company will be diluted by approximately 22.8 per cent. If you do take up your maximum Open Offer Entitlement but do not acquire any Excess Shares, then, following the issue of the Firm Placing Shares pursuant to the Firm Placing, your interest in the Company will be diluted by approximately 7.7 per cent.

**If you want to take up some but not all of the Open Offer Shares under your Open Offer Entitlement**

If you want to take up some but not all of the Open Offer Shares under your Open Offer Entitlement, you should write the number of Open Offer Shares you want to take up in Box 2 and Box 4 of your Application Form. For example, if you are entitled to take up 50 shares but you only want to take up 25 shares, then you should write "25" in Box 2 and Box 4 of your Application Form. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, "25") by 172 pence, which is the price in pence of each Open Offer Share (giving you an amount of £43.00 in this example). You should write this total sum in Box 5 of your Application Form, rounding down to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, in the accompanying pre-paid envelope or return by post or by hand (during normal office hours only), to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer) so as to be received by no later than 11.00 a.m. on 21 November 2017, after which time Application Forms will not be valid (unless otherwise determined by the Company with the consent of Numis). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Capita Registrars Limited re: **Norcros plc Open Offer A/c**" and crossed "**A/C Payee Only**".

Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Cheques must be drawn on the personal account of the individual investor where they have sole or joint title to the funds. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant name at the building society or bank by stamping or endorsing the back of the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques may not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 30 November 2017.

#### **If you want to take up all of the Open Offer Shares under your Open Offer Entitlement**

If you want to take up all of the Open Offer Shares under your Open Offer Entitlement, you need to send the Application Form, together with your cheque or banker's draft for the full amount (as indicated in Box 8 of your Application Form), payable to "Capita Registrars Limited re: **Norcros plc Open Offer A/c**" and crossed "**A/ C payee only**", in the accompanying pre-paid envelope or return by post or by hand (during normal office hours only), to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer) so as to be received by the Receiving Agent by no later than 11.00 a.m. on 21 November 2017, after which time Application Forms will not be valid (unless otherwise determined by the Company with the consent of Numis). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Capita Registrars Limited re: **Norcros plc Open Offer A/c**" and crossed "**A/C Payee Only**". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant name at the building society or bank by stamping or endorsing the back of the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques may not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 30 November 2017.

### **If you want to take up more than the Open Offer Shares under your Open Offer Entitlement**

If you want to take up more than the Open Offer Shares under your Open Offer Entitlement, provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares up to a maximum number of Excess Shares equal to the number of Open Offer Shares less your Open Offer Entitlement (detailed in Box 7 of your Application Form) using the Excess Application Facility. You should write the number of Open Offer Shares comprising your Open Offer Entitlement in Box 2 of your Application Form, the number of Excess Shares for which you want to apply in Box 3 of your Application Form and the aggregate of them both in Box 4 of your Application Form. For example, if you have an Open Offer Entitlement of 50 shares but you want to apply for 80 shares, then you should write “50” in Box 2. “30” in Box 3 and “80” in Box 4 of your Application Form. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, 80) by 172 pence, which is the price in pence of each Open Offer Share (giving you an amount of £137.60 in this example). You should write this total sum in Box 5 of your Application Form, rounding up to the nearest whole pence and this should be the amount your cheque or banker’s draft is made out for. You should then return the completed Application Form, together with a cheque or banker’s draft for that amount, in the accompanying pre-paid envelope or return by post or by hand (during normal office hours only), to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer) so as to be received by no later than 11.00 a.m. on 21 November 2017, after which time Application Forms will not be valid (unless otherwise determined by the Company with the consent of Numis). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker’s draft made payable to “Capita Registrars Limited re: **Norcros plc Open Offer A/c**” and crossed “**A/C Payee Only**”. Cheques or banker’s drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Cheques must be drawn on the personal account of the individual investor where they have sole or joint title to the funds. Third-party cheques may not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant name at the building society or bank by stamping or endorsing the back of the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques may not be accepted.

Cheques or banker’s drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques and banker’s drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker’s drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares (including any Excess Shares) is expected to be despatched to you by no later than 30 November 2017.

**I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST members should follow the instructions set out in Part III (*Terms and Conditions of the Open Offer*) of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of the number of Open Offer Shares that they are entitled to acquire under the Open Offer under their Open Offer Entitlement and their Excess Entitlement respectively, and should contact them should they not receive this information.

**I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 31 October 2017 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 8.00 a.m. on 3 November 2017 but were not registered as the holders of those shares at the close of business on 31 October 2017; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Capita Asset Services helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

**I am a Qualifying Shareholder, do I have to apply for all the Open Offer Shares I am entitled to apply for? Can I apply for more?**

You can take up any number of the Open Offer Shares allocated to you under your Open Offer Entitlement. Your maximum Open Offer Entitlement is shown on your Application Form. Any applications by a Qualifying Shareholder for a number of Open Offer Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the Open Offer Shares comprised in your Open Offer Entitlement, then your proportion of the ownership and voting interest in the Company will be more diluted than if you do take up all of your Open Offer Entitlement.

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares up to a maximum number of Excess Shares equal to the number of Open Offer Shares less your Open Offer Entitlement (shown on your Application Form) using the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

**What if I change my mind?**

If you are a Qualifying Shareholder, once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in very limited circumstances.

**What if the number of Open Offer Shares to which I am entitled is not a whole number: am I entitled to fractions of Open Offer Shares?**

If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

**I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box 8 of the Application Form?**

If you want to spend more than the amount set out in Box 8 of your Application Form, you should divide the amount you want to spend by 172 pence (being the price, in pence, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £200, you should divide £200 by 172 pence. You should round that down to the nearest whole number, to give you the number of shares you want to apply for. Write the total number of Open Offer Shares you want to apply for (in this example, 116) in Box 4 of your Application Form and then copy into Box 2 of your Application Form the number in Box 7 of your Application Form and enter in Box 3 of your Application Form the difference between Box 4 and Box 2 of your Application Form. To then get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (in this example, 116) by 172 pence and then fill in that amount rounded up to the nearest whole pence (in this example, being, rounded up to the nearest whole pence, £199.52) in Box 5 of your Application Form and on your cheque or banker's draft accordingly.

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of Numis), and no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

If you want to spend less than the amount set out in Box 8 of your Application Form, you should divide the amount you want to spend by 172 pence (being the price, in pence, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £100, you should divide £100 by 172 pence. You should round that down to the nearest whole number, to give you the number of shares you want to take up. Write that number (in this example, 58) in Box 2 and Box 4 of your Application Form. To then get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (in this example, 58) by 172 pence and then fill in that amount rounded up to the nearest whole pence (in this example, being, rounded up to the nearest whole pence, £99.76) in Box 5 of your Application Form and on your cheque or banker's draft accordingly.

**What if I hold options and awards under the Plans?**

In accordance with the rules of each Plan and if applicable, the number or exercise prices of options and awards under the Plans may be adjusted to take account of the Capital Raising. If this is the case, participants will be contacted separately.

**I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold Existing Ordinary Shares in certificated form and you have sold some or all of your Existing Ordinary Shares before 2 November 2017, you should contact the buyer or the person/company through whom you sold your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 2 November 2017, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

**I hold my Existing Ordinary Shares in certificated form. How do I pay?**

Completed Application Forms should be returned with a cheque or banker's draft drawn in the appropriate form. All payments must be in pounds sterling and cheques or banker's drafts should

be made payable to “Capita Registrars Limited re: Norcros plc Open Offer A/c” and crossed “A/C payee only”. Cheques or banker’s drafts must be drawn on an account at a branch of a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast clearing houses or which has arranged for its cheques and banker’s drafts to be cleared through the facilities provided by any of those companies or committees. Such cheques or banker’s drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

**Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you decide not to apply for any Open Offer Shares under your Open Offer Entitlement, or only apply for a proportion of the Open Offer Shares under your Open Offer Entitlement, your proportionate ownership and voting interest in the Company will be further diluted.

**I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form in the accompanying pre-paid envelope or returned by post or by hand (during normal office hours only), together with the monies in the appropriate form, to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

If you do not want to take up or apply for any Open Offer Shares, then you need take no further action.

**I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?**

Capita Asset Services (as Receiving Agent) must receive the Application Form by no later than 11.00 a.m. on 21 November 2017, after which time Application Forms will not be valid (unless otherwise determined by the Company with the consent of Numis). If an Application Form is being sent by first-class post in the United Kingdom, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

**I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?**

It is expected that the Registrar will post all new share certificates by within 14 days of Admission.

**What should I do if I live outside the United Kingdom?**

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up Open Offer Shares under your Open Offer Entitlement or the Excess Application Facility. If you are an Overseas Shareholder, you should read the section “Overseas Shareholders” in Part III (Terms and Conditions of the Open Offer) for further information.

**Further assistance**

Should you require further assistance, please call the Capita Asset Services shareholder helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## PART V – INFORMATION ON THE GROUP

### 1 Overview

Norcros is a leading supplier of high quality and innovative showers, taps, bathroom accessories, ceramic wall and floor tiles and adhesive products with operations primarily in the UK and South Africa. The Group employs approximately 2,000 people worldwide and its head office is located in Wilmslow, UK.

In the UK, the Group offers a wide range of quality bathroom and kitchen products both for domestic and commercial applications. The Group's UK portfolio of businesses is well established, services a broad customer base and benefits from leading market positions and strong brands. The Group's six UK complementary businesses are:

- Triton – the leading manufacturer and distributor of electric and mixer showers and accessories;
- Vado – manufacturer and distributor of taps, mixer showers, bathroom accessories and valves;
- Croydex – market-leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories;
- Abode – a leading niche designer and distributor of high quality kitchen taps, bathroom taps, and kitchen sinks;
- Johnson Tiles – a leading manufacturer and distributor of ceramic wall and floor tiles; and
- Norcros Adhesives – manufacturer of tile and stone adhesives and ancillary products.

The Group also has complementary businesses in South Africa, operating principally from a shared manufacturing and administrative site near Johannesburg, allowing operational, revenue and cost synergies. The Group's three South African businesses are:

- Tile Africa – a leading retailer of local and international tiles and associated bathroom and kitchen products;
- Johnson Tiles South Africa – a leading manufacturer and distributor of ceramic wall and floor tiles; and
- TAL – the leading manufacturer of tile adhesives, pourable floor coverings and tiling tools.

The UK currently represents the Group's key market in both revenue and profit though increasing Group revenue outside of the UK is a key strategic target.

### 2 Strategy

In 2013, the Board set out three clear strategic targets:

- to double Group revenue to £420 million by 2018;
- to achieve sustainable underlying return on capital employed of 12 to 15 per cent.; and
- to maintain approximately 50 per cent. of Group revenue derived outside the UK.

The Board declared that achieving this strategy would be delivered through a combination of organic growth and acquisitions; with the successful integration and development of acquisitions made since 2013 being an important step in supporting and accelerating the Group's strategy. The Group has made good progress towards its strategic objectives and in particular by achieving underlying ROCE of 18.4 per cent. in the year ended 31 March 2017, ahead of target. Group revenue for the year ended 31 March 2017 increased by 15.0 per cent. to £271.2 million. The Group's progress in relation to achieving the Group revenue target of £420 million by 2018 has been held back by the significant depreciation of the Rand / Sterling exchange rate since the objective was established in 2013. In constant currency terms, Group revenue would have been £304.0 million. The Board recognises that achieving the target of £420 million remains challenging and accordingly will reassess this timeline later in the current financial year in light of the Group's progress. The Group nevertheless remains committed to this target.

The Board's objective is to create a focused manufacturer and supplier of a wide range of bathroom and kitchen-related building products, primarily servicing the UK but with selected exposure to other growth export markets.

The Board believes that organic growth will continue to be driven by capitalising on the Group's leading market positions in the UK and South Africa. The Group will maintain investment in innovative new product programmes, excellent customer service and the Group's brand portfolio.

The Group will also continue to target acquisitions in complementary product, market and industry segments exhibiting attractive returns on capital. The acquisitions of Croydex in June 2015 and Abode in March 2016 represent the most recent examples of the Group executing this strategy. The key characteristics that the Board looks for when assessing a potential acquisition are categorised below:

- complementary market: potential targets should operate in a complementary market where the Group can drive revenue synergies;
- return on capital: potential targets should operate in sectors which exhibit attractive returns on capital, so that the Group continues to meet its strategic ROCE target; and
- growth potential and geographical revenue diversity through export or local presence.

### **3 History of the Group**

Since relisting on the London Stock Exchange in July 2007, Norcros has pursued a growth strategy involving investment in its core business portfolio and disposal of non-core assets to focus the business on its key markets. Strong management, investment in new products and operational efficiencies combined with a successful acquisition strategy has contributed to eight consecutive years of Group revenue and underlying operating profit growth. For the year ended March 2017, the Group reported total revenues of £271.2 million and underlying operating profit of £23.8 million of which the UK businesses reported total revenues of £182.3 million and underlying operating profit of £17.4 million whilst the South African business reported total revenues of £88.9 million and underlying operating profit of £6.4 million.

Pursuant to its growth strategy, the Group has acquired three complementary businesses since the start of 2013. Vado, which was acquired in March 2013, has performed strongly with compound revenue growth of 10.4 per cent. per annum up to the period ended March 2017. Croydex, acquired in June 2015, has also delivered strong like for like revenue growth since its acquisition up to the period ended March 2017. Abode, acquired in March 2016, has grown revenue by 5.0 per cent. and recorded profits in line with the Board's expectations up to the period ended March 2017 and, like Croydex and Vado, has been seamlessly integrated into the Group. In respect of these acquisitions, the Board has been encouraged by the progress made in identifying and pursuing opportunities in collaboration with the Group's existing portfolio, particularly in the areas of new business development, procurement and supply chain.

### **4 The Group's regulatory obligations**

**The Group operates principally in the UK and South Africa and is subject to various laws and regulations in those and other jurisdictions worldwide. The following does not summarise all such laws and regulations but summarises those laws and regulations which the Directors consider are particularly material to the Group.**

#### ***Legislative and Regulatory Framework – Health and Safety and Environment; Product Safety***

The Group is subject to extensive, evolving and increasingly stringent environmental, health and safety and product safety laws and regulations governing its products and operations. Applicable laws and regulations address, among other things:

- the maintenance of safe conditions and safe systems of work, in the workplace, including controlling employee exposure to hazardous materials;
- emissions to air and wastewater discharges to surface and subsurface waters;
- the generation, handling, use and disposal of hazardous and other waste materials;
- the types and quantities of chemicals and substances that the Group can use and ultimately be present in the Group's products;
- energy efficiency and carbon emissions; and
- product safety law and regulations applicable to the Group's products.

### ***UK Health and Safety Regulatory Framework***

The Health and Safety at Work etc Act 1974 requires that the Group ensures the health, safety and welfare of its employees, and the health and safety of others affected by its business so far as is reasonably practicable. Reasonably practicable is defined as a 'balance between cost and risk'. Failure to comply with the Act and the associated regulations, including those regulations listed below, is a criminal offence.

The Management of Health and Safety at Work Regulations 1999 (as amended) require the Group to have a management framework for the health and safety of its employees, and also require that the Group undertake risk assessments. The regulations require that once the level of risk has been evaluated, the Group take reasonably practicable action to remove, or reduce and control, such risk to the lowest possible level.

The Control of Substances Hazardous to Health Regulations 2002, as amended, ("COSHH") requires the Group to (i) assess the potential exposure of employees and other persons to hazardous substances used or encountered at work, and (ii) prevent or adequately control such exposure.

The Control of Asbestos at Work Regulations 2012 (as amended) requires the Group to carry out an assessment of all non-domestic properties where it is a duty holder to evaluate whether or not they contain any asbestos. If asbestos is found, its condition needs to be assessed and an asbestos management plan drawn up and implemented. If asbestos is found in a dangerous condition, it must be removed or sealed /enclosed. If the asbestos is required to be sealed or enclosed, it must be regularly inspected and maintained in good condition. The Group is also required to ensure that those who are likely to come into contact with asbestos are made aware of its location and the necessary action required to keep themselves and others safe from its exposure.

The Control of Noise at Work Regulations 2005 (as amended) impose obligations where the wearing of hearing protection is advisory (80 dB(A)) or mandatory (85 dB(A) respectively) and a daily exposure limit of 87 dB(A). Additionally, the regulations place emphasis on the implementation of action plans to reduce the level of employee exposure to noise to levels that are as low as is reasonably practicable.

Other specific legislation, particularly legislation covering the use of work equipment, manual handling, the use of computers, lifting equipment, pressure systems, working at heights, enclosed spaces, personal protective equipment, workplace standards and welfare, vehicles and transport, reporting of accidents, consultation with employees and control of contractors, are also applicable to the Group.

### ***UK Environmental Regulatory Framework***

Section 34 of the Environmental Protection Act 1990 (as amended) imposes a general duty of care on all parties in the waste chain (from producers of waste through to those conducting final disposal or treatment) to take reasonable precautions to ensure proper transfer and disposal/treatment of waste. Additionally, the Waste (England and Wales) Regulations 2011 impose requirements on those who import, produce, carry, keep, treat or dispose of controlled waste to ensure effective management and disposal of the waste and to keep waste transfer notes for two years from the waste removal evidencing that waste has been correctly collected and disposed of.

Under the Hazardous Waste Regulations 2005 (as amended), waste consignment notes for hazardous waste must also be produced and retained for a period of three years. Hazardous waste has to be disposed of at specific hazardous waste disposal sites and disposal costs are consequently generally higher than for most non-hazardous wastes.

Under the European Union ("EU") 2010 Industrial Emissions Directive, EU Member States' governments had to adopt rules and implement a cross-media (air, water and waste) environmental permitting program for individual facilities. In the United Kingdom this is achieved by the Environmental Permitting (England and Wales) Regulations 2016 (as amended), which replaced and consolidated previous versions of the Regulations.

The Group is subject to packaging waste obligations under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 (as amended) ("Packaging Regulations"), due to the volume of packaging materials handled at the Group's manufacturing facilities. The Group is also subject to the Waste Electrical and Electronic Equipment Regulations 2006 (as amended) ("WEEE"), which encourages and sets criteria for the collection, treatment, recycling and recovery of waste electrical

and electronic equipment. It makes producers responsible for financing most of these activities (producer responsibility), and requires them to declare the amount of new electrical equipment put onto the UK market each quarter. The obligations under the Packaging Regulations and under WEEE are met by the Group through membership of REPIC. This is a specialist compliance scheme that undertakes the assessment and reporting required under these regulations on the Group's behalf.

The Climate Change Act 2008 sets the overall framework for UK action on climate change, establishing a legally-binding greenhouse gas reduction target of 80% by 2050 (below 1990 levels). The Climate Change Act grants the government the power to introduce new emissions trading schemes to help it meet its reduction targets. The government used these powers to introduce The CRC Energy Efficiency Scheme (**CRC**), a mandatory UK scheme aimed at improving energy efficiency and cutting carbon dioxide emissions in large public and private sector organisations. The CRC is implemented through the CRC Energy Efficiency Order 2013 (as amended). Electricity consumed under a CCA no longer counts as a qualifying supply for CRC 'qualification' purposes, therefore the Group did not qualify for Phase 2 of the CRC (which commenced on 1 April 2014). Consequently the Group did not need to register for Phase 2 of the CRC.

The Energy Savings Opportunity Scheme Regulations 2014 require larger companies in the UK, including the Company, to carry out mandatory energy saving assessments, including calculating total energy consumption, carrying out energy audits and identifying energy savings which can be made.

#### **UK Product Safety Regulatory Framework**

***The Group's products are subject to various product safety requirements, including those summarised below.***

***The main objective of the framework is to safeguard public health. The legislation governing product liability in the UK consists of The General Product Safety Regulations 2005 ("GPSR") as amended, which implemented European Directive 2001/95 EC as amended, other more specific safety regulations and the Consumer Protection Act 1987.***

***The GPSR applies to manufacturers, suppliers and retailers of all new, second hand and reconditioned products. There is therefore a legal duty on the Group to place a safe product on the market. Failure to do so is a criminal offence. A 'safe' product is broadly one which under normal conditions of use presents the minimal risk compatible with the product's use and consistent with a high level of safety. The Act also provides for notification of unsafe products and enforcement action by the relevant authorities.***

***The GPSR will apply where its provisions go further than the existing specific regulations. Specific regulations which will apply to the Group include the Construction Product Regulations 2013 as amended, which provide a mandatory requirement for manufacturers to provide a Declaration of Performance and apply a CE marking to the products which are covered by a harmonised European standard or European Technical Assessment. In addition, the Ecodesign of Energy-Related Products Regulations 2010 and the Water Supply (Water Fittings) Regulations 1999 also apply to certain products produced by the Group.***

***Certain categories of products including those subject to the Construction Products Regulation 2013 as amended, must bear CE marking if they are intended to be sold in the EU or EEA. Some products also require additional marking to indicate conformity with EU standards. It is also important for the Group to ensure that the product packaging and labelling complies with relevant safety marking requirements and includes safety instructions and warnings.***

***The Consumer Protection Act 1987 ("CPA") implemented European Directive (85/374/EEC) and gives people injured by unsafe products the civil right to sue for damages. The CPA applies strict liability which means an injured person does not need to prove a manufacturer has been negligent in order to claim damages: it is enough if the product is proved to be defective and the defect caused the injury. Action can be taken against the Group as producer/manufacturer, importer and in some circumstances suppliers such as wholesalers and retailers.***

***Where a product is intended to be sold to trade, it may also be categorised as an article for use in work and may fall to be considered under the Health and Safety at Work etc Act 1974 where other more specific product safety law does not apply. The Health and Safety at***

***Work etc Act places a legal duty on anyone in the supply chain (including the Group) so far as is reasonably practicable to ensure that the article is safe for when it is being used, set, cleaned or maintained at work. Failure to comply is a criminal offence.***

### ***EU Regulatory Framework***

The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations 2012 (RoHS Regulations) implement the EU's recast RoHS Directive into UK law and ban the placing on the EU market of new electrical and electronic equipment containing more than agreed levels of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants.

The 2006 REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation (as amended) requires companies which manufacture or import more than one tonne of a chemical substance per year into the EU to carry out risk assessments and to register such manufacture or import in a central database. REACH applies to substances on their own or in preparations (e. g. paints) and articles (e.g. consumer products). Where warranted by a risk assessment, hazardous substances require authorisation for their use. In addition to these authorisations, REACH sets a number of prohibitions and restrictions on the use of certain hazardous and dangerous substances. The European Chemicals Agency produces the 'candidate list' of SVHCs ('substances of very high concern'). The presence and use of SVHCs in products may trigger additional obligations under REACH. SVHCs will in time be subject to more detailed scrutiny and ultimately prohibited or have their use restricted. As far as it is practical, it is the Group's policy not to use SVHCs in its operations and products.

In addition to REACH, there are further EU controls on the use of certain hazardous and dangerous chemicals and substances which may impact on the Group's business (such as the Persistent Organic Pollutants (POPs) Regulation, for example).

### ***Regulatory Frameworks affecting non-UK operations***

#### ***South Africa – Health and Safety Regulatory Framework***

The Occupational Health and Safety Act, No. 85 of 1993 provides for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery; the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work; to establish an advisory council for occupational health and safety; and to provide for matters connected therewith.

The Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993 provides for compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases; and to provide for matters connected therewith.

#### ***South Africa – Environmental Regulatory Framework***

The Environment Conservation Act, No. 73 of 1989 provides for the effective protection and controlled utilization of the environment and for matters incidental thereto.

The National Environmental Management Act, No. 107 of 1998 provides for co-operative environmental governance by establishing principles for decision-making on matters affecting the environment, institutions that will promote co-operative governance and procedures for co-ordinating environmental functions exercised by organs of state; to provide for certain aspects of the administration and enforcement of other environmental management laws; and to provide for matters connected therewith.

The National Environmental Management Air Quality Act, No. 39 of 2004 reformed the law regulating air quality in order to protect the environment by providing reasonable measures for the prevention of pollution and ecological degradation and for securing ecologically sustainable development while promoting justifiable economic and social development; to provide for national norms and standards regulating air quality monitoring, management and control by all spheres of government; for specific air quality measures; and for matters incidental thereto.

The National Environmental Management Waste Act, No. 59 of 2008 reformed the law regulating waste management in order to protect health and the environment by providing reasonable measures for the prevention of pollution and ecological degradation and for securing ecologically sustainable development; to provide for institutional arrangements and planning matters; to provide

for national norms and standards for regulating the management of waste by all spheres of government; to provide for specific waste management measures; to provide for the licensing and control of waste management activities; to provide for the remediation of contaminated land; to provide for the national waste information system; to provide for compliance and enforcement; and to provide for matters connected therewith.

The Hazardous Substances Act, No. 5 of 1973 provides for the control of substances which may cause injury or ill-health to or death of human beings by reason of their toxic, corrosive, irritant, strongly sensitizing or flammable nature or the generation of pressure thereby in certain circumstances, and for the control of certain electronic products; to provide for the division of such substances or products into groups in relation to the degree of danger; to provide for the prohibition and control of the importation, manufacture, sale, use, operation, application, modification, disposal or dumping of such substances and products; and to provide for matters connected therewith.

### ***South Africa – Product Safety Regulatory Framework***

The Consumer Protection Act, No. 68 of 2008 promotes a fair, accessible and sustainable marketplace for consumer products and services and for that purpose to establish national norms and standards relating to consumer protection, to provide for improved standards of consumer information, to prohibit certain unfair marketing and business practices, to promote responsible consumer behaviour, to promote a consistent legislative and enforcement framework relating to consumer transactions and agreements, and to establish the National Consumer Commission.

## **5 Principal Activities**

The Group offers a wide range of quality bathroom and kitchen products both for domestic and commercial applications in the UK and South Africa.

### **5.1 United Kingdom**

In the UK, the Group operates six complementary businesses which together represented 67 per cent. of the Group's revenue and 73 per cent. of underlying operating profit for the year ended 31 March 2017.

#### ***Triton***

Triton, the market leading UK domestic shower business, designs, manufactures and markets showers for the UK and Irish market, principally under the Triton brand. Triton's main products are electric showers, mixer/power showers although a number of complementary ranges of bathroom accessories are also sold. Triton represented 26.7 per cent. of UK revenue in the financial year ended 31 March 2017.

Triton has an established position in the UK and Irish shower market, supplying via a broad distribution network, with particular strength both in terms of customer awareness and brand loyalty.

Triton's production process involves sourcing components from the Far East and Europe, before assembling the showers in Nuneaton, where Triton is based.

The business operates a multi-channel distribution approach to ensure market coverage and presence of the Triton brand which reduces the risk of dependence on any particular customer or channel.

Triton products are supplied to market through three key distinct channels:

- Trade: Triton supplies national merchants, electrical wholesalers, independent merchants and national distributors who distribute to independent merchants and boutiques;
- Retail: Triton supplies the main DIY multiples (B&Q, Wickes and Homebase / Bunnings), as well as the home shopping market (e.g. Argos); and
- Export: the main export market is Ireland where it supplies a wide customer base through a long standing distributor. In addition, Triton has recently developed a product range for and made initial sales into a number of Latin American markets.

#### ***Vado***

Vado, based in Cheddar, is a leading manufacturer and distributor of taps, mixer showers, bathroom accessories and valves, with strong brands and a product offering positioned at the mid

to high end segment of its target markets. Vado represented 20.4 per cent. of UK revenue in the financial year ended 31 March 2017.

Vado provides a wide range of mid to high end brassware and accessories to retail and trade customers, with products assembled in the UK using parts sourced from the Far East and Europe. Vado has a strong position in its target markets with a focus on trade and distribution channels rather than the DIY market. It has a broad customer base with particular strength with independent retailers and in the contract and specification sector where it enjoys an extensive project list in residential, commercial, hotel, and leisure developments and refurbishments throughout the world.

Vado has an established position in the UK, Middle East and African brassware markets and one of the key strengths of Vado is its global distribution network exporting to over 60 countries. Notably, Vado sales in South Africa are increasing through utilising the Group's Tile Africa store network

The Board believes that new product development remains key for the business and three major new ranges, including the award winning Kovera range, have been launched in early 2017, with a strong pipeline of new product programmes in place for the future.

Vado products are supplied to market through three key distinct channels:

- Trade: UK specification has been an area of focus and investment of the business and sales have increased significantly post-acquisition;
- Retail: traditional core channel comprises of over 1,000 customers, spread between bathroom and kitchen retail specialists and both independent and national merchants; and
- Export: the main export markets are the Middle East, Africa and Latin America.

### **Croydex**

Croydex, based in Andover, is a market-leading, innovative designer, manufacturer, and distributor of high quality bathroom furnishings and accessories. Croydex offers a wide range of accessories and furniture for the bathroom such as toilet seats, wall mounted cupboards, vanity units, shower rods, rails and curtains to retail and trade customers, mainly sourced from the Far East. Croydex represented 13.5 per cent. of UK revenue in the financial year ended 31 March 2017.

Croydex's strategy has been to drive innovative new and updated products, many of which are patented, in order to increase differentiation from competitor products and generate end consumer demand. Consumers are attracted to Croydex because of its full range of products and due to the fact that they utilise innovative easy fix solutions which save fitters time and manpower during installation.

Croydex employs a dedicated in-house product development team which maintains the flow of products across the range. New and enhanced designs have been focused on shower accessories, bathroom cabinets, toilet seats, and assistive products. Key product introductions include Flexi-Fit (easy to retro-fit), Stick N Lock, and Sit Tight toilet seats.

Croydex products are supplied to the market through three key distinct channels:

- Retail: Retail customers include DIY multiples, high street, grocery, and department stores. The business has strategic supplier status with a number of key customers, managing the end to end supply chain and category management;
- Trade: Trade product is predominantly branded and Croydex supply national merchants and a large number of smaller independent players; and
- Export: Export sales are predominantly based on the sale of IP-protected products in the USA and Europe through single country distributors and through the Group's Tile Africa network.

### **Abode**

Abode is a leading niche designer and distributor of high quality kitchen taps, instant hot water taps, bathroom taps and kitchen sinks. Abode, based in Barnsley, designs and supplies products in both the UK branded and own label segments, mainly sourced from Europe. Abode represented 5.8 per cent. of UK revenue in the financial year ended 31 March 2017.

Operationally, the business has expanded its sales force and sourced additional warehousing to support future growth post-acquisition. Consistent with the Group's other recent acquisitions, Abode has been integrated seamlessly into the Group and the performance of Abode since acquisition has been encouraging, with the business generating an underlying profit and cash performance in

line with the Board's expectations. Abode is also progressing potential synergies working with other Group businesses with alternative sourcing opportunities being the initial areas of focus.

Abode supplies branded product to kitchen specialists via distribution and OEM product to key customers direct:

- Distribution: Branded products are sold to kitchen specialist retailers via distributors giving national coverage. The key competitive advantages are providing design-led products which allows retailers to have a differentiated offering; and
- OEM: The OEM strategy targets large UK organisations with limited tap and sink marketing and technical skills to outsource the design, development, and sourcing to Abode.

### **Johnson Tiles**

Johnson Tiles is a leading manufacturer and distributor of ceramic wall and floor tiles, selling products into both consumer and commercial markets. Ceramic wall tiles are designed and manufactured at its Stoke-on-Trent plant alongside offering wall and floor tiles sourced from around the world to ensure a broad product range. Johnson Tiles represented 29.2 per cent. of UK revenue in the financial year ended 31 March 2017.

Johnson Tiles has a comprehensive product portfolio with new ranges being brought to market on a regular basis. A substantial R&D programme ensures that Johnson Tiles remains focused on improving quality and choice within the product range and explores all opportunities that new technologies in design and manufacturing may offer.

Johnson Tiles has increasingly sought to focus its UK manufacture on higher value small format tiles whilst factoring in complementary formats. Factored product is sourced, *inter alia*, from Italy, Spain, Turkey, Brazil and Eastern Europe. The Board believes that the wide sourcing base ensures that the risk of sourcing products is minimised and there is limited reliance on any one third-party supplier.

Johnson Tiles products are supplied to market through three key distinct channels:

- Trade: includes specialist tile distributors, fixers, contractors, builders' merchants and independent retail outlets. The trade channel, *inter alia*, includes the supply of tiles for commercial specification work including housebuilders, hotels, social housing and leisure;
- Retail: major DIY retailers who have a network of large scale sales outlets; and
- Export: main markets include the Middle East and France.

### **Norcros Adhesives**

Norcros Adhesives is a manufacturer of tile and stone adhesives and ancillary products. The business supplies ceramic tile adhesives and self-levelling compounds as well as backing boards and other products for wet rooms to both retail and trade customers from the manufacturing facilities based in Stoke-on-Trent. Norcros Adhesives represented 4.3 per cent. of UK revenue in the financial year ended 31 March 2017.

Norcros Adhesives' emphasis is on delivering quality, service and innovation to support architects, distributors, designers, retailers and consumers with a comprehensive suite of products.

Norcros Adhesives main market is in the UK although there is a growing presence in the Middle East. The business has recently secured significant contract wins to supply Wickes and the NMBS buying group, and has grown its relationship with Travis Perkins such that several new products will be rolled out across its extensive branch network.

The business supplies through a broad distribution network. There are a number of routes to market including distributors, merchant, fixers, tile retailers and DIY stores. Key customers include B&Q, Screwfix, Fired Earth and Mandarin Stone.

## **5.2 South Africa**

In South Africa, the Group operates three complementary businesses which together represented 33 per cent. of the Group's revenue and 27 per cent. of underlying operating profit in the year ended 31 March 2017.

### ***Tile Africa***

Tile Africa is a leading retailer of local and international tiles and associated bathroom and kitchen products. The business operates from 33 showrooms (including two franchise stores) throughout South Africa and Sub-Saharan Africa selling both own-manufactured tiles and adhesives from its sister companies and sourced products. Tile Africa represented 64.1 per cent. of South African revenue in the financial year ended 31 March 2017.

Showrooms average approximately 2,000m<sup>2</sup> in size and are fitted with a combination of aspirational bathroom roomsets, along with product displays emphasising the extensive range of designs. Technical support is available from a well trained and experienced sales team which advise both DIY customers and specialist contractors.

Due to the integrated nature of Norcros South Africa's divisions, the majority of Tile Africa's tile ranges are sourced directly from Johnson Tiles South Africa. However, a number of product ranges are outsourced to ensure a full portfolio. Group sales synergies continue to gain momentum with products from both Vado and Croydex now being sold via the Tile Africa network.

### ***Johnson Tiles South Africa***

Johnson Tiles South Africa is a leading manufacturer and distributor of ceramic wall and floor tiles. A well invested plant, located in Olifantsfontein, Johannesburg, and technological know-how has positioned the business as the number two ceramic tile manufacturer in South Africa. Johnson Tiles South Africa represented 12.2 per cent. of South African revenue in the financial year ended 31 March 2017.

Johnson Tiles South Africa supplies the Tile Africa stores as well as other independent retailers, distributors and contractors. Johnson Tiles South Africa has established a reputation for quality products with low water absorption, which meet international standards, and with continued investment in new products and design.

Johnson Tiles South Africa continues to operate at full manufacturing capacity and expansion options for the short and medium term are well developed with the objective of gradually increasing existing plant capacity over the next two-three years.

### ***TAL***

TAL is a leading manufacturer of tile adhesives, pourable floor coverings and tiling tools with manufacturing plants in Olifantsfontein, Durban and Cape Town. TAL offers a range of products and accessories which enables it to be a "one-stop shop" for tile fixing solutions in the South African and a number of sub-Saharan Africa markets. TAL represented 23.7 per cent. of South African revenue in the financial year ended 31 March 2017.

TAL's extensive product range includes adhesives and grouts for ceramic, porcelain and natural stone tiles and also includes a range of products for the preparation of floors before the installation of hard and soft floor coverings including: primers, additives, patching and repair compounds, screeds and self-levelling screeds, as well as waterproofing systems. TAL also supplies a range of tiling tools as well as construction chemical solutions with the emphasis on the repair and rehabilitation of concrete, grouting and anchor fixings, joint sealants, surface treatments as well as flooring sealers and coatings.

TAL's reputation for the quality of its product is based on proven manufacturing processes. The business has benefited from improvements to the production facilities, investment in new product programmes and the strength of its technical service enabling the company to maintain its market leading position within South Africa.

## **6 Competitive Landscape**

The Group offers a wide range of bathroom and kitchen products for domestic and commercial applications and the Group has a number of competitors across each of its brands.

Triton, which manufactures and distributes electric and mixer showers and accessories, primarily competes with Mira, Grohe, Aqualisa and Bristan, as well as imported mixer showers.

Vado supplies and distributes taps, mixer showers, bathroom accessories and valves. Its key competitors in the UK bathroom controls market include Bristan, Grohe, Hansgrohe and Crosswater.

Croydex, which designs, supplies and distributes high quality bathroom furnishings and accessories, operates in a fragmented market, with both branded and non-branded products available. Croydex's competition varies by product category and includes, for example, Aqualona (shower curtains), HIB (furniture), Masco (toilet seats) and Marlton Cross (handsets).

Abode supplies and distributes taps and sinks, predominantly into the kitchen market. Its key competitors in the UK include Franke, Blanco, Astracast and Carron.

Johnson Tiles manufactures, imports and distributes ceramic and porcelain wall and floor tiles. The UK tile market largely consists of imports, primarily from Continental Europe (particularly Spain and Italy) and China. However, there is one other UK-based tile manufacturer, British Ceramic Tile representing Johnson Tiles' largest UK manufacturing competitor. Johnson Tiles South Africa is the second-largest tile manufacturer in South Africa. Similar to the UK market, a proportion of tiles are imported into South Africa, and although there are also a number of domestic producers, Ceramic Industries Limited represents the company's largest tile manufacturer in South Africa and represents the company's largest domestic competitor.

Norcros Adhesives manufactures tile and building adhesives and ancillary products. The UK adhesives market is fragmented with the largest competitors being Building Adhesives, Mapei, Palace Chemicals and Instarmac.

Tile Africa is a retailer of local and internationally sourced tiles and associated bathroom and kitchen products. The South African tile retailing market is relatively fragmented, although there are a number of larger players. The market leader is Italtile/CTM (Ceramic Tile Market) and other large competitors include Builders Warehouse, Tiletoria and Union Tiles.

TAL manufactures and supplies tile and stone adhesives as well as ancillary products such as tiling tools. The market in which TAL operates is relatively consolidated and key competitors include Saint Gobain and Ezee Tile (owned by Ceramic Industries Limited).

## **7 Employees**

As at 31 March 2017, the Group employed approximately 2,000 people with approximately 1,000 based in the UK and approximately 1,000 based overseas.

## PART VI – INFORMATION ON THE MERLYN GROUP

Merlyn is the market-leading, innovative designer and distributor of mid to high end branded shower enclosures. Merlyn's strategy is based on the breadth of its quality product range, premium branding, reliability of service, ease of fit and aftersales support.

### 1 History and background

Merlyn was founded by Michael Hoyne in 2000, launching several ranges of mid to high end shower enclosures, bath screens and trays for the Independent Retail market in the UK and Ireland. The Vivid brand, specifically designed for distribution partners was launched in 2005 and The Series Collection was launched in 2009 for Independent Retailers. In 2010, Charlie Soden joined as CEO and the following year, Merlyn was appointed exclusive own brand supplier to Wolseley. The Ionic brand was launched for the Merchant channel in 2013 and an exclusive shower enclosure, bath screens and trays contract with the UK's largest housebuilder Barratt Developments was awarded in the subsequent year. Broadlake Private Equity undertook an investment into Merlyn to become a minority shareholder in 2015. Last year, the premium Arysto brand was launched.

### 2 Merlyn's business

Merlyn designs, engineers, assembles and distributes high quality, premium, branded shower enclosures. The business has a multi-channel sales approach based on distinct brands for each channel. The company supplies independent retailers, national and regional merchants, targeted specification contracts (housebuilders, hotels and leisure operators) and distributors. Merlyn's strategy has been to drive innovative new and updated products to increase differentiation from competitor products.

Revenue for the year ended 31 March 2017 was £30.7 million, with 85 per cent. of sales to the UK, 13 per cent. to Ireland and export sales representing 2 per cent.

Merlyn employs 58 staff at their headquarters in Kilkenny, Ireland, a 17-person sales team located in the UK and has a nine-person engineering and quality control team located in China. Third party logistics facilities are based in Wexford, Ireland and West Bromwich, UK, with facilities of 30,000 sq.ft and 70,000 sq.ft respectively.

The Directors consider that the key strengths of Merlyn include:

- the market leading and brand leading position in the UK and Irish shower enclosure market;
- wide distribution base with trusted customer relationships;
- focus on customer service and product design; and
- opportunity for growth both within the UK market and through exports into other geographies.

### 3 The UK shower enclosure market

The shower enclosure, bath screen and shower tray UK market in 2016 was estimated at approximately £200 million and approximately £15 million for Ireland.\* Merlyn's approximate respective market shares of the UK and Irish markets are 15 per cent. and 35 per cent.

Merlyn's core focus, UK higher value enclosures, has grown at 9 per cent. compounded annual growth rate (CAGR) over 2013-16, versus 7 per cent. overall market growth, and is forecast to continue to grow at 6 per cent. driven by volume and price increases. CAGR driven by consumer demand for high value products. Key drivers of the market are housing transactions and housing starts, consumer spending, shower penetration and increasing demand for wet room bathrooms, private housing repair maintenance and improvement and growth in several commercial market segments, including hotels, universities, care homes and residential lodges. Higher value products have been growing ahead of the market as consumer and installer preference shift towards higher quality and value products.

### 4 Competitive position

Merlyn has established a market leading position in the UK and Irish shower enclosure market, supplying via several channels, with particular strength in the Independent Retail and Regional Merchants sectors. Merlyn has grown ahead of the market since 2012 and has increased its

\* UK market excludes Northern Ireland, Ireland market includes Northern Ireland

market share. No competitors of a comparable scale have entered the market organically since Merlyn in 2000.

## 5 Routes to market

There are a number of routes to market of which the Independent Retail sector is the largest followed by the specification channel. The business currently services over 900 accounts and this multi-channel distribution reduces the risk of dependence on any particular channel or customer.

Merlyn's shower enclosures are brought to market through the following distinct channels:

- **Independent Retail:** any independent retailer with a customer showroom and trained sales staff. This includes stores which are completely independent (bathroom specialists and independent merchants) and stores that are members of buying groups (where members trade directly with Merlyn). Independent Retail is the largest and most established of Merlyn's sales channels, with the business serving this market since it was established in 2000;
- **Specification:** predominantly house builders or property developers, but also includes hotels or leisure groups. Merlyn entered this channel in 2013. Sales to these specification customers are made through merchants. Merlyn's largest specification customer is Barratt Developments, which is the UK's largest housebuilder;
- **National Merchants:** in addition to specification sales going through merchants, sales are also generated by national merchants to their general trade customers; and
- **National Distributors:** Merlyn has operated in this channel since 2005 and this is the smallest channel served by the business. Distributors buy in bulk and sell to independent merchants using their own catalogues.

## 6 Service

A key differentiator of Merlyn is the strength of its sales and support team located in Kilkenny, providing a variety of value-add services to customers, such as sales support in orders and deliveries, technical, product and installation support.

Merlyn maintains 99 per cent. stock availability and has a 99 per cent. On-Time-In-Full track record on over 1,100 SKUs. A 24 or 48-hour customer delivery option is offered.

The business' marketing efforts are tailored for different audiences and customer channels, with focus on high impact brochures and in-store displays. In addition to in-store marketing, Merlyn invests in digital marketing and social media to better communicate a clear and focused brand identity to customers and end customers. It has a community of over 20,000 followers across social media. Merlyn's new studio in the Business Design Centre in Islington opened in February 2017 with a focus on serving the London design, specification and architect community.

## 7 Production & sourcing

Since 2008, Merlyn has operated a flexible and outsourced manufacturing model, with all shower enclosures and bath screen products sourced from supply partners based in China. The manufacturing is spread across five engineering partners where Merlyn is the significant customer and there is an ability to dual-source amongst these suppliers. Merlyn also maintains the ownership of the production moulds to provide supply chain security.

Merlyn has a dedicated nine-person engineering and quality control team who are based within these supply partner factories in China. This in-house capability ensures product quality, via production line inspection and product testing during the manufacturing process.

## 8 Future growth

Following Completion, it is anticipated that Merlyn will be run as an autonomous business entity by existing Merlyn management within the Norcros group. They have identified significant opportunities to grow based on a continuing focus on core activities:

- existing ranges and new product innovations;
- expansion of established routes to market; and
- increasing "share of wallet" within the current customer base.

In addition, there are also a number of exciting medium and long-term strategic opportunities including:

- new geographies: driving further internationalisation of the business;
- new product categories: widening Merlyn’s product range into complementary areas; and
- new channels: expanding in the commercial, hospitality and care markets.

## **9 Management**

The senior management team has extensive and relevant market experience and have developed long-standing customer relationships. The senior management team is headed by Charlie Soden (58), who has been with the business since 2010 and started his career at an Irish heating and plumbing supplies company that was acquired by Wolseley where after several roles he was promoted to Deputy Managing Director Ireland.

## **PART VII – OPERATING AND FINANCIAL REVIEW OF THE GROUP**

Shareholders should read the discussion below in conjunction with Part V of this document, the Group's audited consolidated financial statements for the financial years ended 31 March 2017, 2016 and 2015, the auditors' reports contained in the 2017, 2016 and 2015 Annual Report and Accounts, incorporated by reference into this document and should not rely solely on key and summarised information. PricewaterhouseCoopers LLP has issued unqualified audit opinions in respect of the financial statements for the Company for each of the financial years ended 31 March 2017, 2016 and 2015. The historical financial information considered in this Part is extracted without material adjustment from the Group's historical consolidated financial information incorporated by reference into this document for the years ended 31 March 2017 and 2015. For the year ended 31 March 2016, such information has been derived from the restated comparative financial information for the Group for such financial year contained in the Group's Annual Report and Accounts for the year ended 31 March 2017. Such comparative financial information differs from the audited consolidated accounts of the Group for the year ended 31 March 2016 due to a restatement to reflect guidance regarding the presentation of cash and overdraft balances and measurement period adjustments in respect of business combinations. Details of the effect of such change are contained in the Group's Annual Report and Accounts for the year ended 31 March 2017.

Some of the information in the review set forth below and elsewhere in this document and in the information incorporated by reference into this document includes forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and the paragraph headed Forward-looking statements in the "Presentation of Information" section.

### **1. Overview**

For the year ended 31 March 2017 the Group recorded its eighth consecutive year of revenue and operating profit growth, reflecting the Group's successful acquisition strategy and its sustained focus on, driving organic growth through market share gain, investment in new products, operating efficiency and geographical expansion. The Group has made significant progress towards its strategic objectives by achieving an underlying ROCE of 18.4 per cent. in the year ended 31 March 2017.

The Board believes that organic growth will continue to be driven by capitalising on the Group's leading market positions in the UK and South Africa. The Group will maintain investment in innovative new product programmes, excellent customer service and the Group's brand portfolio.

The Group will also continue to target acquisitions in complementary product, market and industry segments exhibiting attractive returns on capital. The acquisitions of Croydex in June 2015 and Abode in March 2016 represent the most recent examples of the Group executing this strategy.

### **2. Significant Factors Affecting Results of Operations**

The Directors believe that the following factors have had, and may continue to have, a material effect on the Group's operations.

#### ***Consumer trends***

Changing consumer trends continue to impact demand for the Group's products in the UK, South Africa and in export markets. The Board believes that the Group's ability to identify and adapt to changing consumer preferences is a key driver of performance.

#### ***Macroeconomic***

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

Current uncertainty around global economic growth and the future of the European Union makes demand unpredictable and there is a risk of market conditions deteriorating. The uncertainty caused by the UK's vote to leave the European Union and the recent depreciation of Sterling has led to increased inflationary pressures, which may impact demand for the Group's products and its margins.

There are a number of factors that would limit the impact on the Group of a deterioration in market conditions such as the geographic spread of the Group's businesses, the Group's diverse product portfolio, a flexible cost base and supply chain, and the replacement cycle of a number of its key products.

### **Acquisitions**

During the period under review the Group has acquired two businesses in addition to Vado which was acquired in March 2013. Performance of acquired businesses may not reach expectations impacting Group profitability and cash flows. The Group has detailed target appraisal procedures in place, including appropriate due diligence, and has senior management experienced in this field of work. The Group also has robust Board approval procedures in place to ensure independent review of proposals. Integration plans are finalised prior to acquisition so that newly acquired businesses are integrated efficiently and swiftly after acquisition. The acquisitions of Vado, Croydex and most recently Abode provide demonstrable evidence of the Group's ability to integrate new businesses.

### **Currency movements**

The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates. In particular, the Group sources a significant proportion of its components and goods for resale from Europe and the Far East which are denominated in foreign currencies (primarily the US Dollar and the Euro). These currencies have strengthened relative to Sterling over the past year following the UK's vote to leave the European Union.

The Group's policy is to hedge its foreign exchange transactional flows for up to twelve months forward.

For the year ended 31 March 2017, 25.3% of the Group's assets and 32.8% of revenue were denominated in Rand as a proportion of its business is based in South Africa and has the Rand as its functional currency. Consequently, the Group is exposed to translational foreign currency risk should the Rand strengthen or weaken relative to Sterling.

### **3. Key Performance Indicators ("KPIs")**

The Group employs a suite of KPIs to manage and monitor the performance of the business including total revenue, Group revenue outside the UK, underlying operating profit, underlying return on capital employed, dividends per share and underlying operating cash flow.

	<b>For the Year ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Total revenue	271.2	235.9	222.1
Group revenue outside the UK (%)	42.8%	41.6%	44.6%
Underlying operating profit	23.8	21.3	17.0
Underlying return on capital employed	18.4%	18.3%	16.3%
Dividends per share	7.2p	6.6p	5.6p
Underlying operating cash flow	29.8	20.4	22.9

### **4. Current trading and prospects**

On 12 October 2017, and in advance of the Group's interim results for the half year ended 30 September 2017 on 16 November 2017, the Group published the following trading update:

- Group revenue and underlying operating profit in the first half is expected to be in line with the Board's expectations.

- Group revenue for the first half is expected to be approximately £144.9 million (2016: £128.8 million), 12.5% higher than the prior year and 7.1% higher on a constant currency basis. The growth reflects a robust performance in the Group's UK business and continued growth in the Group's South African business. UK revenue for the first half was 8.4% higher than the prior year, reflecting growth in all channels, and benefitting in particular from the Group's strong positions in the new housebuild sector and in selective export markets. The Group's South African business again delivered revenue growth in the first half of the year, 4.8% higher than the prior year on a constant currency basis continuing the sustained progress of recent years. Revenue was 21.0% higher on a reported basis reflecting a stronger South African Rand.
- The Group continues to focus on working capital and cash management and as a result closing net debt is expected to have reduced to around £21 million (2016: £27.5 million).
- Against the backdrop of challenging market conditions, the Group's performance demonstrates the strength of its market positions and the resilience of the Group's diversified business portfolio delivering revenue growth in all UK sectors, strong growth in exports and sustained progress in South Africa. The Board remains confident that the Group will continue to make progress in line with its expectations for the year to 31 March 2018.

## 5. Summary of the Group's results for the years ended 31 March 2017, 31 March 2016 and 31 March 2015

### **Consolidated income statement**

The following table sets out the Group's consolidated financial results for the period indicated.

	<b>For the Year ended 31 March</b>		
	<b>2017</b> <b>£ million</b>	<b>2016</b> <b>£ million</b>	<b>2015</b> <b>£ million</b>
<b>Revenue</b>	<b>271.2</b>	<b>235.9</b>	<b>222.1</b>
Underlying operating profit	23.8	21.3	17.0
IAS 19R administrative expenses	(2.0)	(1.7)	(1.7)
Acquisition related costs	(2.7)	(5.2)	(2.2)
Exceptional operating items	(2.3)	2.3	(2.5)
<b>Operating profit</b>	<b>16.8</b>	<b>16.7</b>	<b>10.6</b>
Finance costs	(3.3)	(1.1)	(1.8)
Finance income	—	1.2	3.3
IAS 19R finance cost	(2.0)	(1.4)	(1.1)
<b>Profit before taxation</b>	<b>11.5</b>	<b>15.4</b>	<b>11.0</b>
Taxation	(3.0)	(2.4)	(2.9)
<b>Profit for the year from continuing operations</b>	<b>8.5</b>	<b>13.0</b>	<b>8.1</b>

### **Revenue**

Revenue increased by 15.0 per cent. to £271.2 million for the year ended 31 March 2017 compared to £235.9 million for the year ended 31 March 2016. Revenue for the year ended 31 March 2016 increased by 6.3% compared to £222.1 million for the year ended 31 March 2015. Growth in revenue during the periods under review was driven by organic growth in South Africa and the success of the Group's acquisition strategy.

### **Revenue by region**

The Group has two operating segments: the UK and South Africa. The table below presents a breakdown of revenue by segment for the period indicated.

	<b>For the Year ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
UK	182.3	163.0	149.1
South Africa	88.9	72.9	73.0
Total	271.2	235.9	222.1

#### *UK revenue*

UK revenue for the year ended 31 March 2017 was £182.3 million (2016: £163.0 million) which was 11.8 per cent. ahead of the prior year and 2.0 per cent. higher on a like for like basis (excluding Abode entirely and Croydex for quarter one). The like for like increase mainly reflected the success of Vado and Croydex, partly offset by the more challenging trading environment experienced by Triton in the first half of the year.

UK revenue for the year ended 31 March 2016 at £163.0 million (2015: £149.1 million) was 9.3 per cent. ahead of the prior year and 2.2 per cent. lower on a like for like basis (excluding the impact of Croydex). The like for like decline reflected a more challenging trading environment in the DIY retail channel which resulted in lower revenue in both Triton and Johnson Tiles, offset by strong revenue growth at Vado.

#### *South Africa revenue*

For the year ended 31 March 2017 the South African business delivered strong constant currency growth with revenue 8.3 per cent. higher than prior year driven by an improved product and service offering. The Rand appreciated against Sterling during the year with the average exchange rate 10.7 per cent. stronger at ZAR 18.31 (2016: ZAR 20.50), resulting in full year reported revenue 21.9 per cent. ahead of prior year at £88.9 million (2016: £72.9 million).

For the year ended 31 March 2016 the South African business recorded double digit constant currency growth with revenue 15.0 per cent. higher than prior year as a result of continued investment in machinery, store upgrades and product development. The Rand depreciated against Sterling during the year with the average exchange rate for the year 15.0 per cent. weaker at ZAR 20.50 (2015: ZAR 17.82), resulting in full year reported revenue broadly in line with prior year at £72.9 million (2015: £73.0 million).

### **Underlying operating profit**

Underlying operating profit increased by 11.7 per cent. to £23.8 million for the year ended 31 March 2017 compared to £21.3 million for the year ended 31 March 2016. Underlying operating profit for the year ended 31 March 2016 increased by 25.3 per cent. compared to £17.0 million for the year ended 31 March 2015. Growth in underlying operating profit during the periods under review was driven by a significant improvement in the performance of the Group's South African business and the contribution from recently acquired businesses.

The table below presents a breakdown of underlying operating profit by segment for the period indicated.

	<b>For the Year ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
UK	17.4	17.2	13.8
South Africa	6.4	4.1	3.2
Total	23.8	21.3	17.0

#### *UK underlying operating profit*

UK underlying operating profit for the year ended 31 March 2017 was £17.4 million (2016: £17.2 million) with an underlying operating margin of 9.5 per cent. (2016: 10.6 per cent.). The improvement in profitability in the year mainly reflected the first-time contribution from Abode and a full year of trading at Croydex partly offset by lower contributions from Johnson Tiles and Triton, reflecting lower revenues than the previous year.

UK underlying operating profit for the year ended 31 March 2016 was 25.3 per cent. higher than the prior year at £17.2 million (2015: £13.8 million) with underlying operating margins significantly ahead at 10.6 per cent. (2015: 9.2 per cent.). This improvement in profitability in the year reflected the first-time contribution from Croydex and good profit progression at Vado. Triton maintained its strong profitability although lower DIY retail revenue resulted in profits being below the prior year.

#### *South Africa underlying operating profit*

Underlying operating profit for the year ended 31 March 2017 increased by 56 per cent. to £6.4 million (2016: £4.1 million), including a £0.9 million benefit from the stronger Rand. This performance reflected the business-wide progress, particularly in operating efficiencies, procurement and supply chain management.

Underlying operating profit for the year ended 31 March 2016 increased by 28.1 per cent. to £4.1 million (2015: £3.2 million), despite the weaker Rand adversely impacting profit by £0.6m. This resulted in underlying operating margins advancing to 5.6 per cent. from 4.4 per cent. in the prior year. The improvement was driven by various self-help initiatives and the benefits of investment programmes put in place in earlier years beginning to be realised.

#### **IAS 19R administrative expenses**

IAS 19R administrative expenses represent the costs incurred by the Trustee of administering the UK pension schemes. During the year ended 31 March 2017 a restructuring of the Group's UK pension scheme's administrative functions took place with a view to streamlining activities and reducing ongoing costs. This resulted in a number of termination costs being incurred and consequently IAS 19R administrative costs increased to £2.0 million compared to £1.7 million for both the years ended 31 March 2016 and 31 March 2015.

#### **Acquisition related costs**

	<b>For the Year ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Deferred remuneration	0.4	2.5	1.1
Intangible asset amortisation	1.2	0.9	0.3
Staff costs and advisory fees	1.1	1.8	0.8
<b>Total</b>	<b>2.7</b>	<b>5.2</b>	<b>2.2</b>

Deferred remuneration was £0.4 million in the year ended 31 March 2017 and related to the Abode and Croydex acquisitions. In year ended 31 March 2016 deferred remuneration was £2.5 million and included the final charge relating to the Vado acquisition. In the year ended 31 March 2015 the £1.1 million was the second year charge relating to the Vado acquisition.

Intangible asset amortisation in the year ended 31 March 2015 was £0.3 million. This increased to £1.2 million in the year ended 31 March 2017 due to the acquisitions of Croydex and Abode in the year ended 31 March 2016.

Staff costs and advisory fees of £1.8 million in the year ended 31 March 2016 were higher than in other years due to the acquisitions of Croydex and Abode in that year.

### **Exceptional operating items**

	<b>For the Year ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Restructuring costs	2.3	—	0.3
Legal claim	—	(1.9)	0.3
Pension scheme settlement gain	—	(0.4)	(1.7)
Sheffield lease surrender	—	—	2.5
Loss on disposal of property portfolio	—	—	1.5
Profit on disposal of residual property	—	—	(0.4)
<b>Total</b>	<b>2.3</b>	<b>(2.3)</b>	<b>2.5</b>

For the year ended 31 March 2017, the Group had a total exceptional operating charge amounting to £2.3 million, which primarily related to a restructuring of the Group's UK tiles business in March 2017 to increase manufacturing flexibility and reduce inventory.

For the year ended 31 March 2016, the Group had a total exceptional operating credit amounting to £2.3 million, which primarily related to the settlement of a legal claim relating to the land at the Highgate site in Tunstall, UK, together with a further £0.4 million pension scheme settlement gain (see below).

For the year ended 31 March 2015, the Group had a total exceptional operating charge amounting to £2.5 million. This primarily reflected a £2.5 million charge for exiting an onerous lease in Sheffield, a £1.5 million loss on disposal of surplus property net of a £1.7 million credit arising from pension scheme liability management exercises.

### **Underlying EBITDA**

Underlying EBITDA can be reconciled as follows.

	<b>For the Year ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Operating profit from continuing operations	16.8	16.7	10.6
Adjusted for:			
– Depreciation	6.4	5.5	6.0
– IAS 19R administrative expenses	2.0	1.7	1.7
– Acquisition related costs	2.7	5.2	2.2
– Exceptional operating items	2.3	(2.3)	2.5
Underlying EBITDA	<b>30.2</b>	<b>26.8</b>	<b>23.0</b>

Underlying EBITDA increased by 12.6% to £30.2 million for the year ended 31 March 2017 compared to £26.8 million for the year ended 31 March 2016. Underlying EBITDA for the year ended 31 March 2016 increased by 16.5% compared to £23.0 million for the year ended 31 March 2015. Growth in underlying EBITDA during the periods under review was driven by the increases in underlying operating profit.

## **Net finance costs/(income)**

	<b>For the Year ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Interest payable on bank borrowings	0.9	0.9	1.2
Amortisation of costs of raising debt finance	0.2	0.2	0.1
Write-off of costs of raising debt finance of old facility	—	—	0.4
Unwind of discount on property lease provisions	—	—	0.1
Movement on fair value of derivative financial instruments	2.2	—	—
<b>Finance costs</b>	<b>3.3</b>	<b>1.1</b>	<b>1.8</b>
Movement on fair value of derivative financial instruments	—	(1.2)	(3.3)
IAS 19R finance cost	2.0	1.4	1.1
<b>Net finance costs/(income)</b>	<b>5.3</b>	<b>1.3</b>	<b>(0.4)</b>

During the period under review, bank interest payable has reduced primarily due to the reduction in interest margins. The amortisation of costs of raising debt finance has remained largely consistent except for an exceptional charge of £0.4 million in the year ended 31 March 2015 arising from the write-off of costs relating to the previous banking facility.

At each balance sheet date the Group's derivative financial instruments are marked to market, leading to a charge or credit arising from the change in the value of the derivative assets and liabilities. For the year ended 31 March 2017 there was a charge of £2.2 million, for the year ended 31 March 2016 a credit of £1.2 million, and for the year ended 31 March 2015 a credit of £3.3 million.

The IAS 19R finance cost has increased from £1.1 million in the year ended 31 March 2015 to £2.0 million in the year ended 31 March 2017 which is principally due to the increase in the Group's pension scheme liability over the period.

### **Taxation**

For the year ended 31 March 2017, the Group had a total tax charge amounting to £3.0 million, representing an effective tax rate of 26.1%.

For the year ended 31 March 2016, the Group had a total tax charge amounting to £2.4 million, representing an effective tax rate of 15.5%. A further restructuring of the financing of the Group's South African operations crystallised the remaining foreign exchange losses on historic intra-Group loans, which, whilst eliminated on consolidation, gave rise to a tax benefit in the UK which had not previously been recognised as a deferred tax asset. The effect of this was to reduce the tax charge in the year by £1.4 million. Adjusting for this, the tax rate would have been 24.6%, more in line with the prior year.

For the year ended 31 March 2015, the Group had a total tax charge amounting to £2.9 million, representing an effective tax rate of 26.4%.

### **Dividends**

The Group has increased its dividend per share from 5.6p in the year ended 31 March 2015 to 6.6p in the year ended 31 March 2016 and to 7.2p in the year ended 31 March 2017.

## 6. Liquidity and Capital Resources

### **Consolidated cash flow**

The following table summarises the principal components of the Group's consolidated cash flows for the periods indicated.

	<b>For the Year ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>Cash generated from operations</b>	<b>25.5</b>	<b>18.5</b>	<b>16.2</b>
Income taxes paid	(1.9)	(1.0)	(0.5)
Interest paid	(0.9)	(0.9)	(1.3)
<b>Net cash generated from operating activities</b>	<b>22.7</b>	<b>16.6</b>	<b>14.4</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment property	—	—	6.1
Proceeds from sale of property, plant and equipment	—	—	0.4
Purchase of investment property	—	—	(0.9)
Purchase of property, plant and equipment and intangible assets	(8.0)	(6.6)	(7.0)
Acquisition of subsidiary undertakings (including payment of deferred consideration) net of cash acquired	(2.7)	(23.6)	(0.5)
Disposal of subsidiary undertaking net of cash	—	—	3.8
<b>Net cash (used in)/generated from investing activities</b>	<b>(10.7)</b>	<b>(30.2)</b>	<b>1.9</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital	—	0.1	0.2
(Repayment)/drawdown of borrowings	(6.0)	17.0	(12.1)
Cost of raising debt finance	—	—	(0.7)
Dividends paid to the Company's shareholders	(4.2)	(3.6)	(3.1)
<b>Net cash (used in)/generated from financing activities</b>	<b>(10.2)</b>	<b>13.5</b>	<b>(15.7)</b>
<b>Net increase/(decrease) in cash at bank and in hand and bank overdrafts</b>	<b>1.8</b>	<b>(0.1)</b>	<b>0.6</b>
Cash at bank and in hand and bank overdrafts at the beginning of the year	<b>3.1</b>	4.2	3.7
Exchange movements on cash and bank overdrafts	<b>1.7</b>	(1.0)	(0.1)
<b>Cash at bank and in hand and bank overdrafts at the end of the year</b>	<b>6.6</b>	<b>3.1</b>	<b>4.2</b>

### **Net cash generated from operating activities**

Cash generated from operations in the year end 31 March 2017 was £7.0 million higher than the previous year at £25.5 million, largely due to higher underlying operating profit of £2.5 million and lower working capital outflows.

Cash generated from operating activities in the year end 31 March 2016 was £2.3 million higher than the previous year at £18.5 million, largely due to an increase in underlying operating profit of £4.3 million and higher cash in-flows from exceptional items net of higher working capital outflows.

For the years ended 31 March 2017, 2016 and 2015, net cash generated from operating activities was £22.7 million, £16.6 million and £14.4 million, respectively.

### **Net cash (used in)/generated from investing activities**

For the years ended 31 March 2017, 2016 and 2015, net cash (used in)/generated from investing activities was an outflow of £10.7 million, an outflow of £30.2 million and an inflow of £1.9 million, respectively.

In each year capital expenditure principally reflected continued investment in manufacturing equipment, new products, and new and upgraded Tile Africa stores.

Outflows relating to acquisitions were £23.6 million in the year ended 31 March 2016 mainly reflecting the purchase of Croydex (£19.3 million) and Abode (£3.1 million). Also included in acquisition outflows were payments of deferred consideration to the former shareholders of Vado, which, for the years ended 31 March 2017, 2016 and 2015, were £2.5 million, £1.2 million and £0.3 million, respectively.

In the year ended 31 March 2015 the Group sold its surplus investment property portfolio for a net cash inflow of £5.2 million (after the purchase of an investment property for £0.9 million) and also disposed of its Australian tiles business for £3.8 million.

***Net cash (used in)/generated from financing activities***

For the year ended 31 March 2017, net cash used in financing activities was £10.2 million, being repayment of borrowings of £6.0 million and dividends of £4.2 million.

For the year ended 31 March 2016, net cash generated from financing activities was £13.5 million, being drawdown of borrowings of £17.0 million, dividends of £3.6 million and proceeds from the issue of ordinary share capital of £0.1 million.

For the year ended 31 March 2015, net cash used in financing activities was £15.7 million, being repayment of borrowings of £12.1 million, dividends of £3.1 million, costs related to bank refinancing of £0.7 million and proceeds from the issue of ordinary share capital of £0.2 million.

**7. External financing arrangements**

During the three years under review the Group had in place an unsecured £70 million revolving credit facility plus a £30 million accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. This banking facility is due to mature in July 2019.

## PART VIII – OPERATING AND FINANCIAL REVIEW OF MERLYN

*You should read the discussion below in conjunction with Part XI of this document, the combined and consolidated historical financial information of the Merlyn Group (being Merlyn Industries Limited and Merlyn Industries U.K. Limited on a combined basis prior to 25 May 2015, and, thereafter, Merlyn Industries Limited and its subsidiaries and subsidiary undertakings) for the three years ended 31 March 2017. The historical financial information considered in this Part is extracted without material adjustment from the historical consolidated financial information set out in Part XI of this document incorporated by reference into this document.*

*Some of the information in the review set forth below and elsewhere in this document and in the information incorporated by reference into this document includes forward-looking statements that involve risks and uncertainties. The Merlyn's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".*

### 1. Overview

Merlyn designs, engineers, assembles and distributes high quality, premium, branded shower enclosures. The business has a multi-channel sales approach based on distinct brands for each channel in which Merlyn operates. The company supplies independent retailers, national and regional merchants, targeted specification contracts (housebuilders, hotels and leisure operators) and distributors. Merlyn's strategy has been to drive innovative new and updated products to increase differentiation from competitor products. This is achieved through in-house resource, complemented by external design support.

Merlyn was founded by Michael Hoyne in 2000, launching several ranges of mid to high end shower enclosures for the Independent Retail market in the UK and Ireland. The Vivid brand, specifically designed for distribution partners was launched in 2005 and The Series Collection was launched in 2009 for independent retailers. In 2010, Charlie Soden joined as CEO and the following year, Merlyn was appointed exclusive own brand supplier to Wolseley. The Ionic brand was launched for the merchant industry in 2013 and an exclusive shower enclosure, bath screens and trays contract with the UK's largest housebuilder Barratt Developments was awarded in the subsequent year. Broadlake Private Equity undertook an investment into Merlyn to become a minority shareholder in 2015. In 2016, the premium Arysto brand was launched.

Merlyn employs 58 staff at its headquarters in Kilkenny, Ireland, a 17-person sales team located in the UK and has a nine-person engineering and quality control team located in China. Third party logistics are based in Wexford, Ireland and West Bromwich, UK, with facilities of 30,000 sq.ft and 70,000 sq.ft respectively.

### 2. Significant Factors Affecting The Results of Merlyn's Operations

Merlyn's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

#### **Macroeconomic factors**

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

Current uncertainty around global economic growth and the future of the European Union ('EU') makes demand unpredictable and there is a risk of market conditions deteriorating. The uncertainty caused by the UK's vote to leave the EU and the resultant depreciation of Sterling has led to increased price pressures as a result. There continues to be uncertainty around how the decision to leave the EU will potentially impact Merlyn's operations and what the ramifications will be in the markets in which Merlyn carries on its business.

There are a number of factors that would limit the impact on Merlyn of a deterioration in market conditions such as a flexible cost base and supply chain, and the replacement cycle of a number of their key products.

### ***Competitive environment***

Merlyn's competitive environment has affected historical financial performance and is anticipated to be an important factor going forward. Historically, Merlyn has grown faster than many of its key competitors (e.g. Lakes, Simpsons and Matki) and has gained market share.

### ***Exchange rates***

There are a number of different foreign exchange dynamics in Merlyn's operations. For the year ended 31 March 2017, approximately 11% of sales were in Euro currency ('Euros') and the majority of cost of sales are paid in United States Dollars ('USD') to Chinese suppliers which is currently pegged to the Chinese Yuan ("Yuan").

There is therefore a risk that if the Yuan strengthens, that USD supplier costs could increase for Merlyn.

As a result of different currency denominations of revenue and costs, Merlyn has adopted hedging arrangements in which Sterling is sold in exchange for both USD and Euro on a monthly basis to help mitigate this risk.

### ***Consumer trends***

Consumer confidence and changing consumer trends continue to have a direct impact on Merlyn's performance. The company has a broad product offering covering the mid to higher value ranges of shower enclosures, bath screens and trays. This segment of the bathroom market has benefitted from strong market growth over the period as there has been a growth in consumer preferences for showers over baths. In addition, Merlyn has benefited from an ongoing premiumisation trend with consumers and fitters increasingly favouring higher value products and a growing emphasis on the bathroom within the home, leading to more frequent bathroom renovations.

Factors which have contributed to the strong market growth include increases in the number of UK households with second bathrooms, with showers often installed in second bathrooms. A proportion of the increase in penetration of showers can be attributed to first time installations in non-new build properties. Further, in new build properties, showers have been preferred due to their smaller area of footprint and are generally considered to be more energy and water efficient than baths.

### ***Customer rebate arrangements and margin management***

Customer rebate arrangements form an important part of Merlyn's commercial terms and conditions. The company recognises revenue net of rebates and VAT and its rebate policy has a significant impact on the results of operations and cash flows from operations. These rebate arrangements vary in complexity and enables the company to incentivise customers to increase their purchases of Merlyn's products.

Market acceptance of price increases is influenced by the level of recognition of cost increases affecting the industry as a whole, especially increases in the price of raw materials, energy and employment costs. Merlyn's management continually focuses on the need to implement pricing strategies to achieve effective and timely recovery of costs related to rising raw material prices and other input costs as an important aspect of its strategy. Merlyn's management communicates the importance of price management across the business and continue to implement price management initiatives.

### ***Seasonality***

Merlyn is subject to relatively consistent seasonal trends driven by repair, maintenance and improvement (RMI) activity and new building activity in both the public and private sectors. The supply chain can also be impacted by seasonal working capital in the business (e.g. a shutdown of production for Chinese New Year).

The busy trading period tends to be in the second half of the financial year (September – March). March and April sales can be impacted due to the timing of Easter, whilst Summer sales can be affected by major sporting events, such as the Olympics, Football World Cup and Football European Championships.

December is a low point in sales for Merlyn as most retailers tend to close for nearly two weeks over Christmas and consumers tend to reduce demand for DIY and bathroom refurbishment.

### 3. Basis of preparation

Please refer to the basis of preparation set out in paragraph 2 of Section B of Part XI (Historical Financial Information of the Merlyn Group).

### 4. Current trading

Merlyn is trading in line with the expectations of the management of the business for the six months ended 30 September 2017, with the revenue growth continuing to be driven by successful price increases, new product launches and growing market share.

### 5. Summary of Merlyn's results for the years ending 31 March 2015, 31 March 2016 and 31 March 2017

#### ***Combined and consolidated income statement***

The following table presents Merlyn's financial results for the financial years ended 31 March 2017, 2016 and 2015:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Revenue	30.7	26.4	21.4
<b>Operating profit</b>	<b>6.4</b>	<b>4.4</b>	<b>2.7</b>
Finance costs	(0.6)	(0.1)	—
Finance income	—	0.6	0.3
<b>Profit before taxation</b>	<b>5.8</b>	<b>4.9</b>	<b>3.0</b>
Taxation	(0.8)	(0.6)	(0.4)
<b>Profit for the year from continuing operations</b>	<b>5.0</b>	<b>4.3</b>	<b>2.6</b>

#### ***Revenue***

Revenue increased by 16.3% to £30.7 million for the year ended 31 March 2017 from £26.4 million for the year ended 31 March 2016 and by 23.4% over the £21.4 million for year ended 31 March 2015. The increase in each year was due to price increases implemented during the year, organic growth and new customer wins.

#### ***Operating profit***

Operating profit increased by 45.5% to £6.4 million for the year ended 31 March 2017 from £4.4 million for the year ended 31 March 2016 and by 63.0% from £2.7 million for year ended 31 March 2015. The year on year increases were primarily due to the growth in revenue noted above and improvements in operating margins.

#### ***Finance costs and income***

Finance costs were £0.6 million for the year ended 31 March 2017 which was due to negative movements on the fair value of derivative financial instruments. Finance costs of £0.1 million in the year ended 31 March 2016 related to bank interest payable.

Finance income for the year ended 31 March 2016 was £0.6 million and was due to positive movements on the fair value of derivative financial instruments. For the year ended 31 March 2015 finance income was £0.3 million and was also due to positive movements on the fair value of derivative financial instruments.

#### ***Taxation***

The effective rates of taxation for each of the years ended 31 March 2017, 2016 and 2015 were 13.8%, 12.2% and 13.3%, respectively and consequently were broadly consistent over the three year period. In absolute terms the tax charge increased over the three year period due to the increase in profit before taxation.

## 6. Liquidity and capital resources

### **Borrowings**

Merlyn had positive cash of £10.2 million as at 31 March 2017 and no borrowings.

### **Combined and consolidated cash flow**

The following table presents Merlyn's cash flows for the financial years ended 31 March 2017, 2016 and 2015:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>Cash generated from operations</b>	6.2	4.7	2.7
Income taxes paid	(1.0)	(0.5)	(0.2)
Interest paid	—	(0.1)	—
Net cash generated from operating activities	<u>5.2</u>	<u>4.1</u>	<u>2.5</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	(0.7)	(0.6)	(0.4)
Net cash used in investing activities	<u>(0.7)</u>	<u>(0.6)</u>	<u>(0.4)</u>
Cash flows from financing activities			
Distributions to owners	—	(1.6)	—
Net cash used in financing activities	<u>—</u>	<u>(1.6)</u>	<u>—</u>
Net increase in cash and cash equivalents	4.5	1.9	2.1
Cash and cash equivalents at the beginning of the year	5.4	3.3	1.4
Exchange movements on cash	0.3	0.2	(0.2)
Cash and cash equivalents at the end of the year	<u><u>10.2</u></u>	<u><u>5.4</u></u>	<u><u>3.3</u></u>

### **Net cash generated from operating activities**

Net cash generated from operating activities increased to £5.2 million in the year ended 31 March 2017 from £4.1 million in the year ended 31 March 2016 mainly as a result of £2.0 million higher operating profits, net of £0.5 million higher tax cash outflows and £0.3 million higher working capital outflows.

Net cash generated from operating activities increased to £4.1 million in the year ended 31 March 2016 from £2.5 million in the year ended 31 March 2015, which was mainly due to £1.7 million higher operating profits.

### **Net cash used in investing activities**

Net cash used in investing activities over the period related entirely to the purchase of property, plant and equipment and intangible assets and rose over the three year period commensurate with the increased development of the business.

### **Net Cash used in financing activities**

There was no cash used in financing activities in the year ended 31 March 2017 or year ended 31 March 2015. In the year ended 31 March 2016 there was a distribution to owners of £1.6 million following the acquisition of Merlyn UK by Merlyn in May 2015.

## PART IX – CAPITALISATION AND INDEBTEDNESS STATEMENT OF THE GROUP

The following table, sets out the capitalisation of the Group as at 31 March 2017 and the indebtedness of the Group as at 6 August 2017. The following tables do not reflect the impact of the Acquisition, Placing and Open Offer or the Refinancing of the Group's capitalisation and indebtedness. Please refer to Section A of Part XII (Unaudited Pro forma Financial Information of the Enlarged Group) for an analysis of the impact of the Acquisition, Placing and Open Offer or the Refinancing on the consolidated net assets of the Enlarged Group.

This Capitalisation and Indebtedness Statement has been prepared under IFRS using policies which are consistent with those used in preparing the Group's financial information for the year ended 31 March 2017 which have been incorporated by reference in Part X – Historical Financial Information Relating to the Group.

### Capitalisation

The capitalisation information has been extracted without material adjustment from the Group's audited consolidated financial statements for the year ended 31 March 2017 which have been incorporated by reference in Part X (Historical Financial Information of the Group) of this document.

	<b>As at 31 March 2017 (£ million)</b>
<b>Shareholders' Equity</b>	
Share Capital	6.1
Share Premium	1.1
<b>Total</b>	<b>7.2</b>

The reserves total above does not included Retained Earnings or the Translation Reserve.

There has been no material change in the Group's capitalisation since 31 March 2017.

### Indebtedness:

The following table, sets out the indebtedness of the Group as at 6 August 2017. This statement of indebtedness has been extracted without material adjustment from the Group's unaudited accounting records as at 6 August 2017.

	<b>As at 6 August 2017 (unaudited) (£ million)</b>
<b>Current Debt</b>	
Unguaranteed/Unsecured	18.2
<b>Total Current Debt</b>	<b>18.2</b>
<b>Non-Current Debt</b>	
Unguaranteed/Unsecured	42.8
<b>Total Non-Current Debt</b>	<b>42.8</b>
<b>Total Debt</b>	<b>61.0</b>

(1) The Group's debt is shown net of unamortised issue costs of £0.2 million.

(2) The Group has no secured debt.

(3) The Group has no guaranteed debt.

(4) The Group's unguaranteed/unsecured liabilities relate to bank overdrafts and loan drawdowns.

The following table shows the Group's net indebtedness as at 6 August 2017. This statement of indebtedness has been extracted without material adjustment from the Group's unaudited accounting records as at 6 August 2017.

	<b>As at 6 August 2017 (unaudited) (£ million)</b>
Cash	34.6
Total Liquidity	34.6
Current portion of non current debt	(18.2)
Current Financial Debt	(18.2)
Net Current Financial Indebtedness	16.4
Non current bank loans	(42.8)
Non Current Financial Indebtedness	(42.8)
Net Financial Indebtedness	(26.4)

Notes:

- (1) The Group has no indirect or contingent indebtedness as at 6 August 2017.
- (2) The Group's debt is shown net of unamortised issue costs of £0.2 million.
- (3) The Group has derivatives not reflected in the analysis above relating to forward foreign exchange contracts with a fair value as at 6 August 2017 of £0.6 million liability.

## PART X – HISTORICAL FINANCIAL INFORMATION RELATING TO THE GROUP

The following documents, all of which have been filed with the National Storage Mechanism or announced through a Regulatory Information Service, are incorporated in full into this document by reference:

<i>Information incorporated by reference</i>	<i>Page number in Annual Report</i>
Annual Report and Accounts of Norcros for the year ended 31 March 2017, including:	
Independent auditor's report	62
Consolidated income statement	68
Consolidated statement of comprehensive income	69
Consolidated balance sheet	70
Consolidated cash flow statement	71
Consolidated statement of changes in equity	72
Notes to the group accounts	73
Annual Report and Accounts of Norcros for the year ended 31 March 2016, including:	
Independent auditor's report	62
Consolidated income statement	68
Consolidated statement of comprehensive income	69
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Annual Report and Accounts of Norcros for the year ended 31 March 2015, including:	
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Norcros's auditors, PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW, who are members of the Institute of Chartered Accountants in England and Wales, audited the financial statements of Norcros for the three financial years ended 31 March 2015, 2016 and 2017. Norcros will provide without charge to each person to whom a copy of this document has been delivered, upon the written or oral request of such person, a copy of any documents incorporated by reference in this document, except that exhibits to such documents will not be provided unless they are specifically incorporated by reference into this document. Requests for copies of any such documents should be directed to:

Norcros  
Ladyfield House  
Station Road  
Wilmslow  
Cheshire  
SK9 1BU

## **PART XI – HISTORICAL FINANCIAL INFORMATION OF THE MERLYN GROUP**

### **Section A: Accountants' Report on the Historical Financial Information of the Merlyn Group**

The Directors  
Norcross plc (the “**Company**”)  
Ladyfield House  
Station Road  
Wilmslow  
Cheshire  
SK9 1BU

Numis Securities Limited (the “**Sponsor**”)  
The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

2 November 2017

Dear Sirs

#### **Merlyn Industries Limited**

We report on the combined and consolidated historical financial information of the Merlyn Group (being Merlyn Industries Limited and Merlyn Industries U.K. Limited on a combined basis prior to 25 May 2015, and, thereafter, Merlyn Industries Limited and its subsidiaries and subsidiary undertakings) for the three years ended 31 March 2017 set out in section B of Part XI below (the “Merlyn Financial Information Table”). The Merlyn Financial Information Table has been prepared for inclusion in the combined circular and prospectus dated 2 November 2017 (the “Investment Circular”) of Norcross plc (the “Company”) on the basis of the accounting policies set out in note 3 to the Merlyn Financial Information Table. This report is required by item 20.1 of Annex I to the PD Regulation and item 13.5.21R of the Listing Rules of the United Kingdom Listing Authority (the “Listing Rules”) and is given for the purpose of complying with these items and for no other purpose.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the Merlyn Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Merlyn Financial Information Table gives a true and fair view, for the purposes of the Investment Circular and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation and 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Investment Circular.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Merlyn Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance

that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Merlyn Financial Information Table gives, for the purposes of the Investment Circular dated 2 November 2017, a true and fair view of the state of affairs of the Merlyn Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Investment Circular and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

**Section B: Merlyn Financial Information Table**  
**COMBINED AND CONSOLIDATED INCOME STATEMENT**  
For the years ended 31 March 2015, 2016 and 2017

	Note	2015 £ million	2016 £ million	2017 £ million
Revenue	5	21.4	26.4	30.7
<b>Operating profit</b>	6	<b>2.7</b>	<b>4.4</b>	<b>6.4</b>
Finance costs	8	—	(0.1)	(0.6)
Finance income	8	0.3	0.6	—
<b>Profit before taxation</b>		<b>3.0</b>	<b>4.9</b>	<b>5.8</b>
Taxation	9	(0.4)	(0.6)	(0.8)
<b>Profit for the year from continuing operations</b>		<b>2.6</b>	<b>4.3</b>	<b>5.0</b>

## COMBINED AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 March 2015, 2016 and 2017

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Profit for the financial year	2.6	4.3	5.0
Other comprehensive income and expense: Items that may be subsequently reclassified to the Income Statement			
Foreign currency translation adjustments	(0.2)	0.7	0.8
<b>Total comprehensive income for the financial year</b>	<b>2.4</b>	<b>5.0</b>	<b>5.8</b>

There is no tax impact on any of the elements of the statement of comprehensive income except for that relating to the profit for the financial year.

## COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £ million	Invested capital £ million	Retained earnings £ million	Translation reserve £ million	Total £ million
<b>Balance at 1 April 2014</b>	—	5.2	—	—	5.2
Comprehensive income:					
Profit for the financial year	—	2.6	—	—	2.6
Other comprehensive expense:					
Foreign currency translation adjustments	—	(0.2)	—	—	(0.2)
<b>Balance at 31 March 2015</b>	—	7.6	—	—	7.6
Comprehensive income:					
Profit for the financial year	—	0.4	3.9	—	4.3
Other comprehensive income:					
Foreign exchange movements	—	—	—	0.7	0.7
Transactions with owners:					
Distribution to owners (note 18)	—	(1.6)	—	—	(1.6)
Changes in ownership interests (note 17)	—	(6.4)	6.6	(0.2)	—
Share based payment (note 17)	—	—	0.3	—	0.3
<b>Total transactions with owners</b>	—	(8.0)	6.9	(0.2)	(1.3)
<b>Balance at 31 March 2016</b>	—	—	10.8	0.5	11.3
Comprehensive income:					
Profit for the financial year	—	—	5.0	—	5.0
Other comprehensive income:					
Foreign exchange movements	—	—	—	0.8	0.8
<b>Total transactions with owners</b>	—	—	—	—	—
<b>Balance at 31 March 2017</b>	—	—	15.8	1.3	17.1

## COMBINED AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014, 2015, 2016 and 2017

	Note	2014 £ million	2015 £ million	2016 £ million	2017 £ million
<b>Non-current assets</b>					
Intangible assets	10	0.1	0.3	0.7	1.1
Property, plant and equipment	11	0.9	0.7	0.7	0.7
		<u>1.0</u>	<u>1.0</u>	<u>1.4</u>	<u>1.8</u>
<b>Current assets</b>					
Inventories	12	1.7	2.6	3.4	3.2
Trade and other receivables	13	3.9	5.5	6.2	8.1
Derivative financial instruments	23	—	0.4	0.7	0.2
Cash and cash equivalents	14	1.4	3.3	5.4	10.2
		<u>7.0</u>	<u>11.8</u>	<u>15.7</u>	<u>21.7</u>
<b>Current liabilities</b>					
Trade and other payables	15	(2.5)	(4.6)	(5.4)	(6.1)
Derivative financial instruments	23	(0.2)	(0.3)	—	(0.1)
Current tax liabilities		(0.1)	(0.2)	(0.3)	(0.1)
		<u>(2.8)</u>	<u>(5.1)</u>	<u>(5.7)</u>	<u>(6.3)</u>
<b>Net current assets</b>		<u>4.2</u>	<u>6.7</u>	<u>10.0</u>	<u>15.4</u>
Total assets less current liabilities		5.2	7.7	11.4	17.2
<b>Non-current liabilities</b>					
Deferred tax liabilities	16	—	(0.1)	(0.1)	(0.1)
<b>Net assets</b>		<u>5.2</u>	<u>7.6</u>	<u>11.3</u>	<u>17.1</u>
<b>Financed by:</b>					
Share capital	17	—	—	—	—
Invested capital		5.2	7.6	—	—
Retained earnings		—	—	10.8	15.8
Translation reserve		—	—	0.5	1.3
<b>Total equity</b>		<u>5.2</u>	<u>7.6</u>	<u>11.3</u>	<u>17.1</u>

## COMBINED AND CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 March 2015, 2016 and 2017

	Note	2015 £ million	2016 £ million	2017 £ million
<b>Cash flows from operating activities</b>				
Cash generated from operations	19	2.7	4.7	6.2
Income taxes paid		(0.2)	(0.5)	(1.0)
Interest paid		—	(0.1)	—
		<u>2.5</u>	<u>4.1</u>	<u>5.2</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment and intangible assets		(0.4)	(0.6)	(0.7)
		<u>(0.4)</u>	<u>(0.6)</u>	<u>(0.7)</u>
Net cash used in investing activities		(0.4)	(0.6)	(0.7)
<b>Cash flows from financing activities</b>				
Distributions to owners	18	—	(1.6)	—
		<u>—</u>	<u>(1.6)</u>	<u>—</u>
Net cash used in investing activities		—	(1.6)	—
		<u>2.1</u>	<u>1.9</u>	<u>4.5</u>
Net increase in cash and cash equivalents		2.1	1.9	4.5
Cash and cash equivalents at the beginning of the year		1.4	3.3	5.4
Exchange movements on cash		(0.2)	0.2	0.3
		<u>3.3</u>	<u>5.4</u>	<u>10.2</u>
Cash and cash equivalents at the end of the year	14	3.3	5.4	10.2

## NOTES TO THE COMBINED AND CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Merlyn was incorporated on 13 January 2000 in the Republic of Ireland as a private company limited by shares with company number 318543. The address of its registered office is Merlyn House, Purcellsinch Industrial Estate, Dublin Road, Kilkenny.

Merlyn UK was incorporated on 13 January 2000 in England and Wales as a private company limited by shares with registration number 3906029.

From the beginning of the period for which this combined and consolidated historical financial information has been prepared, and through to 25 May 2015, Merlyn and Merlyn UK did not constitute a separate legal group, however were both under common management and common control with the ultimate controlling party of both entities being the Hoyne family.

On 25 May 2015 Merlyn acquired 100 per cent. of the share capital of Merlyn UK (the "Reorganisation"), and following the Reorganisation, Merlyn UK become the sole subsidiary undertaking of Merlyn.

For the purposes of this combined and consolidated historical financial information, the "Merlyn Group" is defined as prior to 25 May 2015, Merlyn and Merlyn UK on a combined basis, and, thereafter, the consolidation of Merlyn with its sole subsidiary, Merlyn UK. The combined and consolidated historical financial information of the Merlyn Group has been prepared specifically for this Prospectus, and prior to the Reorganisation incorporates the financial information of Merlyn and Merlyn UK that has previously been reported on a standalone basis.

The principal activity of the Merlyn Group is the distribution of bathroom equipment.

### 2. BASIS OF PREPARATION

#### **Basis of preparation**

This combined and consolidated historical financial information presents the financial track record of the Merlyn Group for the three years ended 31 March 2017 and is prepared for the purposes of this document and in accordance with the requirements of the Prospectus Rules, the Listing Rules, this basis of preparation, and with those parts of the Companies Act 2006 as are applicable to companies reporting under IFRS.

This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applied by Norcros plc. References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU. The accounting policies applied and disclosed below are consistent with those used by Norcros in its annual financial statements for the year ended 31 March 2017 and these policies have been applied consistently to all periods presented.

This combined and consolidated historical financial information is prepared on a going concern basis in accordance with IFRS under the historical cost convention, as modified for the revaluation of certain financial instruments. The historical financial information is presented in millions of pounds sterling ("£ million") except when otherwise indicated.

As a result of the Reorganisation, the combined and consolidated historical financial information has been prepared on the basis as described below:

#### Year ended 31 March 2015

During the period the Merlyn Group did not constitute a separate legal group. The combined historical financial information for this period has been specifically prepared for this Prospectus and has been prepared by combining the results, assets and liabilities of both of Merlyn and Merlyn UK using the principles underlying the consolidation procedures of IFRS 10 'Consolidated Financial Statements' ("IFRS 10") for the year to 31 March 2015 and as at this date.

#### Year ended 31 March 2016

The historical financial information of the Merlyn Group during this period has been combined on the basis applied in the year ended 31 March 2015 up to the date of the Reorganisation on 25 May 2015 and has consolidated on the basis of IFRS 10 thereafter.

### Year ended 31 March 2017

This historical financial information presents the consolidated financial information of the Merlyn Group for the year ended 31 March 2017.

IFRS does not provide for the preparation of combined historical financial information and, accordingly, in preparing the combined historical financial information prior to the Reorganisation, certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 “Standards for Investment Reporting applicable to public reporting engagements on historical financial information” issued by the UK Auditing Practices Board have been applied as follows:

- The combined financial information has been prepared by using the Merlyn Group’s historical records to aggregate the results, assets and liabilities of both of the companies constituting the Merlyn Group and by applying the principles underlying the consolidation procedures of IFRS 10 for the periods up to the date of the Reorganisation; and
- Prior to the date of the Reorganisation, the Merlyn Group has not in the past constituted a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for this prior to the Reorganisation. As such, the net assets of the Merlyn Group prior to the date of the Reorganisation are represented by the cumulative investment in the Merlyn Group (shown as ‘Invested capital’).

The Merlyn Group’s deemed transition date to IFRS for the purpose of this combined and consolidated historical financial information is 1 April 2014, being the beginning of the first period presented, and the requirements of IFRS 1 ‘First-time Adoption of International Reporting Standards’ have been applied as of that date. Details of the transition to IFRS are provided in note 25.

The preparation of combined and consolidated historical financial information in conformity with IFRS requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise their judgement in the process of applying the Merlyn Group’s accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

### **Going concern**

The combined and consolidated historical financial information has been prepared on a going concern basis. The business of the Merlyn Group is planned to continue to operate in the same fashion after acquisition, meeting its funding requirements through existing cash reserves and facilities provided by Norcros.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of this combined and consolidated historical financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

### **Basis of consolidation**

#### *Subsidiaries*

Subsidiaries are all entities over which Merlyn has control. Merlyn controls an entity when it 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 are included in the combined and consolidated historical financial information on the basis described in the Basis of preparation.

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

### *Business combinations of entities under common control*

The purpose of the Reorganisation was to bring Merlyn UK under Merlyn to form a structure in which these entities are part of the same legal group, the Merlyn Group. Since both of the entities subject to the Reorganisation were ultimately controlled by the Hoyne family, both before and after the Reorganisation, the takeover within the context of the Reorganisation was a transaction among entities under common control. Therefore, predecessor values were used and no goodwill was recognised on this transaction.

### **Segmental reporting**

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the Merlyn Group, has been identified as the Board of Directors. The Merlyn Group's activities consist solely of the distribution of bathroom products, predominantly in the UK and Republic of Ireland, and consequently it is managed as one entity. For this reason management have determined that there is only one operating segment.

### **Foreign currency**

#### *Functional currency*

Items included in the historical financial information of each entity in the Merlyn 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 combined and consolidated historical financial information is presented in Sterling, which is the 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. The trading results of companies whose functional currency is not Sterling are translated at average rates for the year. Exchange gains and losses of a trading nature are dealt with in arriving at operating profit.

#### *Translation of net assets and results*

Exchange gains and losses arising on the retranslation of net assets and results of companies whose functional currency is not Sterling are taken directly to reserves.

### **Revenue recognition**

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

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

### **Customer rebates, incentives, discounts and promotional support**

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

### **Employee benefits**

The Merlyn Group provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of defined contribution pension plans).

#### *Short term employee benefits*

Short term employee benefits, including paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The Merlyn Group operates an annual bonus plan for employees.

An expense is recognised in the profit and loss account when the Merlyn Group has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### *Post-employment benefits – defined contribution plan*

The Merlyn Group operates defined contribution plans for certain employees. A defined contribution plan is a pension plan under which the Merlyn Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the Merlyn Group in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position.

#### *Share based payment*

The Merlyn Group has a performance share scheme for certain employees, whereby ordinary shares with restricted rights attaching have been awarded as compensation for employment services. The employees can ultimately benefit from an allocation of the proceeds of a sale of the “A” Ordinary shares, if and when this might happen. This scheme is accounted for as an equity settled share based payment scheme. As the benefit to employees is dependent on the sale of A ordinary shares, the charge in the profit and loss account is recognised when such an event becomes probable. On recognition the charge is included in employment costs, with a corresponding adjustment included in the Statement of Changes in Equity.

### **Taxation**

Current tax, which comprises Irish and UK 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 Statement of Financial Position 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 Statement of Financial Position and the corresponding tax bases used in the computation of taxable profits and is accounted for using the Statement of Financial Position 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.

### **Intangible assets**

#### *Development costs*

Development costs which meet the criteria for capitalisation (as explained below in the accounting policy for research and development costs) are valued at cost less accumulated amortisation, with amortisation being charged on a straight-line basis over 3 to 7 years.

#### *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 1 April 2014 (being the deemed date of transition to IFRS) less accumulated impairment losses. Any impairment is recognised in the period in which it is identified.

### **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.

### **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 Merlyn Group.

The estimated useful lives of Merlyn Group assets are as follows:

Buildings	25 years
Plant and equipment	3-5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each Statement of Financial Position date.

### **Finance costs**

Finance costs are recognised in profit or loss in the financial year in which they are incurred.

### **Operating leases**

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

### **Impairment of non-financial assets**

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

The value in use is calculated as the present value of the estimated future cash flows expected to result from the use of assets and their eventual disposal proceeds. In order to calculate the present value of estimated future cash flows the Merlyn 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.

### **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, and is net of rebates and discounts received or expected to be received from suppliers. 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.

### **Financial assets and liabilities**

#### *Derivative financial instruments*

The Merlyn Group's exposure to foreign exchange rate fluctuations is managed through the use of forward exchange contracts.

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

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Cash and cash equivalents are offset against overdrafts and borrowings only when there is a legally enforceable right to do so and there is a clear intention to undertake settlement of such overdrafts or borrowings held with the same counterparty within a short timeframe after the year end.

#### *Trade and other receivables*

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

#### *Trade and other 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 Statement of Financial Position date.

The carrying values less impairment provision of trade and other receivables and payables are assumed to approximate to their fair values due to their short-term nature.

#### **Share capital presented as equity**

Ordinary shares are classified as equity. Issued share capital is recorded in the Statement of Financial Position at nominal value with any premium at the date of issue being credited to the share premium account.

#### **Distributions to equity shareholders**

Dividend distributions to the Merlyn Group's shareholders are recognised as a liability in the Merlyn Group's combined and consolidated historical financial information in the period in which the dividends are approved by the Merlyn Group's shareholders, or when paid if earlier.

## New standards and amendments to standards or interpretations not yet effective

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

<b>Standard or interpretation</b>	<b>Content</b>	<b>Applicable for financial years beginning on or after</b>
Amendment to IAS 7	Statement of cash flows	1 January 2017
Amendment to IAS 12	Income taxes	1 January 2017
IFRS 9	Financial instruments: classification and measurement	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
Amendment to IFRS 2	Share-based payments	1 January 2018
Amendment to IAS 40	Investment properties	1 January 2018
Annual improvements 2014-2016	Various	1 January 2018
IFRS 16	Leases	1 January 2019

The above standards and interpretations have not yet been endorsed by the European Union with the exception of IFRS 9 and IFRS 15.

Under IFRS 16 the present distinction between operating and finance leases will be removed, resulting in all leases being recognised on the statement of financial position except for those with a very low value. At inception, a right-of-use asset will be derecognised together with an equivalent liability reflecting the discounted lease payments over the estimated term of the lease. Whilst the overall cost of using the asset over the lease term should be the same, it is likely that the weighting of the charge between periods may differ due to the requirement to distinguish between the lease and non-lease elements of the agreement. At the time of preparing this financial information, the Merlyn Group is in the process of assessing the possible impact of the adoption of IFRS 16, though it is likely to result in an increase in gross assets and gross liabilities in future periods.

At the time of preparing this financial information, the Merlyn Group is in the process of assessing the possible impact of the adoption of IFRS 15 and IFRS 9.

Other than for IFRS 15, IFRS 9 and IFRS 16, none of these standards or interpretations are expected to have a material impact on the Merlyn Group.

## 4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Critical estimates have been made in the following areas:

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually and are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. This assessment requires judgement which can impact the carrying value of property, plant and equipment (see note 11);

(ii) Development costs

Significant judgement is required in identifying product development costs which are appropriate for capitalisation as well as in determining the useful lives of the intangible assets which arise. Had different assumptions been applied this could have resulted in amortisation charges differing from those actually recognised as well as impacting the carrying value of intangible assets (see note 10); and

(iii) Customer rebate, incentive and promotional support accruals

A number of the Merlyn Group's customers are offered rebates, incentives and promotional support in order to encourage trade and cement strong relationships. Accounting for such arrangements involves judgment as agreement periods typically run for a number of months or years, and may involve assumptions around volumes of product purchased or sold into the future. However, where applicable, accrual calculations are underpinned by signed contracts and there has historically been a strong correlation between the amounts accrued in respect of a particular period and the amounts subsequently paid.

## 5 SEGMENTAL INFORMATION

As explained in note 3, the Merlyn Group's activities comprise a single operating segment.

### Revenue

The analysis of revenue by geographical market was as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
United Kingdom	17.7	22.7	26.4
Republic of Ireland	3.3	3.5	4.1
Rest of Europe	0.4	0.2	0.2
	<u>21.4</u>	<u>26.4</u>	<u>30.7</u>

### Major customers

Revenues derived from one major customer in 2017, one major customer in 2016 and one major customer in 2015 that individually accounted for more than 10 per cent. of total revenue. The revenue attributable to that customer was £4.6 million in 2017, £3.6 million in 2016 and £2.3 million in 2015.

## 6 OPERATING PROFIT

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

### Costs by function

	2015 £ million	2016 £ million	2017 £ million
Cost of sales	11.0	14.1	15.6
Administrative expenses	4.9	4.8	4.8
Distribution costs	2.8	3.1	3.9

### Costs by nature

	2015 £ million	2016 £ million	2017 £ million
Staff costs (see note 7)	4.4	4.5	4.5
Depreciation of property, plant and equipment	0.3	0.2	0.3
Amortisation of intangible assets	0.1	0.1	0.1
Inventory recognised as an expense	9.6	12.1	13.6
Impairment of inventory	0.1	0.2	—
Research and development costs	0.2	0.1	—
Operating lease rentals payable (plant and equipment)	0.2	0.2	0.2
Share based payments	—	0.3	—

## 7 EMPLOYEES AND DIRECTORS

### (i) Employees

The average number of persons employed by the Merlyn Group, including executive directors, during the year is analysed below:-

	2015 no.	2016 no.	2017 no.
Administration	44	59	58
Selling and distribution	18	20	20
	62	79	78

The Merlyn Group employment costs for all employees, including executive directors, comprise:-

	2015 £ million	2016 £ million	2017 £ million
Wages and salaries	3.6	3.6	3.8
Social welfare costs	0.6	0.4	0.4
Defined contribution pension costs	0.1	0.1	0.1
Other employee benefits	0.1	0.1	0.2
Share based payments	—	0.3	—
	4.4	4.5	4.5

(ii) Directors

	2015 £ million	2016 £ million	2017 £ million
Emoluments	0.4	0.6	0.4
Share based payment	—	0.2	—
Contributions to defined contribution scheme	0.1	—	0.1
	<u>0.5</u>	<u>0.8</u>	<u>0.5</u>

Retirement benefits are accruing to one director in 2017, one director in 2016 and three directors in 2015 under a defined contribution scheme.

(iii) Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2015 £ million	2016 £ million	2017 £ million
Key management compensation	1.1	1.7	1.5

8 FINANCE INCOME AND COSTS

	2015 £ million	2016 £ million	2017 £ million
<b>Finance costs</b>			
Bank interest payable	—	0.1	—
Movement on fair value of derivative financial instruments	—	—	0.6
	<u>—</u>	<u>0.1</u>	<u>0.6</u>
<b>Finance income</b>			
Movement on fair value of derivative financial instruments	(0.3)	(0.6)	—
Net finance (income)/costs	<u>(0.3)</u>	<u>(0.5)</u>	<u>0.6</u>

9 TAXATION

a) Tax expense included in the Income Statement comprises:

	2015 £ million	2016 £ million	2017 £ million
Current tax	0.3	0.6	0.8
Deferred tax	0.1	—	—
Total tax charge	<u>0.4</u>	<u>0.6</u>	<u>0.8</u>

(b) Reconciliation of tax expense

The weighted average applicable tax rates for each year, based on the geographical mix of the Merlyn Group's profits, were as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Weighted average applicable tax rate	13.2%	13.1%	13.0%

There was no difference between the tax charge on the Merlyn Group's profit before tax and the theoretical amount that would arise using the weighted average applicable tax rate as shown below:

	<u>2015</u> <u>£ million</u>	<u>2016</u> <u>£ million</u>	<u>2017</u> <u>£ million</u>
Profit before taxation	3.0	4.9	5.8
Profit on ordinary activities multiplied by the weighted average applicable tax rate	0.4	0.6	0.8
Effects of:			
Expenses not deductible for tax purposes	—	—	0.1
Research and development tax credit	—	—	(0.1)
Tax charge for period	<u>0.4</u>	<u>0.6</u>	<u>0.8</u>

## 10 INTANGIBLE ASSETS

	<u>Goodwill</u> <u>£ million</u>	<u>Development costs</u> <u>£ million</u>	<u>Total</u> <u>£ million</u>
At 1 April 2014	0.3	—	0.3
Additions	—	0.3	0.3
<b>At 31 March 2015</b>	<u>0.3</u>	<u>0.3</u>	<u>0.6</u>
<b>Accumulated amortisation</b>			
At 1 April 2014	0.2	—	0.2
Charge for the year	—	0.1	0.1
<b>At 31 March 2015</b>	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>
<b>Net book value</b>			
At 31 March 2014	<u>0.1</u>	<u>—</u>	<u>0.1</u>
At 31 March 2015	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>

	<b>Goodwill £ million</b>	<b>Development costs £ million</b>	<b>Total £ million</b>
At 1 April 2015	0.3	0.3	0.6
Exchange difference	—	0.1	0.1
Additions	—	0.4	0.4
<b>At 31 March 2016</b>	<b>0.3</b>	<b>0.8</b>	<b>1.1</b>
<b>Accumulated amortisation</b>			
At 1 April 2015	0.2	0.1	0.3
Charge for the year	—	0.1	0.1
<b>At 31 March 2016</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>
<b>Net book value</b>			
At 31 March 2015	0.1	0.2	0.3
At 31 March 2016	0.1	0.6	0.7
	<b>Goodwill £ million</b>	<b>Development costs £ million</b>	<b>Total £ million</b>
At 1 April 2016	0.3	0.8	1.1
Additions	—	0.5	0.5
<b>At 31 March 2017</b>	<b>0.3</b>	<b>1.3</b>	<b>1.6</b>
<b>Accumulated amortisation</b>			
At 1 April 2016	0.2	0.2	0.4
Charge for the period	—	0.1	0.1
<b>At 31 March 2017</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>
<b>Net book value</b>			
At 31 March 2016	0.1	0.6	0.7
At 31 March 2017	0.1	1.0	1.1

The goodwill relates to the trade and assets of Jerpoint China Sourcing Limited which were acquired by the Merlyn Group in 2011.

## 11 PROPERTY, PLANT AND EQUIPMENT

	Buildings £ million	Plant and equipment £ million	Total £ million
At 1 April 2014	0.6	1.7	2.3
Exchange differences	(0.1)	(0.2)	(0.3)
Additions	—	0.2	0.2
<b>At 31 March 2015</b>	<b>0.5</b>	<b>1.7</b>	<b>2.2</b>
<b>Accumulated depreciation</b>			
At 1 April 2014	0.2	1.2	1.4
Exchange differences	—	(0.2)	(0.2)
Charge for the year	—	0.3	0.3
<b>At 31 March 2015</b>	<b>0.2</b>	<b>1.3</b>	<b>1.5</b>
<b>Net book value</b>			
At 31 March 2014	0.4	0.5	0.9
At 31 March 2015	0.3	0.4	0.7
	Buildings £ million	Plant and equipment £ million	Total £ million
At 1 April 2015	0.5	1.7	2.2
Exchange differences	—	0.1	0.1
Additions	—	0.2	0.2
Disposals	—	(0.1)	(0.1)
<b>At 31 March 2016</b>	<b>0.5</b>	<b>1.9</b>	<b>2.4</b>
<b>Accumulated depreciation</b>			
At 1 April 2015	0.2	1.3	1.5
Exchange differences	—	0.1	0.1
Charge for the year	—	0.2	0.2
Disposals	—	(0.1)	(0.1)
<b>At 31 March 2016</b>	<b>0.2</b>	<b>1.5</b>	<b>1.7</b>
<b>Net book value</b>			
At 31 March 2015	0.3	0.4	0.7
At 31 March 2016	0.3	0.4	0.7

	Buildings £ million	Plant and equipment £ million	Total £ million
At 1 April 2016	0.5	1.9	2.4
Exchange differences	0.1	—	0.1
Additions	—	0.2	0.2
Disposals	—	(0.9)	(0.9)
<b>At 31 March 2017</b>	<b>0.6</b>	<b>1.2</b>	<b>1.8</b>
<b>Accumulated depreciation</b>			
At 1 April 2016	0.2	1.5	1.7
Charge for the year	0.1	0.2	0.3
Disposals	—	(0.9)	(0.9)
<b>At 31 March 2017</b>	<b>0.3</b>	<b>0.8</b>	<b>1.1</b>
<b>Net book value</b>			
At 31 March 2016	0.3	0.4	0.7
At 31 March 2017	0.3	0.4	0.7

Plant and equipment includes office equipment, fixtures, fittings, motor vehicles and plant and machinery. There were no assets held under finance leases in any year.

## 12 INVENTORIES

	2015 £ million	2016 £ million	2017 £ million
Finished goods	2.9	3.8	3.7
Inventory provisions	(0.3)	(0.4)	(0.5)
	2.6	3.4	3.2

## 13 TRADE AND OTHER RECEIVABLES

	2015 £ million	2016 £ million	2017 £ million
Trade receivables	5.2	5.8	7.4
Less: provision for impairment of trade receivables	(0.2)	(0.2)	(0.2)
Trade receivables – net	5.0	5.6	7.2
Prepayments and accrued income	0.5	0.6	0.8
Corporation tax	—	—	0.1
	5.5	6.2	8.1

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

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Sterling	4.4	4.9	6.5
Euro	1.1	1.3	1.6
	<u>5.5</u>	<u>6.2</u>	<u>8.1</u>

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
At the beginning of the year	0.3	0.2	0.2
Receivables written off during the year as uncollectable	(0.1)	—	—
At the end of the year	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>

The creation and release of the provision for impairment of trade receivables has been included within administration costs in the Income Statement. Amounts charged to this provision are generally written off when there is no expectation of recovering additional cash.

The individually impaired receivables were impaired at 100% of their gross value in each year. The ageing of the receivables was as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Less than three months	0.1	0.1	0.1
Greater than three months	0.1	0.1	0.1
	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>

The ageing analysis of unimpaired receivables was as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Not due	4.8	3.7	7.2
Overdue by up to one month	0.2	1.9	—
Trade receivables – net	<u>5.0</u>	<u>5.6</u>	<u>7.2</u>

The amounts overdue relate to a number of independent customers for whom there is no recent history of default and consequently no further material provision is required for impairment of receivables. Trade receivable credit exposure is controlled by credit limits that are set and reviewed by operational management on a regular basis. The Merlyn Group also maintains a credit insurance policy which limits its exposure to credit risk.

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

## 14 CASH AND CASH EQUIVALENTS

	2015 £ million	2016 £ million	2017 £ million
Cash at bank and in hand	3.3	5.4	10.2

Credit risk on cash and cash equivalents is limited as the counterparties are banks with strong credit ratings assigned by international credit rating agencies. Cash and cash equivalents earn interest at floating rates.

The carrying value of cash and cash equivalents is denominated in the following currencies:

	2015 £ million	2016 £ million	2017 £ million
Sterling	2.3	3.9	9.0
US Dollar	0.2	1.1	1.0
Euro	0.8	0.4	0.2
	3.3	5.4	10.2

## 15 TRADE AND OTHER PAYABLES

	2015 £ million	2016 £ million	2017 £ million
Trade payables	1.7	1.9	2.0
Other tax and social security payables	0.5	0.6	0.6
Accruals and deferred income	2.4	2.9	3.5
	4.6	5.4	6.1

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

## 16 DEFERRED TAX

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

The main rate of UK corporation tax will reduce to 19 per cent. from 1 April 2017 and to 17 per cent. from 1 April 2020, with the latter amendment being substantively enacted on 6 September 2016. Consequently, the deferred tax liability at 31 March 2017 reflects these rate changes. The main rate of corporation tax in the Republic of Ireland is 12.5 per cent.

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

	2015 £ million	2016 £ million	2017 £ million
Opening balance	—	0.1	0.1
Charge for year	0.1	—	—
Closing balance	0.1	0.1	0.1

The analysis of the deferred tax liability is as follows:

	2015 £ million	2016 £ million	2017 £ million
Timing differences	0.1	0.1	0.1

The deferred tax liability principally relates to timing differences between the tax and accounting bases of property, plant and equipment and intangible assets.

	2015 £ million	2016 £ million	2017 £ million
To be recovered after more than twelve months	0.1	0.1	0.1
To be recovered within twelve months	—	—	—
	0.1	0.1	0.1

There are no unrecognised deferred tax assets.

## 17 CALLED UP SHARE CAPITAL

<b>Issued and fully paid</b>	2015 €	2016 €	2017 €
“A” ordinary shares of €1.267938 each	51	36	36
“C” ordinary shares of €1 each	40	—	—
“D” ordinary shares of €1 each	35	35	35
“E” ordinary shares of €1 each	75	—	—
“F” ordinary shares of €1 each	110	70	70
“G” ordinary share of €1 each	1	1	1
“H” ordinary shares of €1.269738 each	25	18	18
“I” ordinary shares of €1.269738 each	25	18	18
“J” ordinary shares of €1.269738 each	25	18	18
“K” ordinary shares of €1.2697389 each	—	38	38
“L” ordinary shares of €1 each	—	48	48
	387	282	282

<b>Number of shares in issue</b>	2015 no.	2016 no.	2017 no.
“A” ordinary shares of €1.267938 each	40	28	28
“C” ordinary shares of €1 each	40	—	—
“D” ordinary shares of €1 each	35	35	35
“E” ordinary shares of €1 each	75	—	—
“F” ordinary shares of €1 each	110	70	70
“G” ordinary share of €1 each	1	1	1
“H” ordinary shares of €1.269738 each	20	14	14
“I” ordinary shares of €1.269738 each	20	14	14
“J” ordinary shares of €1.269738 each	20	14	14
“K” ordinary shares of €1.2697389 each	—	30	30
“L” ordinary shares of €1 each	—	48	48
	361	254	254

The “A” ordinary shares carry an entitlement to receive notice of, attend and vote at any general meeting of the Company. Holders of “A” ordinary shares are entitled to receive dividends, and, in the event of a winding up, to receive any surplus assets of the Company following the repayment of the amounts fully paid up in respect of all of the classes of ordinary shares.

The holder of the “G” ordinary share is not entitled to receive notice of or attend any general meeting of Merlyn and has no voting rights and is not entitled to receive dividends. The “G” ordinary shareholder shall rank in priority to a return of paid up capital to all other shareholders, but shall not be entitled to any further right to participate in profits or assets. The “G” ordinary share confers the right to determine the composition of the board of directors without the consent of any other person.

The “H”, “I”, “J” and “K” ordinary shares rank *pari passu* with the ‘A’ ordinary shares in all respects.

The “C”, “D”, “E”, “F” and “L” ordinary shares were issued under the terms of Merlyn’s performance share scheme. The “C” and “E” ordinary shares were subsequently redeemed. The holders of the “D”, “F” and “L” ordinary shares are not entitled to receive notice of or attend any general meeting of Merlyn and have no voting rights. The holders of the “D”, “F” and “L” ordinary shares shall not be entitled to any payment of dividend on any class of shares in Merlyn. The holders of the “D”, “F” and “L” ordinary shares shall have the right on the winding up of Merlyn to repayment of the capital paid up thereon, but shall not be entitled to any further right to participate in profits or assets.

If any holder of “D” or “F” ordinary shares ceases to be employed by Merlyn for any reason including death he shall be deemed to offer his shares for sale at the par value to Merlyn. In the event that Merlyn does not purchase the shares within 30 days of such cessation of employment, then the holder of such shares whose employment has ceased, or his personal representatives shall be deemed to offer his shares for sale at nominal (par) value to the holders of the ‘A’ ordinary shares in the capital of Merlyn (*pro rata* to their respective shareholding).

The holders of the “D”, “F” and “L” ordinary shares benefit from a ratchet arrangement based on the increase in the value of the Merlyn between the value of Merlyn as at 31 March 2003 or at date of issue of the relevant shares and the value achieved in a sale of Merlyn, subject to such value achieved being in excess of a specified amount.

### **Change in ownership interests**

Merlyn acquired Merlyn UK for consideration of £1.6 million on 25 May 2015 and as a result of the combined presentation method, this has been presented as a reduction in “Invested capital” as a Distribution to owners within the Statement of Changes in Equity.

The presentation of the historical financial information of the Merlyn Group has departed from full compliance with IFRS in relation to the treatment of the Business Combination that occurred on 25 May 2015. Consequently, the Merlyn Group has presented combined and consolidated historical financial information in relation to the year ended 31 May 2016. The key effects of this in relation to retained earnings are as follows:

#### **(i) Restructuring**

An adjustment similar to that required by IFRS 3 ‘Business combination’ in relation to the elimination of pre-Reorganisation reserves provides the bridge between the reserves of the Merlyn Group before and after the Reorganisation, as explained below:

	<b>£ million</b>
Pre-Reorganisation retained earnings as at 1 April 2015	7.6
Pre-Reorganisation earnings accumulated in period to 25 May 2015	0.4
Distribution to owners	(1.6)
<b>Total pre-Reorganisation reserves</b>	<b>6.4</b>
Share capital as at 1 April 2015	—
<b>Pre-Reorganisation net assets</b>	<b>6.4</b>

(ii) **Income statement**

As a result of the use of the combined presentation the Merlyn Group have presented an Income statement for a year which includes the earnings of the underlying trading business for the full year. Under IFRS the earnings of a business acquired during the reporting period would ordinarily only be included in the income statement of the Merlyn Group from the date of acquisition.

**Share based payment**

During the year ended 31 March 2016 a change in ownership of an element of the “A” ordinary shares triggered a buy out of the rights attaching to a portion of the “D” and “F” ordinary shares. As these shares were awarded to employees under a performance share scheme the value has been accounted for as a share based payment. The value of £0.3 million has been included in the comparative disclosures of key management compensation and directors’ remuneration as appropriate. As there was no cash cost to Merlyn, the corresponding credit entry is recorded in the Statement of Changes in Equity.

**18 ACQUISITION OF MERLYN UK**

On 25 May 2015, Merlyn acquired 100% of the share capital of Merlyn UK for consideration of £1.6 million. The predecessor values of the assets and liabilities acquired were as follows:

	<u>£ million</u>
Trade and other receivables	5.2
Cash and cash equivalents	1.9
Trade and other payables	(5.5)
<b>Net assets acquired</b>	<u><u>1.6</u></u>

The consideration of £1.6 million was equal to the net assets acquired and was paid in cash and has been disclosed as a distribution to owners in the combined and consolidated cash flow statement.

The full year results of Merlyn UK have been included in the combined and consolidated Income Statement for the years ending 31 March 2015, 31 March 2016 and 31 March 2017.

**19 CONSOLIDATED CASH FLOW STATEMENT**

The analysis of cash generated from operations is given below:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>£ million</u>	<u>£ million</u>	<u>£ million</u>
<b>Profit before taxation</b>	3.0	4.9	5.8
Finance costs	—	0.1	0.6
Finance income	(0.3)	(0.6)	—
Amortisation of intangible assets	0.1	0.1	0.1
Depreciation of property, plant and equipment	0.3	0.2	0.3
Share based payments	—	0.3	—
<b>Operating cash flows before movement in working capital</b>	<u>3.1</u>	<u>5.0</u>	<u>6.8</u>
Changes in working capital:			
– (Increase)/decrease in inventories	(0.9)	(0.5)	0.4
– (Increase)/decrease in debtors	(1.7)	(0.4)	(1.4)
– Increase/(decrease) in creditors	2.2	0.6	0.4
<b>Cash generated from operations</b>	<u><u>2.7</u></u>	<u><u>4.7</u></u>	<u><u>6.2</u></u>

Analysis of movement in net funds:

	<u>£ million</u>
At 1 April 2014	1.4
Cash flow	2.1
Exchange movement	(0.2)
	<hr/>
At 31 March 2015	3.3
Cash flow	1.9
Exchange movement	0.2
	<hr/>
At 31 March 2016	5.4
Cash flow	4.5
Exchange movement	0.3
	<hr/>
<b>At 31 March 2017</b>	<b>10.2</b>
	<hr/> <hr/>

## 20 DEFINED CONTRIBUTION PENSION SCHEMES

The group operates defined contribution schemes for its employees in the UK and Republic of Ireland. The contributions made to these schemes amounted to £0.1 million in each of the years ended 31 March 2015, 2016 and 2017.

## 21 INVOICE DISCOUNTING FACILITY

The Merlyn Group has an invoice discounting facility with AIB Commercial Finance Limited, which is currently not used. The fund balance with AIB Commercial Finance Limited, which at 31 March 2017 was £0.7 million, at 31 March 2016 was £1.2 million and at 31 March 2015 was £2.4 million, is included within cash and cash equivalents.

## 22 CAPITAL AND OTHER FINANCIAL COMMITMENTS

The Group had no capital commitments in place as at 31 March 2015, 2016 and 2017.

The group's total commitments under operating leases were as follows:

	<u>2015</u> <u>£ million</u>	<u>2016</u> <u>£ million</u>	<u>2017</u> <u>£ million</u>
Expiring:			
Not later than one year	0.2	0.2	0.2
Later than one year and not later than five years	0.2	0.2	0.4
Later than five years	0.3	0.2	0.2
	<hr/>	<hr/>	<hr/>
	0.7	0.6	0.8
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The above operating lease commitments are analysed as:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Plant and equipment:			
Not later than one year	0.1	0.1	0.1
Later than one year and not later than five years	0.1	0.1	0.1
Later than five years	—	—	—
	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Land and buildings:			
Not later than one year	0.1	0.1	0.1
Later than one year and not later than five years	0.1	0.1	0.3
Later than five years	0.3	0.2	0.2
	<u>0.5</u>	<u>0.4</u>	<u>0.6</u>
Total	<u>0.7</u>	<u>0.6</u>	<u>0.8</u>

## 23 FINANCIAL INSTRUMENTS

### Capital risk management

The Merlyn Group considers its capital and reserves attributable to equity shareholders to be the Merlyn Group's capital. The Merlyn Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. In order to maintain or adjust capital the Merlyn Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with other companies of a similar size and in the same industry, the Merlyn Group monitors net funds, being the aggregate of cash and cash equivalents and borrowings. An analysis of the movement in net funds is provided in note 19.

### Financial risk management

The Merlyn Group's operations expose it to a variety of financial risks: market risk (including currency risk); credit risk; and liquidity risk. Given the fact that the Merlyn Group is in a net funds position, fluctuations in interest rates are not considered to be a significant financial risk. The Merlyn Group actively seeks to limit the adverse effects of these risks on the financial performance of the Merlyn Group.

#### *Currency risk*

The Merlyn Group is exposed to foreign exchange risk arising from various currencies, primarily the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Merlyn Group seeks to hedge its transactional foreign exchange risk through the use of forward exchange contracts and similar hedging instruments. The hedging policy of the Merlyn Group is to cover 100% of its foreign currency requirements which are expected to occur in the following six months, and 50% of transactions which are forecast to occur between six to twelve months.

#### *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. The Merlyn Group is responsible for managing and analysing the credit risk of potential customers prior to offering credit terms and uses independent ratings agencies, past trading experience and other factors in order to assess the credit quality of the customer. Additionally, the Merlyn

Group maintains a credit insurance policy for all its operations which covers a substantial portion of the Merlyn Group's trade debtors. For banks and financial institutions only independently rated parties with a strong rating are accepted.

#### *Liquidity risk*

The Merlyn Group's banking facilities are designed to ensure there are sufficient funds available for current operations and the Merlyn Group's further development plans. Cash flow forecasting is performed on a rolling basis to ensure that sufficient cash is available to meet operational needs.

#### *Financial instruments*

The Merlyn Group's financial instruments comprise cash and cash equivalents, trade receivables and payables and forward exchange contracts. Based on the hierarchy defined in IFRS 7, the Merlyn 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).

#### *Fair values*

The fair value of the Merlyn Group's financial instruments approximates closely with their carrying values and are set out in the table below:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b><i>Financial assets</i></b>			
<i>Current</i>			
Trade and other receivables	5.5	6.2	8.1
Cash and cash equivalents	3.3	5.4	10.2
Derivative financial instruments	0.4	0.7	0.2
	<u>9.2</u>	<u>12.3</u>	<u>18.5</u>
	<u><u>9.2</u></u>	<u><u>12.3</u></u>	<u><u>18.5</u></u>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b><i>Financial liabilities</i></b>			
<i>Current</i>			
Trade and other payables	4.6	5.4	6.1
Derivative financial instruments	0.3	—	0.1
	<u>4.9</u>	<u>5.4</u>	<u>6.2</u>
	<u><u>4.9</u></u>	<u><u>5.4</u></u>	<u><u>6.2</u></u>

The classification of the Merlyn Group's financial assets and liabilities as defined by IAS 39 is deemed to be as follows:

#### **Classification in the statement of financial position**

Trade and other receivables  
Cash and cash equivalents  
Derivative financial instruments

Trade and other payables

#### **Classification under IAS 39**

Loans and receivables  
Loans and receivables  
Financial assets or liabilities at fair value through profit or loss designated as such upon initial recognition  
Financial liabilities measured at amortised cost

#### *Forward foreign exchange contracts*

Derivative financial instruments represent the Merlyn Group's forward foreign exchange contracts. The assets representing the valuations of the forward foreign exchange contracts are as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Forward foreign exchange contracts:			
Financial asset – current	0.4	0.7	0.2
Financial liability – current	(0.3)	—	(0.1)
	<u>0.1</u>	<u>0.7</u>	<u>0.1</u>

The notional principal amounts of outstanding forward foreign exchange contracts are as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Euro (€ million)	5.4	4.6	4.1
US Dollar (\$ million)	6.1	10.4	12.0

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

#### *Sensitivity analysis*

IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Merlyn Group's profit and loss and equity of reasonably possible fluctuations in market rates. To demonstrate this, the analysis below has been prepared by reperforming the calculations used to determine the valuations of derivative financial instruments in the Statement of Financial Position, assuming a 5% strengthening of Sterling relative to the Euro and the US Dollar at each balance sheet date.

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Increase in finance costs	0.4	0.1	0.1

## **24 RELATED PARTY DISCLOSURES**

### **Control**

The Merlyn Group, as defined in the Basis of preparation, has been under the control of the Hoyne family throughout the period of the combined and consolidated historical financial information, by virtue of their controlling interest in the share capital of Merlyn and, prior to the Reorganisation, Merlyn UK.

### **Compensation of key management personnel**

Key management personnel comprises the directors and certain senior managers of the Merlyn Group. Details of their remuneration is provided in note 7. Three members of the Hoyne family work for the Merlyn Group, with two of them included within the disclosed compensation of key management personnel. The remaining member is not deemed senior management and is remunerated in line with market rates.

### **Subsidiary**

Merlyn's sole subsidiary, Merlyn UK, was incorporated in the United Kingdom on 13 January 2000 with company number 3906029. The address of its registered office is Artemis House, 4 Bramley Road, Milton Keynes, MK1 1PT.

There are no other related party balances or transactions requiring disclosure.

## 25 EXPLANATION OF TRANSITION TO IFRS

This is the first time the Merlyn Group has presented financial information under IFRS. The Merlyn Group's deemed transition date to IFRS for the purpose of this combined and consolidated historical financial information is 1 April 2014, being the beginning of the first period presented, and the requirements of IFRS 1 'First-time Adoption of International Reporting Standards' have been applied as of that date.

IFRS 1 allows certain exemptions in the application of particular IFRS to prior periods in order to assist companies with the transition process. Following a review of these exemptions it has been concluded that the Group has taken advantage of the exemption not to adopt retrospective application of IFRS 3 'Business combinations' to historic acquisitions prior to the date of transition to IFRS.

As the Merlyn Group did not constitute a separate legal group at the date of transition, the Merlyn Group has not previously prepared or reported any combined or consolidated financial information in accordance with any other generally accepted accounting principles ('GAAP') as at 1 April 2014. Consequently, it is not possible to provide IFRS 1 reconciliations between financial information prepared under any previous GAAP and the financial information prepared in accordance with IFRS included in this combined financial information.

For the year ended 31 March 2017 the Merlyn Group has prepared consolidated financial statements under Financial Reporting Standard 102 ('The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102")). As the transition to IFRS had no impact on equity and total comprehensive income as previously reported, the reconciliations required by IFRS 1 have not been presented.

## 26 SUBSEQUENT EVENTS

### **Crystallisation of share based payments charge and management bonuses**

Certain directors and employees holding the "D", "F" and "L" ordinary shares would be entitled to a share of the consideration paid by the purchaser on a successful sale of the Merlyn Group, which would be adjusted in accordance with a ratchet arrangement. Further details on the "D", "F" and "L" ordinary shares are provided in note 17. Additionally, certain members of senior management would be entitled to an exit bonus payable by Merlyn Group on a successful sale of the Merlyn Group.

As at 31 March 2017, the directors determined that the sale of the Merlyn Group was not probable as activities concerning the identification of a buyer for the Merlyn Group were not at a sufficiently advanced stage. As a result of this, no share based payment charge or exit bonus was recognised in the Income Statement for the year ended 31 March 2017.

Subsequent to the year end, the likelihood of the Merlyn Group being sold has increased such that the directors consider that it is probable that a share based payment charge of approximately £5.7 million and a management exit bonus charge of £0.5 million will be recognised in the year to 31 March 2018.

In addition a transaction related payment of £1.7 million will be made to management by way of either bonus payment or dividend which will also be recognised in the year to 31 March 2018.

## PART XII – UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE ENLARGED GROUP

### Section A: Accountant’s Report on the Unaudited Pro Forma Financial Information

The Directors  
Norcros plc (the “**Company**”)  
Ladyfield House  
Station Road  
Wilmslow  
Cheshire  
SK9 1BU

Numis Securities Limited (the “**Sponsor**”)  
The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

2 November 2017

Dear Sirs

#### **Norcros plc (the “Company”)**

We report on the *pro forma* financial information (the “Pro Forma Financial Information”) set out in section B of Part XII of the Company’s combined prospectus and Circular dated 2 November 2017 (the “Investment Circular”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed acquisition of Merlyn Industries Limited, the refinancing, the Placing and Open Offer and firm placing might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 March 2017. This report is required by item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules of the UK Listing Authority (the “Listing Rules”) and is given for the purpose of complying with that PD Regulation and Listing Rule and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation and item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Investment Circular.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source

documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Investment Circular and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

## **Section B: Unaudited Pro Forma Financial Information**

The unaudited *pro forma* net assets statement below has been prepared on the basis set out in the notes below to illustrate the effect of the refinancing, Placing and Open Offer, firm placing and the Acquisition on the consolidated net assets of the Group as at 31 March 2017 as if they had taken place on 31 March 2017.

The unaudited *pro forma* income statement below has been prepared on the basis set out in the notes below to illustrate the effect of the refinancing, Placing and Open Offer, firm placing and the Acquisition on the consolidated income statement of the Group for the year ended 31 March 2017 as if they had taken place at the beginning of that financial year.

The unaudited *pro forma* income statement and unaudited *pro forma* net assets statement (together the “Unaudited Pro Forma Financial Information”) have been prepared in a manner consistent with the accounting policies adopted by the Group for the year ended 31 March 2017 and in accordance with Annex II of the Prospectus Directive Regulation.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation. It does not purport to represent what the Group’s financial position or results of operations actually would have been if the refinancing, Placing and Opening Offer, firm placing and/or Acquisition had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or financial position at any future date. It does not reflect the results of any purchase price allocation exercise as this will be conducted following the Acquisition. The adjustments in the Unaudited Pro Forma Financial Information are expected to have a continuing impact on the Group, unless otherwise stated.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of Section 434 of the Act. Shareholders should read the whole of this Prospectus and not rely solely on the summarised financial information contained in this Part XII. PricewaterhouseCoopers LLP’s report on the Unaudited Pro Forma Financial Information is set out in Section A of this Part XII.

## Income statement

	Norcros 31 March 2017 £m	Merlyn Group 31 March 2017 £m	Refinancing £m	Acquisition adjustments £m	Total £m
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	
<b>Revenue</b>	<b>271.2</b>	<b>30.7</b>	—	—	<b>301.9</b>
Underlying operating profit	23.8	6.4	—	—	30.2
IAS 19R administration expenses	(2.0)	—	—	—	(2.0)
Acquisition related costs	(2.7)	—	—	(1.9)	(4.6)
Exceptional operating items	(2.3)	—	—	—	(2.3)
Operating profit	<b>16.8</b>	<b>6.4</b>	—	<b>(1.9)</b>	<b>21.3</b>
Finance costs	(3.3)	(0.6)	(1.4)	—	(5.3)
IAS 19R finance cost	(2.0)	—	—	—	(2.0)
<b>Profit before taxation</b>	<b>11.5</b>	<b>5.8</b>	<b>(1.4)</b>	<b>(1.9)</b>	<b>14.0</b>
Taxation	(3.0)	(0.8)	0.3	—	(3.5)
<b>Profit for the year</b>	<b>8.5</b>	<b>5.0</b>	<b>(1.1)</b>	<b>(1.9)</b>	<b>10.5</b>

### Note 1

The financial information relating to Norcros has been extracted without material adjustment from the consolidated audited financial statements of Norcros for the year ended 31 March 2017 which were published on 14 June 2017 and incorporated by reference into Part X (*Historical Financial Information Relating to the Group*) this document.

### Note 2

The financial information relating to the Merlyn Group has been extracted without material adjustment from the consolidated statement of comprehensive income of Merlyn for the year ended 31 March 2017 as set out in section B of Part XI (*Historical Financial Information of the Merlyn Group*) of this document.

### Note 3

The *pro forma* adjustment relates to the additional finance costs in connection with the amendment and restatement of the existing revolving credit facility.

This *pro forma* adjustment calculated as follows:

Estimated additional interest charge arising from the additional drawdown on the Amended RCF	(1.0) million
Estimated additional amortisation of costs associated with the amendment and restatement of the existing revolving credit facility	(0.2) million
Write off of the unamortised costs relating to the existing revolving credit facility	(0.2) million
<i>Total</i>	(1.4) million
Estimated tax impact of these adjustments based on a tax rate of 19 per cent	
<i>Pro forma finance cost adjustment</i>	0.3 million
	(1.1) million

Due to the amendment and restatement of the RCF the unamortised costs of £0.2 million relating to the RCF will be expensed.

### Note 4

As a result of the Acquisition it is expected that £1.9 million of transaction fees will be incurred. There is expected to be no tax impact of the transaction fees.

Following the Acquisition, as set out in note 5 above, the Group will perform an exercise to allocate the purchase price to the identified assets and liabilities, which will include any identified intangible assets subject to amortisation. The related annual amortisation charge of those assets will result in a reduction to operating profit and earnings per share in future periods. As this fair value exercise has not yet been undertaken, no account has been taken in the *pro forma* of any additional amortisation charges that may arise following the Acquisition.

*Note 5*

In preparing the unaudited *pro forma* income statement no account has been taken of the trading or other transactions of the Merlyn Group or the Group since 31 March 2017.

**Net assets statement**

	Norcros 31 March 2017 £m	Merlyn Group 31 March 2017 £m	Placing and Open Offer and Firm placing £m	Refinancing £m	Acquisition adjustments £m	Total £m
	<i>Note 6</i>	<i>Note 7</i>	<i>Note 8</i>	<i>Note 9</i>	<i>Note 10</i>	
<b>Non-current assets</b>						
Goodwill	31.1	—	—	—	51.7	82.8
Intangible assets	13.7	1.1	—	—	—	14.8
Property, plant and equipment	43.0	0.7	—	—	—	43.7
Deferred tax	11.0	—	—	—	—	11.0
	<b>98.8</b>	<b>1.8</b>	<b>—</b>	<b>—</b>	<b>51.7</b>	<b>152.3</b>
<b>Current assets</b>						
Inventories	70.3	3.2	—	—	—	73.5
Trade and other receivables	56.8	8.1	—	—	—	64.9
Derivative financial instruments	0.7	0.2	—	—	—	0.9
Cash and cash equivalents	37.5	10.2	29.9	40.8	(70.7)	47.7
	<b>165.3</b>	<b>21.7</b>	<b>29.9</b>	<b>40.8</b>	<b>(70.7)</b>	<b>187.0</b>
<b>Current liabilities</b>						
Trade and other payables	(72.0)	(6.1)	—	—	—	(78.1)
Derivative financial instruments	(0.8)	(0.1)	—	—	—	(0.9)
Current tax liabilities	(2.0)	(0.1)	—	—	—	(2.1)
Financial liabilities – borrowings	(30.9)	—	—	—	—	(30.9)
	<b>(105.7)</b>	<b>(6.3)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(112.0)</b>
<b>Net current assets</b>	<b>59.6</b>	<b>15.4</b>	<b>29.9</b>	<b>40.8</b>	<b>(70.7)</b>	<b>75.0</b>
<b>Total assets less current liabilities</b>	<b>158.4</b>	<b>17.2</b>	<b>29.9</b>	<b>40.8</b>	<b>(19.0)</b>	<b>227.3</b>
<b>Non-current liabilities</b>						
Financial liabilities – borrowings	(29.8)	—	—	(41.0)	—	(70.8)
Pension scheme liability	(62.7)	—	—	—	—	(62.7)
Other non-current liabilities	(3.6)	—	—	—	—	(3.6)
Provisions	(5.7)	(0.1)	—	—	—	(5.8)
	<b>(101.8)</b>	<b>(0.1)</b>	<b>—</b>	<b>(41.0)</b>	<b>—</b>	<b>(142.9)</b>
<b>Net assets</b>	<b>56.6</b>	<b>17.1</b>	<b>29.9</b>	<b>(0.2)</b>	<b>(19.0)</b>	<b>84.4</b>

*Note 6*

The financial information relating to Norcros has been extracted without material adjustment from the consolidated audited financial statements of Norcros for the year ended 31 March 2017 which were published on 14 June 2017 and incorporated by reference into Part X (*Historical Financial Information Relating to the Group*) of this document.

*Note 7*

The financial information relating to the Merlyn Group has been extracted without material adjustment from the consolidated statement of financial position of Merlyn as at 31 March 2017 as set out in section B of Part XI (*Historical Financial Information of the Merlyn Group*) of this document.

*Note 8*

The adjustment to cash represents the net proceeds from the Placing and Open Offer and Firm Placing, being gross proceeds of the capital raise of £31.4 million net of transaction costs associated with the capital raising of £1.5 million.

#### Note 9

This adjustment to cash and non-current borrowings represents the additional drawdown on the amended and restated revolving credit facility (the "Amended RCF") of £41.8 million which, together with the proceeds of the Placing and Open Offer and Firm Placing, will fund the acquisition of the Merlyn Group.

The increase in cash of £40.8 million is net of £0.6 million costs associated with the amendment and restatement of the existing revolving credit facility which will be capitalised and shown net of the non-current borrowings. As the existing revolving credit facility has been amended and restated, the unamortised costs relating to the cost of raising the existing revolving credit facility will be written off and expensed. The balance of these unamortised costs as at 31 March 2017 was £0.2 million.

The *pro forma* adjustment to cash is calculated as follows:

Drawdown of the Amended RCF	41.4 million
Less: Costs associated with the amendment and restatement of the existing revolving credit facility	(0.6) million
Pro forma adjustment	40.8 million

The *pro forma* adjustment to the non-current borrowings is calculated as follows:

Drawdown of the Amended RCF	(41.4) million
Less: Capitalisation of costs associated with the amendment and restatement of the existing revolving credit facility	0.6 million
Add: Unamortised costs relating to the existing revolving credit facility to be written off	(0.2) million
Pro forma adjustment	(41.0) million

#### Note 10

The Group will account for the Acquisition under IFRS by applying the purchase method. Under this method the cost of the Acquisition is the aggregate of the fair values, at the Acquisition date, of the assets and liabilities acquired. The identifiable assets and liabilities of the Acquisition will be measured initially at fair value at the Acquisition date. The excess of the cost of the Acquisition over the net fair value of the identifiable assets and liabilities is recognised as goodwill. A fair value exercise to allocate the purchase price will be completed following completion of the Acquisition; therefore, no account has been taken in the *pro forma* of any fair value adjustments that may arise on the Acquisition.

As a result of the Acquisition, the following *pro forma* adjustments to goodwill and cash have been made:

The *pro forma* adjustment to goodwill is calculated as follows:

Enterprise value	60.0 million
Add: financial net funds	8.8 million
<b>Cash consideration</b>	68.8 million
Less: Merlyn Group net assets	(17.1) million
Pro forma adjustment to goodwill	51.7 million

The *pro forma* adjustment to cash is calculated as follows:

Cash consideration	68.8 million
Transaction fees associated with the acquisition	1.9 million
Pro forma adjustment to cash	70.7 million

#### Note 11

In preparing the unaudited *pro forma* net assets statement no account has been taken of the trading or other transactions of the Merlyn Group or the Group since 31 March 2017.

## PART XIII – TAXATION

The following statements are by way of a general guide to potential investors in the New Ordinary Shares and Shareholders only, are not exhaustive and do not constitute tax advice. Potential investors and Shareholders are therefore advised to consult their professional advisers concerning possible taxation or other consequences of subscribing for, purchasing, holding, selling or redeeming Ordinary Shares under the laws of their country of incorporation, establishment, citizenship, residence and/or domicile or any other form of presence for tax purposes.

Potential investors and Shareholders should note that the following statements on taxation are based on advice received by the Directors regarding the law and practice in force in the UK at the date of this document. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Company will endure.

If you are in any doubt about your tax position, or if you may be subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

Shareholders should note that the statements below are based on the Company's understanding of current legislation, regulations and HM Revenue and Customs (**HMRC**) published practice (which may not be binding on HMRC) as at the date of this document, both of which are subject to change, possibly with retrospective effect. They summarise the position of Shareholders who (unless the position of non-resident Shareholders is expressly referred to) are resident and, in the case of an individual, domiciled in the UK for tax purposes and to whom "split year" treatment does not apply, who are the absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares directly and as an investment.

The discussion below addresses UK tax only, and does not address all possible tax consequences relating to an investment in Ordinary Shares. Certain categories of Shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs or exemptions, those connected with the Company or Group and those for whom the Ordinary Shares are employment related securities may be subject to special rules and this summary does not apply to such Shareholders. It also does not cover the position of Shareholders who hold their Ordinary Shares via an Individual Savings Account ("ISA") or a self-invested personal pension plan ("SIPP").

### **Dividends**

No UK tax will be withheld by the Company when it pays a dividend.

#### *UK tax resident and domiciled individual Shareholders*

A UK resident and domiciled (or deemed domiciled) individual Shareholder who receives a cash dividend from the Company will pay no tax on the first £5,000 in aggregate of dividend income he/she receives in a year (the Nil Rate Amount). The Nil Rate Amount is expected to reduce to £2,000 from the 2018/19 tax year if Finance Bill 2017-2019 is enacted in its current form. For dividends received in excess of the Nil Rate Amount the rates of income tax are: 7.5 per cent. for dividends taxed in the basic rate band, 32.5 per cent. for dividends taxed in the higher rate band, and 38.1 per cent. for dividends taxed in the additional rate band (2017/18).

Dividend income falling within the Nil Rate Amount still counts towards an individual Shareholder's basic or higher rate limit, and will therefore impact on the level of savings allowance to which he/she is entitled, and the rate of tax applicable to any dividend income above the Nil Rate Amount. In calculating into which tax band any dividend income over the Nil Rate Amount falls, savings and dividend income are treated as the top slice of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

#### *UK tax resident corporate Shareholders*

Shareholders who are within the charge to corporation tax which are "small companies" for the purposes of the UK taxation of dividends legislation will generally not be subject to UK corporation tax on any dividends received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate shareholder (which is not a "small company" for the purposes of the UK taxation of dividends legislation) will be liable to UK corporation tax on dividends paid by the Company (currently at a rate of 19 per cent. from 1 April 2017, and reducing to 17 per cent. from

1 April 2020), unless the dividend falls within one of the exempt classes. Examples of exempt classes include dividends paid on shares that are non-redeemable ordinary shares and dividends paid to a person holding less than 10% of the issued share capital of the Company (or any class of that share capital in respect of which the distribution is made) and who would be entitled to less than 10% of the profits or assets of the Company available for distribution. However, the exemptions are not comprehensive and are subject to anti-avoidance rules. Each Shareholder's position will depend on its own individual circumstances.

#### *Non-UK tax resident Shareholders*

Non-UK resident individual Shareholders who receive a dividend from the Company are treated as having paid UK income tax on their dividend income at the dividend ordinary rate (7.5 per cent.). Such income tax will not be repayable to a non-UK resident individual Shareholder. A non-UK resident Shareholder is not generally subject to further UK tax on dividend receipts.

Non-UK resident Shareholders may be subject to foreign taxation on dividend income under their local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

### **Taxation of Chargeable Gains**

#### *Open Offer*

As a matter of UK law, the Open Offer may not, strictly speaking, be a reorganisation of the share capital of the Company for the purposes of the UK taxation of chargeable gains. Although HMRC's published practice to date has been to treat an acquisition of shares by an existing shareholder up to his pro-rata entitlement pursuant to the terms of an open offer as a reorganisation notwithstanding the strict legal analysis, we understand that HMRC may not apply this practice in circumstances where an open offer is not made to all Shareholders. Consequently, as this Open Offer is not made to all Shareholders, the capital gains tax treatment is not free from doubt.

If the Open Offer is treated as a reorganisation, to the extent that a Shareholder takes up all or part of his entitlement under the Open Offer, he would not be treated as making a disposal of all or part of his holding of Existing Ordinary Shares. Instead, his Existing Ordinary Shares and his New Ordinary Shares issued pursuant to the Open Offer would generally be treated as a single asset (a **New Holding**), acquired at the time he is deemed to have acquired his Existing Ordinary Shares. In these circumstances, the issue of New Ordinary Shares will not result in UK taxation of chargeable gains. For the purpose of computing any capital gain or loss on a subsequent disposal by a Shareholder of any shares comprised in his New Holding, the subscription amount paid for the New Ordinary Shares issued pursuant to the Open Offer will be added to the base cost of his Existing Ordinary Shares.

If, or to the extent that, the issue of New Ordinary Shares by the Company to Shareholders under the terms of the Open Offer is not treated as a reorganisation of the Company's share capital for the purposes of UK taxation of chargeable gains, or to the extent any Shareholder acquires shares in excess of his *pro rata* entitlement such New Ordinary Shares will be treated as acquired as part of a separate acquisition. In these circumstances the issue of New Ordinary Shares will not result in UK taxation of chargeable gains. Subject to specific rules for acquisitions within specified periods either side of disposal, the Existing Ordinary Shares and the New Ordinary Shares issued pursuant to the Open Offer will be treated as the same asset, the base cost of which will be the aggregate of the subscription amount paid for the New Ordinary Shares and the base cost of the Existing Ordinary Shares. For the purposes of calculating the indexation allowance (only in the case of corporate shareholders) on a subsequent disposal of Ordinary Shares, the amount paid will generally be taken into account only from the time that the payment was made.

In the event that the shares are offered at a discount, shareholders may be regarded as having a part-disposal of their existing shareholding when they take up shares under the open offer.

#### *Disposals of New Ordinary Shares*

A disposal (or deemed disposal) of New Ordinary Shares by a Shareholder who is resident in the UK may, subject to the Shareholder's circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

#### *UK tax resident individuals*

For a UK resident individual within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the

purposes of capital gains tax. The rate of capital gains tax on disposal of shares is 10 per cent. (2017/18) for individuals who are subject to income tax at the basic rate or 20 per cent. (2017/2018) for individuals who are subject to income tax at the higher or additional rates. Trustees and personal representatives pay UK capital gains tax at 20 per cent. (2017/18). An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £11,300) for the year to 5 April 2018 without being liable to UK capital gains tax. The same annual exempt amount applies to executors and personal representatives of deceased persons and certain trustees for disabled persons, a lower annual exempt amount (£5,650 in 2017/18) applies to other trustees.

#### *UK tax resident corporate Shareholders*

For UK resident corporate Shareholders within the charge to UK corporation tax on chargeable gains, a disposal (or deemed disposal) of New Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent. with effect from 1 April 2017, and reducing to 17 per cent. from 1 April 2020) or an allowable loss for the purposes of UK corporation tax. Indexation allowance may be available to reduce the amount of chargeable gain realised on a disposal (or deemed disposal) of New Ordinary Shares by increasing the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index (but indexation allowance cannot create or increase any allowable loss).

#### *Non-UK tax resident Shareholders*

A Shareholder who is not UK tax resident will not be subject to UK tax on a gain arising on a disposal of New Ordinary Shares unless (i) the Shareholder carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and, broadly, holds the New Ordinary Shares for the purposes of the trade, profession, vocation, branch, agency or (in the case of a non-UK resident corporate Shareholder) a permanent establishment to which the New Ordinary Shares are attributable; or (ii) the Shareholder falls within the anti-avoidance rules applying to individuals who are temporarily not resident or ordinarily resident in the UK; or (iii) in the case of non-UK resident individual Shareholders who have previously been resident or ordinarily resident in the United Kingdom, they re-establish residence in the United Kingdom within certain time limits.

A non-UK resident Shareholder may also be subject to taxation on capital gains under local law, in their country or jurisdiction of residence and/or citizenship and should seek their own tax advice under local laws.

### **Inheritance Tax**

The New Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder, or the death of an individual Shareholder, may give rise to a liability to UK inheritance tax depending upon the Shareholder's circumstances and subject to any available exemption or relief. A transfer of New Ordinary Shares at less than market value may be treated for inheritance tax purposes as a gift of the New Ordinary Shares. Special rules apply to close companies (as to which, see below) and to trustees of certain settlements who hold New Ordinary Shares and such rules may bring them within the charge to inheritance tax. The inheritance tax rules are complex and Shareholders should consult an appropriate professional adviser in any case where those rules may be relevant, particularly in (but not limited to) cases where Shareholders intend to make a gift of New Ordinary Shares, to transfer New Ordinary Shares at less than market value or to hold New Ordinary Shares through a company or trust arrangement.

### **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

No UK stamp duty or SDRT will be payable by Shareholders on the issue of New Ordinary Shares by the Company. In the case of shares issued to a clearance service or depositary receipt system, this is as a result of case law which has been accepted by HMRC.

Any subsequent conveyance or transfer on sale of New Ordinary Shares will usually be subject to UK stamp duty, at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the amount or value of the consideration paid subject to an exemption where the amount or value of the consideration for the transfer does not exceed £1,000 and it is certified on the instrument of transfer that the transfer does not form part of a larger transaction, or series of transactions, where the aggregate consideration exceeds £1,000. Stamp duty is normally paid by the purchaser.

A charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration paid by the purchaser in money or money's worth will arise in relation to an unconditional agreement to transfer New Ordinary Shares. SDRT is normally the liability of the purchaser. However, if within six years of the date of the agreement (or, if the agreement was conditional, the date on which the agreement became unconditional) a share transfer is executed pursuant to the agreement and is duly stamped (or certified as exempt), the stamping of the transfer will normally cancel the SDRT liability. Any SDRT already paid will generally be refunded.

A transfer of New Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT, rather than UK stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration paid. Euroclear UK & Ireland Limited ("**Euroclear**") will collect SDRT from the purchaser on relevant transactions settled through CREST and will account for the SDRT to HMRC.

There will be no UK stamp duty or SDRT on a transfer of New Ordinary Shares into or out of CREST where such a transfer is made for no consideration in money or money's worth.

UK domestic law provides that where existing shares in the Company are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services, or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, UK stamp duty or SDRT may be payable, broadly, at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, 1.5 per cent. of the market value of the shares (rounded up to the nearest multiple of £5 in the case of stamp duty).

Except in relation to clearance services that have made and maintained an election under section 97A(1) of the Finance Act 1986 (to which the special rules outlined below apply), no UK stamp duty or SDRT is payable in respect of subsequent transfers of the shares within clearance services of depositary receipt systems.

There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service provider has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of existing shares in the Company into such an account and on subsequent agreements to transfer such shares within such account.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service provider or the depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service provider or the depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

## **PART XIV – PERSONS RESPONSIBLE, DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE**

### **1 Responsibility**

The Company and the Directors (whose names appear on page 35 of this document) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **2 Directors and senior management**

#### ***Non-Executive Directors***

*Martin Towers, Chairman (aged 65)*

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

*David McKeith, Non-Executive Director (aged 65)*

David was appointed as a Non-Executive Director in July 2013. David is Senior Independent Director and Chairman of the Audit Committee. David was a senior partner of the Manchester and Liverpool offices of PricewaterhouseCoopers LLP and served on its UK supervisory board. David was until August 2016 a non-executive director and audit committee chairman of Sportech plc, and is the chairman of the Halle Orchestra, Manchester. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

*Joanna Hallas, Non-Executive Director (aged 47)*

Jo was appointed as a Non-Executive Director in September 2012. Jo also serves as Chairman of the Remuneration Committee. She is a business group director for Spectris plc with responsibility for the in-line instrumentation and industrial controls segments. Prior to that Jo was general manager of the Invensys Residential Controls business and she has held a number of senior management positions with Bosch and Procter & Gamble both in the UK and overseas. Jo is a Chartered Engineer.

#### **Executive directors**

*Nicholas Kelsall, Group Chief Executive (aged 60)*

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

*Shaun Smith, Group Finance Director (aged 56)*

Shaun was appointed as Group Finance Director in April 2016. Shaun has most recently held the position of group finance director and treasurer at AGA Rangemaster Group plc (formerly Glynwed International Plc) until its takeover in 2015. He began his career in retail management and corporate treasury at Marks and Spencer plc before joining Glynwed International Plc in 1989. Shaun is a qualified Corporate Treasurer and has an economics degree. He is also a non-executive director of Air Partner plc.

### **3 Corporate Governance**

The Company complies with the UK Corporate Governance Code published by the Financial Reporting Council in September 2014 (the “**UK Corporate Governance Code**”) to the extent applicable to “smaller companies” (being those outside the FTSE 350). The Directors support high standards of corporate governance.

The UK Corporate Governance Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The UK Corporate Governance Code recommends, except for “smaller companies”, that at least half the

board of directors of a UK listed company (excluding the chairman) should comprise 'independent' non-executive directors being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Company's board of directors currently comprises three executive directors (including the group chief executive) and 3 non-executive directors (including the chairman). The Company regards Martin Towers, David McKeith and Joanna Hallas as independent non-executive directors, within the meaning of "independent" as defined in the UK Corporate Governance Code.

The UK Corporate Governance Code recommends that the board should appoint one of its independent non-executive directors to be the senior independent director. The senior independent director should be available to shareholders if they have concerns that the normal channels of chairman, chief executive officer or other executive directors have failed to resolve or for which such channel of communication is inappropriate. The Company's Senior Independent Director is David McKeith.

#### **4 Audit and Risk, Remuneration and Nomination Committees**

As envisaged by the UK Corporate Governance Code, the board has established Audit, Remuneration and Nominations Committees. The UK Corporate Governance Code requires that the Audit Committee and Remuneration Committee should each have at least three independent non-executive directors and that the Nominations Committee should have at least three directors, a majority of which should be independent non-executive directors.

##### ***Audit Committee***

*Current Members:* David McKeith, Martin Towers and Joanna Hallas

The Audit Committee is comprised of the three independent non-executive directors, and is chaired by David McKeith. The Audit Committee normally meets at least three times a year at the appropriate times in the reporting and audit cycle and the external auditor, the Group Chief Executive, the Group Finance Director, the Company Secretary and the Group Financial Controller are invited to attend committee meetings on a regular basis. The committee has responsibility for, amongst other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's Auditors in that process, together with providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group, reviewing and approving various formal reporting requirements and promoting a risk awareness culture within the Group.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, as mentioned above, together with requirements of any quorum for and the right to attend meetings. The duties of the Audit Committee covered in the terms of reference are: financial reporting, narrative reporting, internal controls and risk management systems, compliance, whistleblowing and fraud, internal audit, external audit, reporting responsibilities and other matters. The terms of reference also set out the authority of the committee to carry out its duties.

##### ***Remuneration Committee***

*Current Members:* Joanna Hallas, Martin Towers and David McKeith

The Remuneration Committee is comprised of the three independent non-executive directors, and is chaired by Joanna Hallas. The Remuneration Committee, which meets at least two times a year, has responsibility for the determination of specific remuneration packages for each of the executive directors and certain senior executives of the Group, including pension rights and any compensation payments and recommending and monitoring the level and structure of remuneration for senior management, and the implementation of share option, or other performance-related schemes.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the requirements for quorum for and the right to attend meetings. The duties of the Remuneration Committee covered in the terms of reference relate to the following: determining and agreeing with the Board and monitoring the remuneration policy, performance related pay, share schemes, pension arrangements, early termination, reviewing remuneration trends, agreeing the policy for authorising claims for expenses from the Group Chief Executive and/or Chairman, overseeing any major changes in employee

benefits structures, reporting and disclosure and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its duties.

### ***Nomination Committee***

*Current Members:* Martin Towers, David McKeith and Joanna Hallas

The Nominations Committee is comprised of the three independent non-executive directors, and is chaired by Martin Towers. The Nomination Committee meets when appropriate.

The Nominations Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary. The Nominations Committee also considers succession planning, taking into account the skills and expertise that will be needed on the Board in the future.

## PART XV – ADDITIONAL INFORMATION

### 1 Incorporation and status of the Company

- (i) The Company was incorporated and registered in England and Wales on 5 January 1999 under the Companies Act 1985 as a private company limited by shares with registered number 3691883 with the name Stormgrange Limited. On 7 February 2000, the Company changed its name to Norcros (Holdings) Limited. On 15 June 2007, the Company was re-registered as a public company limited by shares and changed its name to Norcros plc.
- (ii) The principal law and legislation under which the Company operates, and under which the New Ordinary Shares will be created, is the Companies Act.
- (iii) The Company's legal and commercial name is Norcros plc.
- (iv) The registered office of the Company is at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. The telephone number of the Company's registered office is +44 (0)1625 549010.
- (v) The Company is domiciled in the United Kingdom.

### 2 Share capital of the Company

#### Share capital

- (i) On 31 March 2017, the share capital of the Company was:

	Number	Nominal Value per Ordinary Share (£)
Ordinary Shares	61,259,666	0.1

- (ii) As at the date of this document, the share capital of the Company is:

	Number	Nominal Value per Ordinary Share (£)
Ordinary Shares	61,653,134	0.1

- (iii) Immediately following Admission, the share capital of the Company is expected to be:

	Number	Nominal Value per Ordinary Share (£)
Ordinary Shares	79,907,295	0.1

- (iv) As at 31 March 2017, the Company held no Ordinary Shares in treasury. No Ordinary Shares have been issued other than as fully paid.

#### Share Capital History

- (v) On 1 April 2014, the Company's issued share capital comprised 587,885,491 ordinary shares of £0.01 each.
- (vi) The following table shows the number of ordinary shares of £0.01 each issued by the Company between 1 April 2014 and 30 September 2015:

Date	Number of Ordinary Shares issued
8 August 2014	6,997,419
3 September 2014	34,467
1 March 2015	2,065,512
20 March 2015	35,643
30 March 2015	46,335
24 April 2015	19,960
7 May 2015	89,108
19 June 2015	89,108
14 July 2015	12,696,257

- (vii) On 30 September 2015, the Company consolidated its 609,959,300 issued ordinary shares of £0.01 each into 60,995,930 Ordinary Shares.
- (viii) The Company issued 263,736 Ordinary Shares on 20 September 2016, 371,030 Ordinary Shares on 23 June 2017, 9,177 Ordinary Shares on 17 July 2017 and 13,261 Ordinary Shares on 26 July 2017.

### **New Ordinary Shares**

- (ix) The Existing Ordinary Shares are already admitted to the Official List, the London Stock Exchange's Main Market for listed securities and to CREST. It is expected that the New Ordinary Shares, when allotted and issued, will be capable of being held and transferred by means of CREST.
- (x) Other than the issue of the New Ordinary Shares, the Company has no present intention to issue any new shares in the share capital of the Company.
- (xi) The Company does not have in issue any securities not representing share capital.
- (xii) No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- (xiii) Save as disclosed in this paragraph 2 and Part X (*Historical Financial Information Relating to the Group*), there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document and (save as disclosed in paragraph (x) above) no such issues are proposed.
- (xiv) Save as disclosed in paragraph 11 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.
- (xv) Save as disclosed in paragraph 5 below, no share or loan capital of the Company or any other member of the Group will be under option or has been agreed conditionally or unconditionally to be put under option.
- (xvi) The New Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the New Ordinary Shares not to be held through CREST will be posted to allottees by 30 November 2017. New Ordinary Shares to be held through CREST will be credited to CREST accounts on Admission.
- (xvii) The New Ordinary Shares will be issued in accordance with the Resolutions.

## **3 Articles of Association**

The following is a summary of certain provisions of the Articles. This summary does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

### **3.1 Objects**

The Articles do not provide for (i) any objects of the Company and accordingly the Company's objects are unrestricted or (ii) any purposes for which the Company is established.

### **3.2 Votes of members**

- (a) Subject to the Companies Act, every other Act of the United Kingdom Parliament applicable to the Company in respect of any matter provided for in the Articles, the CREST Regulations and all orders, regulations and statutory instruments made (or with effect as if made) pursuant to the Companies Act or any such other Act (**Statutes**) and to any rights or restrictions attaching to any shares, at a general meeting on a vote on a resolution on a show of hands or on a poll every member who is present in person or by proxy shall be entitled to the number of votes prescribed by the Statutes.

- (b) Unless the Board decides otherwise, no member shall be entitled to be present or vote at any meeting either personally or by proxy until he has paid all calls due and payable on every share held by him whether alone or jointly with any other person together with interest and expenses (if any) to the Company.

### 3.3 Dividends

- (a) Subject to the Statutes and the Articles, the Company may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests in the profits of the Company. No such dividend shall exceed the amount recommended by the Board.
- (b) Subject to the Statutes, the Board may pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. If the Board acts in good faith, no Director shall incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of an interim dividend on any shares ranking after those with preferential rights.
- (c) Except as otherwise provided by the Articles or the rights attached to shares:
  - (i) a dividend shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the nominal value of the shares on which the dividend is paid; and
  - (ii) dividends shall be apportioned and paid proportionately to the amounts paid up on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.
- (d) Except as otherwise provided by the Articles or the rights attached to shares:
  - (i) a dividend may be paid in any currency or currencies decided by the Board; and
  - (ii) the Company may agree with a member that any dividend declared or which may become due in one currency will be paid to the member in another currency,  
for which purpose the Board may use any relevant exchange rate current at any time as the Board may select for the purpose of calculating the amount of any member's entitlement to the dividend.
- (e) The Board may deduct from any dividend or other amounts payable to any person in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to any shares.
- (f) No dividend or other money payable in respect of a share shall bear interest against the Company, unless otherwise provided by the rights attached to the share.
- (g) All dividends or other monies unclaimed for twelve months after having become payable by the Company in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The payment of any unclaimed dividend or other amount payable by the Company in respect of a share into a separate account shall not constitute the Company a trustee in respect of it. Any dividend unclaimed after a period of twelve (12) years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.
- (h) If, in respect of a dividend or other amount payable in respect of a share:
  - (i) a cheque, warrant or money order is returned undelivered or left uncashed; or
  - (ii) a transfer made by or through a bank transfer system and/or other funds transfer system(s) fails or is not accepted,

on two consecutive occasions, or one occasion and reasonable enquiries have failed to establish another address or account of the person entitled to the payment, the Company shall not be obliged to send or transfer a dividend or other amount payable in respect of such share to such person until he notifies the Company of an address or account to be used for such purpose.

### 3.4 Return of capital

- (a) On a winding up of the Company and subject to the Statutes, the Company's assets available for distribution shall be divided among the members in proportion to the nominal amounts of capital paid up or credited as paid up on the shares held by them, subject to the terms of issue of or rights attached to any shares.
- (b) On a winding up of the Company (whether voluntary, under supervision or by the court) the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or of different kinds. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of such valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

### 3.5 Issue of shares

- (a) Subject to the Statutes and the Articles, any new shares shall be at the disposal of the Board, who may offer, allot, grant options over or otherwise dispose of them to such persons and on such terms as it may decide (including terms relating to the renunciation of any allotment), provided that no share shall be issued at a discount.
- (b) Subject to the Statutes and without prejudice to any rights attached to any shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or, if the Company has not so determined, as the Board may determine).
- (c) Subject to the Statutes and to any special rights for the time being attached to any existing shares, any share may be issued which is to be redeemed, or is to be liable to be redeemed at the option of the Company or the holder, on such terms, conditions and in such manner as the Directors may determine.

### 3.6 Variation of rights

- (a) If the share capital of the Company is divided into shares of different classes, any of the rights attached to any class of shares (notwithstanding that the Company may be or be about to be in liquidation) may (unless the rights attached to the shares of the class otherwise provide) be varied or abrogated in any manner, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of the class.
- (b) Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by:
  - (i) the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued;
  - (ii) the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of any of its own shares in accordance with the statutes; or
  - (iii) the Board resolving that a class of shares is to become or is to cease to be, or the Operator (as defined in the CREST Regulations) permitting such class of shares to become or to cease to be, a participating security.

### 3.7 Disclosure of share ownership

Pursuant to the Disclosure Guidance and Transparency Rules of the FCA, a person is obliged to notify the Company if the percentage of voting rights which he holds directly or indirectly as shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below three per cent. or more of the issued share capital of the Company.

### 3.8 Transfer of shares

- (a) Subject to the Articles, a member may transfer all or any of his shares:
  - (i) in the case of certificated shares, by an instrument of transfer in writing in any usual form or in another form approved by the Board, which must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee; or
  - (ii) in the case of uncertificated shares, without a written instrument in accordance with the CREST Regulations.
- (b) The transferor shall remain the holder of the share transferred until the name of the transferee is entered in the register of members in respect of it.
- (c) Subject to the Articles and to the Statutes, the Board may refuse to register the transfer of a certificated share or the renunciation of a renounceable letter of allotment unless it is:
  - (i) in respect of a share which is fully paid;
  - (ii) in respect of only one class of shares;
  - (iii) in favour of a single transferee or renounee or not more than four joint transferees or renounees;
  - (iv) duly stamped (if required); and
  - (v) delivered for registration to the registered office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer of a share, for which a certificate has not been issued, by a person in respect of whom the Company is not required by the statutes to complete and have ready for delivery a share certificate, and except in the case of a renunciation) and any other evidence as the Board may reasonably require to prove the title to such share of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of such person to do so.
- (d) If the Board refuses to register a transfer or renunciation pursuant to the above, it shall, within two months after the date on which the transfer or renunciation was delivered to the Company and subject to the Statutes, send notice of the refusal to the transferee or renounee. An instrument of transfer or renunciation which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person delivering it. All instruments of transfer which are registered may, subject to the Articles, be retained by the Company.
- (e) The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.
- (f) Subject to the Statutes, if the Board refuses to register any such transfer or renunciation the Company shall, within two months after the date on which the instruction relating to such transfer or renunciation was received by the Company, send notice of the refusal to the transferee or renounee.
- (g) The Board may, at its discretion, recognise and give effect to a renunciation of the allotment of any share by the allottee in favour of some other person.

- (h) No fee shall be charged for the registration of a transfer of a share or the renunciation of a renounceable letter of allotment or other document relating to or affecting the title to any share.

### 3.9 Alteration of capital

- (a) The Company may:
  - (i) alter its share capital in any way permitted by the Statutes; and
  - (ii) confer any preference or other advantage on one or more of the shares resulting from any division or sub-division of its share capital as compared with the others and make any such share subject to any restriction as compared with the others.
- (b) If, as the result of a consolidation and division or a sub-division of shares, fractions of shares become attributable to members, the Board may on behalf of the members deal with the fractions as it thinks fit, including in either of the ways prescribed below.
- (c) The Board may sell shares representing the fractions, through a member of the London Stock Exchange or other appropriate intermediary acting (in any case) on a “best execution” (or equivalent) basis or in such other manner (whether or not through an intermediary) that provides a price which the Board considers to be reasonable in the circumstances, to any person (including, subject to the Statutes, the Company) and distribute the net proceeds of sale in due proportion amongst the persons to whom such fractions are attributable (except that if the amount due to a person is less than £1.00, or such other sum as the Board may decide, the Company may retain such sum for its own benefit). To give effect to such sale the Board may:
  - (i) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares to the purchaser or as the purchaser may direct; and
  - (ii) in the case of uncertificated shares, exercise any power conferred on it by article 15.9 of the Articles to effect a transfer of the shares.
- (d) The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at 3.9(c) above shall be effective as if it had been executed or exercised by the holder of the shares to which it relates.
- (e) In relation to the fractions the Board may issue, subject to the statutes, to a member credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding of shares to a number which, following a consolidation and division or a sub-division, leaves a whole number of shares (such issue being deemed to have been effected immediately before the consolidation or the sub-division, as the case may be). The amount required to pay up those shares may be capitalised as the Board thinks fit out of amounts standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, and applied in paying up in full the appropriate number of shares.

### 3.10 General meetings

- (a) An annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed for such meeting under the statutes.
- (b) The notice of meeting shall be given to the members (other than a member who, under the Articles or any restrictions imposed on any shares, is not entitled to receive notice from the Company), to the Directors and to the Auditors.
- (c) The notice of meeting may specify a time, subject to the statutes, by which a person must be entered on the register of members in order for such person to have the right to attend or vote at the meeting.

- (d) The accidental omission or failure to send a notice of any general meeting or of any resolution intended to be moved at any general meeting to, or the non-receipt of any such notice by, any person entitled to receive it shall be disregarded for the purposes of determining whether such notice is duly given and shall not invalidate the proceedings at the general meeting concerned.

### 3.11 Directors

- (a) Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate directors) shall be not less than two and there shall be no maximum number.
- (b) A Director need not hold any shares.
- (c) Subject to the Articles, the Company may by ordinary resolution appoint as a Director a person who is willing to act as such, either to fill a vacancy or as an addition to the existing Directors, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with the Articles.
- (d) Without prejudice to the Articles, the Board shall have power at any time to appoint as a Director any person who is willing to act as such, either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with the Articles.
- (e) Any Director so appointed shall, if still a Director, retire at the next annual general meeting after his appointment and be eligible to stand for election as a Director at such meeting. Such person shall, at that annual general meeting, neither be subject to retirement by rotation nor be taken into account in determining the number or identity of Directors who are to retire by rotation at such meeting.
- (f) Subject to the Statutes, the Board may appoint any Director to hold any employment or executive office with the Company (including that of executive chairman, chief executive or managing director) for such period and on such terms as the Board may decide. The Board may revoke, terminate or vary the terms of any such appointment, without prejudice to any claim for damages which the Director may have for breach of contract against the Company.
- (g) No person, other than a Director retiring (by rotation or otherwise), shall be appointed a Director at any general meeting unless:
  - (i) he is recommended for appointment by the Board; or
  - (ii) not less than seven nor more than forty-two (42) days before the date appointed for the holding of the meeting, a notice executed by a member (other than the person to be proposed) qualified to vote at the meeting has been received by the Company at the registered office of the intention to propose such person for appointment, stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors, accompanied by a notice executed by that person of his willingness to be appointed.
- (h) The Directors are subject to retirement by rotation and retirement at intervals in accordance with the Articles.
- (i) In addition to any power of removal under the Statutes, the Company may:
  - (i) by ordinary resolution remove any Director before the expiration of his period of office, but without prejudice to any claim for damages which he may have for breach of contract against the Company; and
  - (ii) by ordinary resolution appoint as a Director another person who is willing to act as such in his place (subject to the Articles).

Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director.

- (j) Without prejudice to the provisions in the Articles for retirement (by rotation or otherwise) the office of a Director shall be vacated if:

- (i) he resigns by notice delivered to the Secretary at the registered office or tendered at a Board meeting;
  - (ii) he only held office as a Director for a fixed term and such term expires;
  - (iii) he ceases to be a Director by virtue of any provision of the Statutes, is removed from office pursuant to the Articles or the Statutes or becomes prohibited by law from being a Director;
  - (iv) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency;
  - (v) an order is made by any court of competent jurisdiction on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his property or affairs or he is admitted to hospital in pursuance of an application for admission for treatment under any legislation relating to mental health and the Board resolves that his office be vacated;
  - (vi) he is absent, without permission of the Board, from Board meetings for six consecutive months (whether or not an alternate Director attends in his place) and the Board resolves that his office be vacated;
  - (vii) he is removed from office by notice addressed to him at an address of his shown in the Company's register of directors and signed by all the other Directors (without prejudice to any claim for damages which he may have for breach of contract against the Company), and such notice may consist of several documents in the same form each executed or otherwise confirmed in writing by one or more of the Directors concerned;
  - (viii) in the case of a Director who holds executive office, his appointment to such office is terminated or expires and the Board resolves that his office be vacated; or
  - (ix) in the case of a Director who is an employee of a member of the Group, he ceases to be employed by such member of the Group (and is not an employee of any other member of the Group) for any reason, other than in circumstances where the Board resolves that a Director who holds executive office continue in office as a Director in a non-executive capacity.
- (k) The Company shall pay to the Directors (but not alternate Directors) for their services as Directors such aggregate amount of fees as the Board decides (not exceeding £350,000 per annum or such larger amount as the Company may by ordinary resolution decide). The aggregate fees shall be divided among the Directors in such proportions as the Board decides or, if no decision is made, equally. A fee payable to a Director pursuant to this shall be distinct from any salary, bonuses, remuneration or other amount payable to him pursuant to other provisions of the Articles and shall accrue from day to day.
- (l) A Director may also be paid all reasonable travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings to which the Articles apply or otherwise in connection with the discharge of his duties as a Director, including any professional fees incurred by him (with the approval of the Board or in accordance with any procedures prescribed by the Board) in taking independent professional advice in connection with the discharge of such duties.
- (m) The Company may, subject to the Statutes:
- (i) provide any Director with funds to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief permitted by the statutes; and
  - (ii) do anything to enable him to avoid incurring any such expenditure.
- (n) The salary or remuneration of a Director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Board

(including, for the avoidance of doubt, by the Board acting through a duly authorised Board committee), and may be in addition to or instead of a fee payable to him for his services as Director pursuant to the Articles.

- (o) A Director who, at the request of the Board, goes or resides abroad, makes a special journey or performs a special service on behalf of or for the Company (including services as a chairman or deputy-chairman of the Board, services as a member of any Board committee and services which the Board considers to be outside the scope of the ordinary duties of a Director) may be paid such reasonable additional remuneration (whether by way of salary, bonus, commission, percentage of profits or otherwise) and expenses as the Board (including, for the avoidance of doubt, the Board acting through a duly authorised Board committee) may decide.
- (p) The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for a person who is or has at any time been a Director, an officer or a director or an employee of a company which is or was a member of the Group, a company which is or was allied to or associated with a member of the Group or a predecessor in business of a member of the Group (and for any member of his family, including a spouse or former spouse, or a person who is or was dependent on him). For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. The Board may arrange for this to be done by the Company alone or in conjunction with another person. A Director or former Director is entitled to receive and retain for his own benefit any pension or other benefit provided in accordance with this and is not obliged to account for it to the Company.
- (q) The Directors may authorise any situation or matter relating to a particular Director to which section 175 of the Companies Act applies (each a **Conflict Matter**), subject to that section, on such terms (if any) as they think fit. Before any such authorisation (a **Conflict Authorisation**) is given, a Director (whether or not the Director concerned) shall propose to the Directors, in accordance with the Board's normal procedures for putting proposals to the Directors for their consideration and approval at a meeting of the Board or by way of written resolution or with such other procedures as the Directors may determine, that the Conflict Matter concerned be so authorised. The Directors may terminate or withdraw a Conflict Authorisation at any time by giving notice to the Director concerned.
- (r) Any terms to which a Conflict Authorisation is made subject (**Conflict Authorisation Terms**) may include, in each case at the Directors' discretion, that the Director concerned:
  - (i) is not obliged to disclose to the Company confidential information obtained by him (other than in his capacity as its Director or as its employee or agent or, if the Directors so decide, in any other capacity that would otherwise oblige him to disclose it to the Company) in any situation to which the Conflict Authorisation applies, nor to use any such information directly or indirectly for the benefit of the Company, where to do so would amount to a breach of a duty of confidence, previously disclosed to the Directors by the Director concerned, to any third party; and
  - (ii) may absent himself from any Board discussions, and make arrangements not to receive documents and information, relating to the Conflict Matter concerned for so long as he reasonably believes that, as a Director, he has or may have a conflict of interest in respect of it,

and the Company will not treat anything done, or omitted to be done, by the Director concerned in accordance with the Conflict Authorisation Terms as a breach of duty under the following sections of the Companies Act – section 172 (duty to promote the success of the company), section 173 (duty to exercise independent judgement) and section 174 (duty to exercise reasonable care, skill and diligence).

- (s) A Director is not required, by reason of being a Director, to account to the Company for any profit, remuneration or other benefit which he derives from or in connection with a Conflict Matter which has been authorised by the Board pursuant to (r) above, or by the Company in general meeting (subject to any terms, limits or conditions attaching to such authorisation).
- (t) Provided he has disclosed his interest in the matter concerned in accordance with the statutes, a Director is not required, by reason of being a Director, to account to the Company for any profit, remuneration or other benefit which he derives from or in connection with:
  - (i) being interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;
  - (ii) holding any other office or place of profit under the Company, except that of auditor, in conjunction with the office of Director and acting by himself or through his firm in a professional capacity for the Company (and being entitled to remuneration as the Board may arrange, either in addition to or in lieu of any remuneration provided for by the Articles); and
  - (iii) being a director or other officer of, or employed by, or a party to any contract, arrangement, transaction or proposal with or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment.
- (u) The Company will not treat the receipt by the Director of any profit, remuneration or other benefit referred to in (s) or (t) above as a breach of duty under section 176 of the Companies Act (duty not to accept benefits from third parties). No such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest, profit, remuneration or other benefit.
- (v) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract or arrangement or any other proposal to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company), other than a resolution:
  - (i) relating to the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of a member of the Group;
  - (ii) relating to the giving of any security, guarantee or indemnity in respect of a debt or obligation of a member of the Group for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) relating to, or in the context of, an offer of securities by a member of the Group in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
  - (iv) relating to another company in which he does not have to his knowledge an interest (as that term is used in Part 22 of the Companies Act) in shares representing one per cent. or more of either any class of the equity share capital, or the voting rights in, such company;
  - (v) relating to an arrangement for the benefit of employees of any member of the Group which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including any Director; or
  - (vii) any proposal for the Company (1) to provide him with an indemnity permitted by the Statutes, (2) to provide him with funds in circumstances permitted by the statutes to meet his defence expenditure in respect of any civil or criminal

proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief permitted by the statutes, or (3) to do anything to enable him to avoid incurring any such expenditure.

- (w) A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying or recommending the terms of his appointment or its termination) as a holder of any office or place of profit with the Company or any body corporate in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying or recommending the terms of appointment or the termination thereof) of two or more Directors to offices or places of profits with the Company or any body corporate in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (x) If any question arises at any meeting as to the materiality of the interest of a Director (other than the chairman) or as to the entitlement of any Director (other than the chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman. The chairman's ruling in relation to such Director shall be conclusive and binding on all concerned (except in a case where the nature or extent of the interest of such Director, as known to him, has not been adequately disclosed to the meeting).
- (y) If any question arises at any meeting as to the materiality of the interest of the chairman or as to his entitlement to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by a resolution of the Directors or committee members present at the meeting (excluding the chairman), whose majority vote shall be conclusive and binding on all concerned (except in a case where the nature or extent of the interest of such chairman, as known to him, has not been adequately disclosed to the meeting).

#### **4 Share options**

##### **4.1 Norcros plc 2011 Approved Performance Share Plan 2011 (APSP)**

(A) *Form*

The APSP allows for:

- the grant of an HM Revenue & Customs (**HMRC**) approved option (**Approved Option**) over shares in the Company with a value of up to £30,000 plus a linked option over shares equal in value to the exercise price of the Approved Option (**Linked Option**); and
- the grant of options in excess of the statutory limits imposed by HMRC, taking the form of nil cost options (**LTIP Options**)

(the Approved Options, Conditional Awards and LTIP Options shall be referred to as **Awards**).

(B) *Operation and Eligibility*

The Company's Remuneration Committee (**Committee**) is responsible for granting Awards and administering the APSP. Any employee or executive director of the Group will be eligible to participate in the APSP at the discretion of the Committee.

(C) *Grant of awards under the APSP*

Awards may normally only be granted in the 42 days following the announcement by the Company of its results for any period or following a change in the legislation relating to share option plans or where there are circumstances considered by the Committee to be exceptional. Awards may also be granted outside these periods in connection with the commencement of an eligible employee's employment if this is appropriate. However, at all times, the grant of Awards will be subject to any regulatory restrictions.

No Awards may be granted later than ten years after the approval of the APSP by shareholders.

Awards may be granted over newly issued shares and/or shares purchased in the market.

Awards are not transferable (other than on death) without the consent of the Committee. Awards are not pensionable.

*(D) Individual limits*

No employee may be granted Awards under the APSP in any financial year over shares with a value of more than 100 per cent. of base salary, unless the Committee determines that exceptional circumstances exist which justify exceeding this limit, in which case Awards shall not exceed 150 per cent. of base salary.

Approved Options are subject to a statutory limit of £30,000 in value of shares which may be granted under option to any single employee at any time (calculated by reference to the market value of shares at the relevant date of grant) under the approved schedule of the APSP or any other HMRC approved company share option plan operated by the Group.

*(E) Option exercise price*

The LTIP Options and the Linked Options have an exercise price of nil.

The exercise price of the Approved Options is the closing middle market quotation for a share on the date of grant, or the most recent dealing day or the average market quotation for a share for the five dealing days immediately preceding the date of grant, or such other price over such other period as may be agreed in advance with HMRC.

*(F) Limits on the issue of shares*

The APSP is subject to the following overall limits on the number of new ordinary shares which may be subscribed:

- in any ten year period not more than 10 per cent. of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the APSP and any other employees' share plans adopted by the Company; and
- in any ten year period not more than 5 per cent. of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the APSP and under any executive share option plan adopted by the Company.

For the purposes of these limits, options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share plans adopted by the Company do count towards these limits.

*(G) Exercise of options*

Awards will normally be exercisable between the third and tenth years following grant provided that any specified performance condition has been satisfied.

*(H) Performance conditions*

The vesting and exercise of Awards will be subject to performance conditions determined by the Committee and specified at the date of grant of the Awards.

The conditions may be waived, varied or amended in certain circumstances following the grant of an Award if the Committee considers such waived, varied or amended condition would be appropriate and such waived, varied or amended condition would be no more or less difficult to satisfy than the original condition.

*(I) Leavers*

In the case of an Approved Option, a participant ceasing employment due to death in service or retirement will be regarded as a good leaver.

In the case of good leavers, if the Approved Option has not vested it will vest to the extent determined by the Committee taking into account the time which has elapsed between the grant of that option and cessation of employment and the extent to which the performance conditions have been satisfied.

In the case of good leavers, whether the Approved Option had already vested or not, a participant has six months from the date they cease employment to exercise their Approved Option or, in the case of death, their personal representatives will have twelve months.

If a participant ceases employment for any other reason an Approved Option will automatically lapse.

In the case of LTIP Options, if a participant ceases employment due to death in service, the LTIP Option will vest. The participant's personal representatives will have twelve months from the date the participant ceases employment to exercise their LTIP Option.

If a participant ceases employment in any other circumstances their LTIP Option will lapse unless the Committee exercises its discretion within one month of cessation of employment that such participant's LTIP Option will vest taking into account the time which has elapsed between the grant of that option and cessation of employment and the extent to which the performance conditions have been satisfied.

*(J) Change of control*

In the event of a takeover, reconstruction or winding up of the Company, a proportion of an Award will vest and become exercisable depending on the time which has elapsed between the grant of that Award and the change of control and the extent to which performance conditions have been satisfied at that date.

Alternatively, Awards may (or, if the Committee so determines, shall) be exchanged for new equivalent awards where appropriate.

In such case any performance conditions will continue unless the Committee determines otherwise.

*(K) Dividend equivalents*

The Committee may decide that on the exercise of an Award, a participant shall receive an amount in cash and/or shares equivalent to the value of the dividends that would have been paid on the shares between the date of grant of the option and the date of vesting. This amount may assume the reinvestment of dividends.

*(L) Rights attaching to shares*

Shares allotted or transferred under the APSP rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of an Award).

*(M) Variation of capital*

The number of shares over which an Award is granted, the conditions of exercise and the option price shall be adjusted in such manner as the Committee shall determine following any capitalisation issue, demerger, any offer or invitation by way of rights, subdivision, consolidation, reduction or other variation in the share capital of the Company.

In the case of Approved Options, such adjustments will only be made to the extent permitted by HMRC.

*(N) Alterations to the APSP*

The APSP may at any time be altered by the Board in any respect.

However, any alterations to the material advantage of participants to the rules governing eligibility, the limits on the number of shares which may be issued under the APSP, the limits on participation for each participant, the principal terms of the Awards, the determination of the exercise price, the rights of participants in the event of a variation of share capital and the provisions in relation to amendments, must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the APSP, is necessary or desirable in

order to take account of any change in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company, any of its subsidiaries or any participant.

Any amendment to a key feature of the APSP which affects Approved Options will require HMRC approval before it can take effect.

*(O) Overseas employees*

The Company may grant Awards to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

#### **4.2 Norcros plc 2011 Deferred Bonus Plan (DBP)**

*(A) Form*

The DBP allows for the deferral of part of a participant's bonus (on a net or gross basis) to be delivered in the form of an option over ordinary shares in the capital of the Company (**Option**).

*(B) Operation and eligibility*

The Committee is responsible for granting Options and administering the DBP. Any employee or executive director of the Group will be eligible to participate in the DBP at the discretion of the Committee.

*(C) Grant of Options*

The grant of Options will be subject to any regulatory restrictions.

No Options may be granted later than ten years after the approval of the DBP by shareholders.

Options may be granted over newly issued shares and/or shares purchased in the market.

Options are not transferable (other than on death) without the consent of the Committee. Options are not pensionable.

*(D) Individual limits*

No employee may be granted Options under the DBP in any financial year if it would cause the aggregate market value of shares which such employee may acquire pursuant to an Option granted to him under the DBP to exceed 200 per cent. of his/her base salary, unless the Committee determines that exceptional circumstances exist which justify a higher percentage, not exceeding 300 per cent. of base salary.

*(E) Option exercise price*

Options may be granted with an exercise price of between nil and the market value of an ordinary share on the grant date.

*(F) Limits on the issue of shares*

In any ten year period not more than 10 per cent. of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the DBP and any other employees' share plans adopted by the Company.

For the purposes of this limit, Options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share plans adopted by the Company do count towards these limits.

Where, instead of paying the exercise price, an Option exercise is satisfied by the number of shares representing the growth in value of a share between the exercise price and the market value at the date of exercise, only the number of shares actually issued shall count towards these limits.

*(G) Exercise of options*

An Option will normally be exercisable between the third and tenth years following its grant provided that any specified performance condition has been satisfied.

*(H) Performance conditions*

The exercise of Options granted may be subject to performance conditions as considered appropriate by the Committee and specified at the grant date of the Options.

The performance conditions may be varied or amended in certain circumstances following the grant of an Option if the Committee considers such variation or amendment would be appropriate, taking account of the interests of the shareholders of the Company, but not so as to make their achievement any more or less difficult to satisfy.

*(I) Leavers*

If a participant ceases employment with the Company for any of the following reasons they will be regarded as a good leaver: death; illness; injury or disability; redundancy; retirement by agreement with the Company; or the Company ceasing to be a member of the Group; or the transfer of an undertaking or part of an undertaking to a person who is not a member of the Group.

In the case of a good leaver, if the Option has already vested the participant has six months from the date they cease employment to exercise their Option or, in the case of death, their personal representatives will have twelve months.

In the case of a good leaver, if the Option has not vested it will vest either on the date of cessation or the normal vesting date (as determined by the Committee), to the extent determined by the Committee taking into account the time that has elapsed since the grant date and the extent to which any applicable performance conditions have been satisfied.

The participant will have six months from the vesting date to exercise their Option, or in the case of death their personal representatives will have twelve months.

If a participant ceases employment for any other reason they will be regarded as a bad leaver. If their Option has vested they will have six months from the date of cessation to exercise their Option.

In the case of a bad leaver, if a participant's Option has not vested, it will normally lapse, unless the Committee determines otherwise in the period of six months from the date of cessation. If the Committee exercises its discretion to allow the Option to vest it will vest either on the date of cessation or the normal vesting date (as determined by the Committee), to the extent determined by the Committee taking into account the time that has elapsed since the grant date and the extent to which any applicable performance conditions have been satisfied.

Where a participant ceases employment due to summary dismissal, their Option will automatically lapse regardless of whether the Option has vested or not.

*(J) Change of control*

In the event of a takeover, reconstruction or winding up of the Company, a proportion of an Option will vest and become exercisable depending on the time which has elapsed between the grant of that Option and the change of control and the extent to which performance conditions have been satisfied at that date. In determining the proportion of an Option that should vest, the Committee may take into account such other factors, including the performance of the Company and the conduct of the participant, as it deems relevant.

Alternatively, Options may (or, if the Committee so determines, shall) be exchanged for new equivalent options where appropriate. In such case any performance conditions will continue unless the Committee determines otherwise.

*(K) Rights attaching to shares*

Shares allotted or transferred under the DBP rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the Option). The Company will apply for the listing of any new shares allotted under the DBP.

(L) *Variation of capital*

The number of shares over which an Option is granted, and the option price shall be adjusted in such manner as the Committee shall determine following any variation in the share capital of the Company to the intent that (without involving an exercise price calculated to more than two places of decimals) the aggregate exercise price payable in respect of an option shall remain unchanged.

(M) *Alterations to the DBP*

The DBP may at any time be altered by the Board in any respect.

However, any alterations to the material advantage of participants to the rules governing eligibility, the limits on the number of shares which may be issued under the DBP, the limits on participation for each participant, the principal terms of the Options, the determination of the exercise price, the rights of participants in the event of a variation of share capital and the provisions in relation to amendments, must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the DBP, is necessary or desirable in order to take account of any change in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company, any of its subsidiaries or any participant.

(N) *Overseas employees*

The Company may grant Options to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

4.3 **Norcros plc Savings-Related Share Option Scheme 2017 (SAYE 2017) and Norcros plc Savings-Related Share Option Scheme 2007 (SAYE 2007) (together the SAYE)**

(A) *Form*

The SAYE 2007 and SAYE 2017 are savings related share option schemes designed to take advantage of the tax beneficial status of savings related share option schemes which comply with Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 (**Schedule 3**).

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

No new options will be granted under the SAYE 2007.

(B) *Eligibility*

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

(C) *The Savings Contract*

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

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

(D) *Option price*

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

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

(E) *Grant of options*

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

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

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

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

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

Benefits under the SAYE are not pensionable.

(F) *Limits on the issue of shares*

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

(G) *Exercise of options*

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

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

- termination of employment as a result of death, injury, disability, redundancy, retirement or the sale of the subsidiary or business for which the participant works; and
- in the event of a takeover or liquidation of the Company.

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

(H) *Rights attaching to shares*

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

(I) *Corporate events*

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

(J) *Variation of capital*

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

(K) *Amendments to the SAYE*

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

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

(L) *Termination*

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

(M) *Employees outside the UK*

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

## 5 Interests in Ordinary Shares

### 5.1 Directors' and senior management's interests

As at the Latest Practicable Date and as expected to be immediately following Admission, the interests (all of which are beneficial) of the Directors and members of the senior management and their immediate families (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of section 252 to 255 of the Companies Act) in the Company's issued ordinary share capital are or are expected to be as follows:

<b>Name:</b>	<b>Number of Ordinary Shares:</b>	<b>Percentage of Ordinary Shares:</b>	<b>Number of New Ordinary Shares intended to be subscribed for under the Open Offer:</b>	<b>Number of Ordinary Shares after Admission<sup>(1)</sup>:</b>	<b>Percentage of Ordinary Shares after Admission<sup>(1)</sup>:</b>
Martin Towers	134,454	0.22	26,363	160,817	0.2%
Nicholas Kelsall	795,424	1.29	155,965	951,389	1.19%
Shaun Smith	20,000	0.03	3,921	23,921	0.03%
David McKeith	15,000	0.02	2,941	17,941	0.02%
Joanna Hallas	20,000	0.03	3,921	23,921	0.03%

Notes:

1 Assuming that (i) all of the New Ordinary Shares in relation to the Capital Raising are issued; (ii) that no further Ordinary Shares are issued as a result of the exercise of any options over Ordinary Shares between the Latest Practicable Date and Admission; and (iii) excluding any applications made in respect of Excess Shares.

The following table sets out details of the share awards under the Plans held by the Directors and members of the senior management as at the close of business on the Latest Practicable Date:

Director/senior manager	Description	Awards outstanding as at the Latest Practicable Date
Nicholas Kelsall	DBP	187,652
	APSP	577,396
	SAYE	11,392
Shaun Smith	APSP	156,060
	SAYE	11,900

## 5.2 Significant Shareholders

As at the Latest Practicable Date, the Company is aware of the following persons (other than any Director or member of senior management) (i) who are or will be interested, directly or indirectly, in three per cent. or more of the Company's issued share capital, and, (ii) who intend to subscribe in the Firm Placing:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares	Number of New Ordinary Shares immediately following Admission <sup>(1)</sup>	Percentage of Ordinary Shares immediately following Admission <sup>(1)</sup>
Canaccord Genuity Group	9,650,000	15.65%	10,559,883	13.22%
Miton Group	7,507,240	12.18%	7,507,240	9.39%
FIL Ltd	6,068,854	9.84%	6,685,385	8.37%
Artemis Fund Managers	5,989,534	9.70%	5,989,534	7.50%
SVM Asset Management	2,681,785	4.35%	2,931,785	3.67%

<sup>1</sup> Assuming no take up under the Open Offer and assuming that (i) all of the New Ordinary Shares in relation to the Capital Raising are issued; (ii) no further Ordinary Shares are issued as a result of the exercise of any options over Ordinary Shares between the Latest Practicable Date and Admission; and (iii) these Shareholders participate in the Capital Raising to the extent known to the Company.

- 5.3 Save as disclosed in paragraphs 5.1 and 5.2 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 5.4 The persons, including the Directors and members of the senior management, referred to in paragraphs 5.1 and 5.2 above do not have voting rights that differ from those of other Shareholders.
- 5.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 5.6 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

5.7 The details of those companies and partnerships outside the Group of which the Directors and members of senior management are currently directors or partners, or have been directors or partners at any time during the previous five years prior to the date of this document, are as follows:

**Martin Towers**

***Current Appointments***

Tyman plc  
RPC Group plc  
Restore plc

***Former appointments held in the previous five years***

KCOM Group plc

**Nicholas Kelsall**

***Current Appointments***

Warren Court (Thurlstone)  
Management Limited

***Former appointments held in the previous five years***

**Shaun Smith**

***Current Appointments***

Air Partner plc  
Hatherdown (1991) Limited  
Standard Engineering Plastics Limited

***Former appointments held in the previous five years***

Aga Rangemaster Group plc  
Aga Rangemaster Limited  
Aga Rangemaster Properties Limited  
Aga Care Limited  
Aga Consumer Products Limited  
Aga Cookers Limited  
Agacookshop Limited  
Agalinks Limited  
Aga Living Limited  
Aga-Rayburn Limited  
AFE Online Limited  
AFG Appliances Limited  
AFG Canada Limited  
AFG Foundries Limited  
AFG Investments Canada Limited  
AFG Management Limited  
AFG Manufacturing Limited  
AFG Nominees Limited  
AFG Property Management Limited  
AFG U.K. Limited  
ARG Corporate Services Limited  
ARG Estates Limited  
Astec Holdings Limited  
Brickhouse Dudley Limited  
C.J.A. Stainless Steels Limited  
Cashmore General Steels Limited  
Cranmore Property Limited  
Cryomagnetic Systems Limited  
Divertimenti Limited  
Fairfield Road Limited  
Furdo Limited  
Glendale Engineering Limited  
Grange SAS  
Headland Finance N.V.  
Headland UK Limited  
Heartland Appliances Inc.  
Joseph Gillott & Sons Limited  
Jubilee Road Limited  
Leavlite Limited

Leisure Caspian Limited  
 Leisure Lexin Limited  
 Leisure Sinks Limited  
 Leisure Swink Limited  
 Locarno Limited  
 Lower Charles Street Limited  
 Mercury Appliances Limited  
 Moxley Road Limited  
 New Sheldon Limited  
 Pierce Engineering Limited  
 Planetary Road Limited  
 Rangemaster Classic Limited  
 Rangemaster Limited  
 Rangemaster Products Limited  
 Rayburn Cooking & Heating Appliances Limited  
 Redfyre Cookers Limited  
 Shaker Limited  
 Sidney Flavel & Co Limited  
 Southern Aluminium Supplies Limited  
 Steel Parts Limited  
 Stourbridge Steel (1991) Limited  
 Swink Limited  
 Taylor Pallister Limited  
 Test Lane Limited  
 The Aga Shop Limited  
 The Coalbrookdale Company Limited  
 Thor Cryogenics Limited  
 Thornton Group Holdings Limited  
 U.H.V. Limited  
 Waterford Foundry (Inventions) Limited  
 Waterford Stanley Limited  
 Western Way Limited  
 Wholesale Catering Equipment Limited  
 680088 N.B. Inc.

**David McKeith**

***Current Appointments***

Halle Concerts Society

***Former appointments held in the previous five years***

Sportech plc  
 The Manchester Concert Hall Limited  
 Greater Manchester Chamber of Commerce  
 Economic Solutions Limited

**Joanna Hallas**

***Current Appointments***

Spectris Group Holdings Limited  
 Servomex Group Limited  
 Omega Engineering Limited  
 Omega Engineering Inc  
 BK Vibro America Inc  
 Brüel & Kjaer Vibro A/S  
 Brüel & Kjaer Vibro GmbH  
 BTG Eclépens S.A.  
 BTG Instruments AB  
 NDC Technologies GmbH  
 NDC Technologies S.A.  
 NDC Technologies Inc  
 Red Lion Controls Inc

***Former appointments held in the previous five years***

Eberle Controls GmbH  
 E. C. – Grundstücksgesellschaft Großreuth mbH  
 Invensys Controls UK Limited (now Schneider Electric Controls UK Ltd)  
 Diamond Blade Oy  
 Microscan Systems Inc  
 Microscan Tooling Inc  
 Beta LaserMike Inc

The business address of all the Directors and members of the senior management is Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU.

- 5.8 Save as disclosed in this paragraph 5, there are no family relationships between any of the Directors and members of senior management and none of the Directors or members of the senior management has at any time within the last five years:
- (A) had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
  - (B) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
  - (C) been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or
  - (D) been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.
- 5.9 As at the date of this document, there are no potential conflicts of interest between any duties to the Company of the Directors and members of senior management and their private interests and/or other duties.
- 5.10 Save as disclosed in this paragraph 5, there are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director or member of the senior management was selected.
- 5.11 Save as disclosed in paragraph 11 below and that executive Directors are required to retain shares in the capital of the Company acquired by them upon the exercise of any option for a 12 month holding period, there are no restrictions agreed by any Director or member of the senior management on the disposal within a certain period of time of their holdings in the Company's securities.
- 5.12 Save as disclosed in this paragraph 5, there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.

## 6 Directors' and senior management's remuneration and service agreements

- 6.1 In the financial year ended 31 March 2017, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Directors and members of the senior management by the Company and its subsidiaries for services in all capacities to the Company and its subsidiaries were as follows:

<b>Director/senior manager</b>	<b>Salary/fees (£)</b>	<b>Benefits in kind (£)</b>	<b>Bonus (£)</b>	<b>APSP (£)</b>	<b>SAYE (£)</b>	<b>Pension (£)</b>
Nicholas Kelsall	348,534	16,616	238,466	341,402	—	80,140
Shaun Smith	232,590	13,355	159,138	—	2,013	34,888
Martin Payne	27,611	1,415	—	—	—	4,142
Martin Towers	99,000	—	—	—	—	—
David McKeith	41,825	—	—	—	—	—
Joanna Hallas	41,825	—	—	—	—	—

- 6.2 In the financial year ended 31 March 2017, the Group paid, in aggregate, £91,310 of cash in lieu of pension contributions to the Group Chief Executive Officer, the Group Finance Director and the previous Group Finance Director. However, no amount was set aside by the Group in that financial year to provide pension, retirement or similar benefits to the Directors and members of the senior management.

- 6.3 Set out below are summary details of the service agreements of each of the executive directors:
- (A) Under his service agreement with the Company, Nicholas Kelsall (Group Chief Executive) is entitled to receive an annual salary of £355,505 per annum. Mr Kelsall's employment is terminable by 12 months' notice given by either party. The Company may, at its discretion, terminate Mr Kelsall's employment immediately by making a payment to him in lieu of his basic salary and other contractual benefits (excluding benefits under incentive plans). Mr Kelsall may be invited to participate in an annual discretionary bonus scheme, a long term incentive plan, a SAYE plan, and a deferred bonus scheme. He is also entitled to a pension payment equal to 15 per cent. of basic salary, an annual car allowance of £15,000, life assurance, permanent health insurance, private medical insurance, and personal accident insurance. His service agreement includes standard summary termination provisions and post termination restrictive covenants which apply for a period of 12 months following the termination of his employment. If there is a change in control of the Company, Mr Kelsall is entitled to terminate his employment on 7 days' notice and to receive a payment from the Company equal to his basic salary and other contractual benefits (excluding benefits under incentive plans) for 12 months (or the remainder of his contractual notice period if notice of termination has already been served); and
  - (B) Under his service agreement with the Company, Shaun Smith (Group Finance Director) is entitled to receive an annual salary of £238,772 per annum. Mr Smith's employment is terminable by 12 months' notice given by either party. The Company may, at its discretion, terminate Mr Smith's employment immediately by making a payment to him in lieu of his basic salary and other contractual benefits (excluding benefits under incentive plans). Mr Smith may be invited to participate in an annual discretionary bonus scheme, a long term incentive plan, a SAYE plan, and a deferred bonus scheme. He is also entitled to employer pension contributions equal to 15 per cent. of basic salary, an annual car allowance of £12,000, life assurance, permanent health insurance, private medical insurance, and personal accident insurance. His service agreement includes standard summary termination provisions and post termination restrictive covenants which apply for a period of 12 months following the termination of his employment.
- 6.4 Set out below are summary details of the terms of appointment of each of the Non-Executive Directors:
- (A) Martin Towers (Non-executive Chairman) was appointed to the board with effect from 28 July 2011 for an initial term of three years, contingent on his re-election at subsequent annual general meetings. Mr Towers was appointed as Non-Executive Chairman and Chairman of the Nomination Committee with effect from 1 November 2012. The annual fee payable to Mr Towers is £100,980. The number of days Mr Towers will be required to spend on Company business is between 1 and 1.5 days per month. The notice period for either the Company or Mr Towers to terminate the appointment is one month;
  - (B) Joanna Hallas (Non-executive Director) was appointed to the board with effect from 27 September 2012 for an initial term of three years, contingent on her re-election at subsequent annual general meetings. The annual fee payable to Ms Hallas is £42,662. The number of days Ms Hallas will be required to spend on Company business is between 1 and 1.5 days per month. The notice period for either the Company or Ms Hallas to terminate the appointment is one month; and
  - (C) David McKeith (Non-executive Director) was appointed to the board with effect from 27 July 2013 for an initial term of three years, contingent on his re-election at subsequent annual general meetings. The annual fee payable to Mr McKeith is £42,662. The number of days Mr McKeith will be required to spend on Company business is between 1 and 1.5 days per month. The notice period for either the Company or Mr McKeith to terminate the appointment is one month.

## 7 The Company and its subsidiaries

The Company is the holding company of the Group and has the following principal subsidiaries:

<b>Name</b>	<b>Country of registration or incorporation</b>	<b>Percentage of issued share capital held by the Group</b>	<b>Registered office</b>
Norcros Group (Holdings) Limited	England and Wales	100%	Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU
Norcros SA (Pty) Ltd	South Africa	100%	4 Porcelain Road, Olifantsfontein 1665, South Africa

The above companies are directly or indirectly wholly-owned by the Company.

## 8 Investments and principal establishments

The Company currently has no principal investments (in progress or planned for the future on which the Directors have made firm commitments or otherwise) other than the subsidiary undertakings listed in paragraph 7 of this Part XV (Additional Information) of this document.

The principal establishments of the Group are as follows:

<b>Location</b>	<b>Size</b>	<b>Use</b>	<b>Tenure</b>
Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU	4,779 square feet	Head office	Leasehold
Shepperton Park, Triton Road, Nuneaton, Warwickshire, CV11 4NR	99,358 square feet	Manufacture, maintenance and servicing of domestic showers, mixer valves and distributors of bathroom accessories	Leasehold
Harewood Street, Tunstall, Stoke-on-Trent, ST6 5JZ	Site area: 35 acres Floor area: 768,097 square feet	Manufacture of ceramic wall & floor tiles, and "CristalGrip" fixing system  Manufacturer and supplier of adhesives, grouts, surface preparation and aftercare products for the fixing of ceramic and porcelain tiles, mosaics, natural stone and marble, and related products and services	Freehold
Cheddar Business Park, Wedmore Road, Cheddar, Somerset, BS27 3EB	Units 1&2 Site area: 1.012 acres Floor area: 25,185 square feet	Designers, Manufacturers and Distributors of Bathroom and Kitchen Brassware including, Taps, Mixers and associated equipment which includes Digital Showers, Illuminated Mirrors, Plumbing and Gas Control Valves, Water Saving devices for use in Residential and Commercial Property, and provision of engineering support	Leasehold
Cheddar Business Park, Wedmore Road, Cheddar, Somerset, BS27 3EB	Unit 3 Site area: 1.3 acres	Designers, Manufacturers and Distributors of Bathroom and Kitchen Brassware including, Taps, Mixers and associated	Freehold

<b>Location</b>	<b>Size</b>	<b>Use</b>	<b>Tenure</b>
	Floor area: 22,838 square feet	equipment which includes Digital Showers, Illuminated Mirrors, Plumbing and Gas Control Valves, Water Saving devices for use in Residential and Commercial Property, and provision of engineering support	
Unit 4, 5-9 Wells Road Industrial Estate, Wells Road, Glastonbury, BA6	Floor area: 24,143 square feet	Designers, Manufacturers and Distributors of Bathroom and Kitchen Brassware including, Taps, Mixers and associated equipment which includes Digital Showers, Illuminated Mirrors, Plumbing and Gas Control Valves, Water Saving devices for use in Residential and Commercial Property, and provision of engineering support	Leasehold
Central Way, Andover, Hampshire, SP10 5AW	Site area: 4 acres Floor area: 91,931 square feet	Design, Manufacturer, Sourcing and Supply of Bathroom and Houseware fixtures and fittings, accessories and products	Leasehold
Zenith Business Park, Whaley Rd, Barnsley S75 1HT	Floor area: 7,410 square feet	Distribution of taps and showers, head office of Abode division	Leasehold
4 Porcelain Road, Olifantsfontein, Gauteng, Republic of South Africa	Site area: 12.5897 hectares	Manufacture and distribution of ceramic and porcelain tiles; manufacture and distribution of tile adhesives and grouts and certain building products; head office of Tile Africa chain of retail stores; head offices of Norcros South Africa and of the Johnson Tiles South Africa, TAL and Tile Africa divisions	Freehold

The Directors believe that there are currently no environmental issues which will materially affect the Group's use of the assets described above.

## **9 Takeovers**

### ***The City Code***

The City Code applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The City Code provides an orderly framework within which takeovers are conducted and the Panel on Takeovers and Mergers has now been placed on a statutory footing.

The City Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company, the other holders of securities must be protected. This is reinforced by Rule 9 of the City Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent. or more of the voting rights to make a general offer. "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him,

holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company.

## **10 Notifications of shareholdings**

The Transparency Rules, which apply to the Company and its Shareholders, set out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3 per cent. and each 1 per cent. thereafter up to 100 per cent. The Transparency Rules provide that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification and by no later than the end of the trading day following such receipt. If the Company determines that a shareholder has not complied with the provisions of the Transparency Rules with respect to some or all of its shares and provided that such shares represent at least 0.25 per cent. of the issued shares of the Company, the Company shall have the right by delivery of notice to the shareholder (subject to certain time limits and conditions) to: (i) suspend the shareholder's rights to vote the relevant shares; (ii) withhold any dividend or other amount payable with respect to the relevant shares; (iii) render ineffective any election to receive shares instead of cash in respect of any dividend or part thereof; and/or (iv) prohibit the transfer of any shares by that shareholder.

## **11 Material contracts**

### **Norcros Group**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

#### **11.1 Acquisition Agreement and ancillary documents**

A description of the principal terms of the Acquisition Agreement and ancillary documents is set out in Part II (*Terms and Conditions of the Acquisition*) of this document.

#### **11.2 Sale and purchase agreement dated 31 March 2016 relating to the acquisition of 100% of the share capital of Abode Home Products (the "Abode SPA")**

Pursuant to the Abode SPA, Norcros Group (Holdings) Limited acquired the entire issued share capital of Abode Home Products Limited from Croneta S.A. and Darren Holliday for initial consideration of £3,740,022.49 (subject to completion accounts adjustments) and deferred consideration of £880,000. The deferred consideration is payable on the date falling 10 Business Days after the announcement of Norcros plc's preliminary results for the period ending 31 March 2018 or 30 September 2018 (whichever is the earlier). Interest accrues on the deferred consideration at a rate of 2 per cent. per annum and is payable on 30 September 2016 and thereafter every 6 months in arrears until the deferred consideration is paid.

The Abode SPA contains warranties and indemnities which are customary for a transaction of this nature.

#### **11.3 Sponsor and Placing Agreement**

The Company entered into the Sponsor and Placing Agreement with Numis on 2 November 2017 pursuant to which Numis agreed (subject to certain conditions as set out below) to use its reasonable endeavours, as agent of the Company, to procure Firm Placees for all of the New Ordinary Shares to be issued pursuant to the Firm Placing and also Placees for all of the Open Offer Shares pursuant to the Placing. To the extent that Numis is unable to procure

Firm Places pursuant to the Firm Placing, or Places for Open Offer Shares (where those Open Offer Shares are not subject to valid acceptances by Qualifying Shareholders pursuant to the Open Offer), then Numis will subscribe for such New Ordinary Shares itself.

Under the Sponsor and Placing Agreement, subject to Admission occurring, the Company will pay to Numis a success fee of £350,000 in relation to the Acquisition, a commission of 2 per cent. of the aggregate gross value of the New Ordinary Shares at the Offer Price and, subject to Numis complying with its obligations to minimise such fee so far as reasonably practicable, an additional fee not exceeding £100,000. The Company will also pay other costs and expenses of, or incidental to, amongst other things, the issue of the New Ordinary Shares, including Numis' legal, accountancy and other professional fees and expenses, and all related VAT, if applicable.

The primary obligations of Numis under the Sponsor and Placing Agreement are conditional upon, amongst other things:

- (A) the Resolutions at the General Meeting being duly passed by the requisite majority without any material amendment (other than as approved by Numis in writing);
- (B) the performance by the Company of all of its obligations under the Sponsor and Placing Agreement so far as they fall to be performed prior to Admission;
- (C) the Acquisition Agreement:
  - (i) having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission; and ;
  - (ii) becoming unconditional in all respects and having been completed in escrow (with the sole condition to release from escrow being a condition equivalent to the condition referred to in paragraph (F) below, the **Escrow Condition**);
- (D) the Amendment and Restatement Agreement:
  - (i) having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission; and
  - (ii) becoming unconditional in all respects and the loan being available for draw-down upon delivery of the relevant utilisation request (subject, in each case, only to the release of the Acquisition Agreement from escrow upon satisfaction of the Escrow Condition, the satisfaction of any condition equivalent to the conditions referred to in paragraphs (E) and (F) below and the Company not becoming aware, and the Facility Agent (as defined in the Facilities Agreement) not notifying the Company, that a Default (as defined in the Facilities Agreement) is continuing or would result from the proposed loan at any time before the Facility Agent (as defined in the Facilities Agreement) sends the relevant monies to the relevant account);
- (E) the UKLA agreeing to admit the New Ordinary Shares to the Official List of the UKLA and the London Stock Exchange agreeing to admit the New Ordinary Shares to trading on its main market for listed securities (both subject only to the allotment of the New Ordinary Shares); and
- (F) Admission occurring on or before 8.00 a.m. on 23 November 2017 (or such later time, not later than 8.00 a.m. on 1 December 2017, as Numis and the Company may agree in writing).

If any of the conditions are not satisfied prior to the relevant date or time (or waived by Numis in the case of certain conditions), then the Sponsor and Placing Agreement (except for certain surviving clauses) shall have no further effect, without prejudice to any liability for any prior breach of the agreement.

The Sponsor and Placing Agreement contains certain warranties and indemnities given by the Company in favour of Numis, in each case customary for an agreement of this type. The Sponsor and Placing Agreement also contains provisions allowing Numis to terminate the Sponsor and Placing Agreement in certain circumstances prior to Admission, including where:

- (A) there has been a breach of any of the warranties given by the Company in the Sponsor and Placing Agreement which is material in the context of the Capital Raising (in each case in the opinion of Numis, acting in good faith); and

(B) in the opinion of Numis, acting in good faith, there shall have been a material adverse change in the condition, earnings, management, business affairs, solvency, credit rating or prospects of the Company, the Group (taken as a whole) or the Merlyn Group (taken as a whole) since the date of the Sponsor and Placing Agreement.

The Company has given certain undertakings to Numis, including an undertaking that it will not, subject to certain exceptions, without the prior written consent of Numis (such consent not to be unreasonably withheld or delayed) issue shares or options over shares or securities convertible or exchangeable into shares during the 90 day period commencing on the date of Admission.

#### 11.4 Banking agreements

##### Facility Agreement

On 21 July 2014, it was agreed that certain financing indebtedness would be refinanced and replaced with certain new facilities to be advanced by certain lenders in accordance with the terms and subject to the conditions of a £70 million investment grade senior multicurrency revolving facility agreement with a £30 million accordion option between, amongst others, the Company, Barclays Bank PLC, HSBC Bank plc and Lloyds Bank plc as original lenders (the **Original Lenders**) and Lloyds Bank plc as agent (**Agent**) (the **RCF**). The Original Lenders have provided revolving credit facilities of £70 million (applied pro-rata) (the **RC Facilities**) and additional accordion facilities of up to £30 million of uncommitted revolving facilities (the **Accordion Facility**).

Lloyds Bank plc have (as one of the original lenders under the RCF) provided (in place of part of its commitment under the RCF) ancillary facilities of £10 million in the form of a multi-option facility (which includes an overdraft, guarantee, bond and indemnity, purchasing credit facility and documentary credit facility).

The Company's subsidiaries (including but not limited to Norcros plc, Norcros Group (Holdings) Limited, Norcros Industry (International) Limited, Norcros Estates Limited, Norcros Developments Limited, Lincolnshire Properties (Norfolk Street) Limited, Stonechester (Stoke) Limited, Triton plc, H&R Johnson Tiles Limited, Norcros Securities Limited, Eurobath International Limited, Croydex Group Limited, Croydex Limited and Abode Home Products Limited) also entered into the RCF (together the **Companies**) as obligors and each provided (together with the Company) a continuing guarantee of the performance of all of the borrowers' obligations under the RCF. Additionally, material subsidiaries of the Company are required (to the extent possible from a regulatory perspective) to accede to the RCF where the existing guarantors don't represent 85 per cent. of EBITDA or gross assets (excluding South African subsidiaries which are not already guarantors). If and where a South African subsidiary represents 60 per cent. (reducing to 50 per cent. depending on the Leverage Ratio) or more of EBITDA or gross assets of the group then it shall accede to the RCF as a guarantor and guarantee these obligations. All guarantees provided are on a joint and several basis. Each material subsidiary is required to provide a guarantee in accordance with the agreed guarantee principles.

The borrowers had drawn £53 million of RC Facilities (as at 6 August 2017).

Each loan has an interest rate comprised of the aggregate of the applicable LIBOR (or if made in Euros EURIBOR) for the relevant drawing and a margin of between 1.20-2.50 per cent. per annum (depending on the leverage ratio range). This margin payable is subject to a margin ratchet pursuant to which the level may adjust, both up and down, as the Group's "Leverage Ratio" (that is, the Group's net indebtedness at a particular covenant test date divided by the consolidated adjusted EBITDA of the Group for the twelve month period ending on that covenant test date) increases or decreases.

The RC Facilities are repayable by the borrowers on the fifth anniversary of the date on which the RCF was executed. Mandatory prepayment provisions may also apply to require earlier prepayment, for example, as a result of a change of control or illegality. Voluntary prepayments may be made by the borrowers provided minimum thresholds for amounts and notice periods have been met.

A number of standard representations and warranties were given under the terms of the RCF, many of which will be repeated on the date of each utilisation request, each utilisation and on the first day of each interest period. Customary materiality tests, carve-outs and grace periods

also apply. The RCF requires that the borrowers and guarantors comply with, and, in appropriate cases, require that the borrowers ensure the compliance of the Group with, a number of customary undertakings. The terms of the RCF also contain two financial covenants, one requiring that the Group's "Leverage Ratio" cannot exceed a particular level as at any test date and the other stating that the ratio of EBITDA of the Group for the twelve month period ending on a particular covenant test date to the consolidated net finance charges for the Group for that same twelve month period cannot be less than a particular level as at any such test date. These two financial covenants are tested semi-annually by reference to the Group's consolidated financial statements as at the Group's half year and audited and consolidated financial statements as at the Group's year end (as applicable).

The events of default under the RCF are usual for facilities and transactions of this type. Upon the occurrence of an event of default which is not remedied or waived, Lloyds Bank plc (acting as agent) may or shall acting on the instructions of the majority of lenders (the holders of 66 per cent. of the total commitments) cancel the available RC Facilities and Accordion Facility, may declare all outstanding payments to be immediately due and payable and may exercise all or any of its rights under the finance documents.

On 2 November 2017 the Company, the Original Lenders and the Agent entered into an amendment and restatement agreement. The amendment and restatement agreement will amend and restate the existing RCF (**Amended RCF**) subject to the automatic release of the Acquisition Agreement and other acquisition documents from Escrow (**Effective Date**). Under the Amended RCF, the Original Lenders will provide increased RC Facilities of up to £120 million together with the Accordion Facility.

The term of the Amended RCF will be four years from the Effective Date. The Amended RCF will provide the Company with the option to request, before the first anniversary of the Effective Date, that the Original Lenders extend the term of the RC Facilities by one year. The Company and its subsidiaries (Norcros Group (Holdings) Ltd, Norcros Estates Ltd, Norcros Developments Ltd, H&R Johnson Tiles Ltd and Norcros Industry (International) Ltd) are parties to the Amended RCF as borrowers and guarantors with the existing guarantee continuing in relation to the performance of all of the borrowers' obligations under the Amended RCF. Material subsidiaries will be required to accede to the Amended RCF in accordance with the conditions set out above.

Each loan has an interest rate comprised of the aggregate of the applicable LIBOR (or if made in Euros EURIBOR) for the relevant drawing and a margin of between 1.70 and 3.00 per cent. per annum (depending on the leverage ratio range). The margin payable continues to be subject to a margin ratchet which is dependent on the Group's Leverage Ratio.

A number of the standard representations contained in the RCF were repeated on the date of the amendment and restatement agreement and will be repeated on the Effective Date. The representations continue to include applicable carve-outs and grace periods. The Amended RCF includes undertakings which the borrowers and guarantors are required to comply with including the two financial covenants described above. The events of default in the Amended RCF are usual and customary for the facilities being provided.

### **Merlyn Group**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Merlyn Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Merlyn Group and which contain any provision under which any member of the Merlyn Group has any obligation or entitlement which is, or may be, material to the Merlyn Group as at the date of this document:

#### **11.5 Shareholders' agreement**

On 30 July 2015, Merlyn, Michael Hoyne, Barry Hoyne, Nicola Hoyne, Andrew Hoyne, Winnipeg Lake Holdings Limited, Charlie Soden, Michael Kilcommons and Richard Nichols entered into an amended and restated shareholders' agreement relating to Merlyn. This shareholders' agreement will be terminated on Completion.

## 11.6 Banking agreements

### Merlyn Facilities

On 30 March 2011, Merlyn and Merlyn UK both separately entered into a €2.75 million debt purchase agreement (the “**Debt Purchase Agreements**”) with AIB Commercial Services Limited (with the terms of each agreement identical, save for the points detailed below).

The Debt Purchase Agreements contain an annual service charge of 0.08 per cent. of Merlyn’s annual turnover and 0.025 per cent. of Merlyn UK’s turnover, subject always to a minimum service charge of €7,500.

The Debt Purchase Agreements are both currently unutilised as Merlyn and Merlyn UK are in a cash positive position and don’t currently need to utilise these facilities.

The Debt Purchase Agreements contain a number of standard representations and warranties, which were provided upon entry into the Debt Purchase Agreements and are repeated on each day that the debts are assigned to AIB Commercial Services Limited. The Debt Purchase Agreements contain standard guarantees that the debts that are assigned will be paid when due or where there is a shortfall Merlyn and Merlyn UK will indemnify AIB Commercial Services Limited in respect of the shortfall.

The events of default that are contained within the Debt Purchase Agreements are standard in nature and include, though are not limited to, the right to terminate the agreement immediately upon the occurrence of an event of default and cancel all future payments and use all amounts received in discharge of sums owed to AIB Commercial Services Limited.

Merlyn also benefits from a €500,000 forward foreign exchange facility, the terms of which are standard in nature.

## 12 Related party transactions

Save as set out below, other than those matters referred to in the Historical Financial Information relating to the Group for the three full years ended 31 March 2017, incorporated by reference in Part X (*Historical Financial Information Relating to the Group*) of this document during the period commencing on 1 April 2014 and terminating on the date of this document, the Company has not entered into any related party transactions.

## 13 Working capital

The Company is of the opinion that, taking into account the bank facilities available to the Group (as constituted from time to time), the working capital available to the Group (as constituted from time to time) is sufficient for its present requirements, that is, for at least the period of 12 months from the date of this document.

The Company is of the opinion, that taking into account the net proceeds of the Capital Raising and the bank facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is, for at least the period of 12 months from the date of this document.

## 14 Litigation

### 14.1 The Group

There are no governmental, legal or arbitration proceedings (including such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past, a significant effect on the Company’s and or the Group’s financial position or profitability.

### 14.2 Merlyn Group

There are no governmental, legal or arbitration proceedings (including such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past, a significant effect on the Merlyn Group’s financial position or profitability.

## **15 No significant change**

### **15.1 The Group**

There has been no significant change in the financial or trading position of the Group since 31 March 2017, being the latest date to which the historical financial information incorporated by reference in Part X (Historical Financial Information Relating to the Group) was prepared.

### **15.2 The Merlyn Group**

There has been no significant change in the financial or trading position of the Merlyn Group since 31 March 2017, being the latest date to which the historical financial information in Section B of Part XI (*Historical Financial Information Relating to Merlyn*) was prepared.

## **16 Third-party information**

Certain information has been obtained from external publications and is sourced in this document where the information is included. The Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published to third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

## **17 General**

- (A) The estimated costs and expenses relating to the Capital Raising (including those fees and commissions referred to in paragraph 11.3 above) payable by the Group are estimated to amount to approximately £1.5 million. The total net proceeds of the Capital Raising, after settling fees and expenses, will be approximately £29.9 million.
- (B) PricewaterhouseCoopers LLP, whose registered office is at 1 Embankment Place, London, WC2N 6RH, has been the auditor of the Company for the three full years ended 31 March 2017. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales and has no material interest in the Group.
- (C) PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of its reports in Section A of Part XI (*Historical Financial Information Relating to Merlyn*) and Section A of Part XII (*Unaudited Pro Forma Financial Information for the Enlarged Group*) in the form and context in which they appear and has authorised the contents of its reports for the purposes of Rule 5.5.3R(2)(F) of the Prospectus Rules.
- (D) The Company confirms that where information in this document has been sourced from a third party, the source of this information has been provided, the information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading as at the date of extraction.
- (E) Numis is registered in England and Wales under number 2285918 and its registered office is at 10 Paternoster Square, London EC4M 7LT. Numis is authorised and regulated by the FCA and is acting in the capacity as sponsor, bookrunner and broker to the Company.
- (F) Numis has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- (G) Grant Thornton is registered in England and Wales under number OC307742 and its registered office is at Grant Thornton House, Melton Street Euston Square, Euston, London NW1 2EP. Grant Thornton is authorised and regulated by the FCA and is acting in the capacity as corporate finance adviser to the Company on the Acquisition.
- (H) Grant Thornton has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- (I) Save as otherwise disclosed in this document, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- (J) The Directors believe that the Group has no material environmental compliance costs or environmental liabilities.

- (K) Following the issue of the New Ordinary Shares to be allotted pursuant to the Capital Raising, Qualifying Shareholders who do not take up their Open Offer Entitlements in full will suffer a dilution of up to 22.8 per cent. to their interests in the Company.

#### **18 Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of the Company from the date of this document to the date one month from the date of Admission:

- (A) the memorandum of association of the Company and the Articles;
- (B) the Acquisition Agreement;
- (C) the historical financial information relating to Merlyn – in respect of the three full financial years ended 31 March 2015, 2016 and 2017, together with the related report from PricewaterhouseCoopers LLP which is set out in Part X (*Historical Financial Information Relating to the Group*) of this document;
- (D) the report prepared by PricewaterhouseCoopers LLP on the unaudited *pro forma* financial information set out in Part XII (*Unaudited Pro Forma Financial Information for the Enlarged Group*) of this document;
- (E) the letters of consent referred to in paragraph 17 above; and
- (F) this document.

In addition, copies of this document are available on the Company's website [www.norcros.com](http://www.norcros.com), or through the National Storage Mechanism (**NSM**) website located at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm).

Dated: 2 November 2017

## PART XVI – DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this document:

<b>Information incorporated by reference</b>	<b>Page number in Annual Report</b>
Annual Report and Accounts of Norcros for the year ended 31 March 2017, including:	
Independent auditor's report	62
Consolidated income statement	68
Consolidated statement of comprehensive income	69
Consolidated balance sheet	70
Consolidated cash flow statement	71
Consolidated statement of changes in equity	72
Notes to the group accounts	73
Annual Report and Accounts of Norcros for the year ended 31 March 2016, including:	
Independent auditor's report	62
Consolidated income statement	68
Consolidated statement of comprehensive income	69
Consolidated balance sheet	70
Consolidated cash flow statement	71
Consolidated statement of changes in equity	72
Notes to the group accounts	73
Annual Report and Accounts of Norcros for the year ended 31 March 2015, including:	
Independent auditor's report	61
Consolidated income statement	66
Consolidated statement of comprehensive income	67
Consolidated balance sheet	68
Consolidated cash flow statement	69
Consolidated statement of changes in equity	70
Notes to the group accounts	71

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Rules, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

These documents are also available on the Company's website at [www.norcros.com](http://www.norcros.com). Except as set out above, no other portion of these documents is incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for the prospective investors and/or Shareholders or the relevant information is included elsewhere in this document.

## PART XVII – DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>Acquisition</b>	the proposed acquisition of the entire issued share capital of Merlyn pursuant to the Acquisition Agreement
<b>Acquisition Agreement</b>	the agreement dated 2 November 2017 between the Purchaser and the Sellers pursuant to which the Purchaser conditionally agreed to acquire the entire issued share capital of Merlyn, a summary of which is contained in Part II ( <i>Summary of Key Terms and Conditions of the Acquisition</i> ) of this document
<b>Admission</b>	the admission of the Firm Placing Shares and the Open Offer Shares by the UKLA to listing on the premium segment of the Official List and by the London Stock Exchange to trading on the Main Market
<b>AIFMD</b>	European Alternative Investment Fund Managers Directive
<b>Amendment and Restatement Agreement</b>	the amendment and restatement agreement dated 2 November 2017 referred to in paragraph 11.4 of Part XV of this document
<b>Application Form</b>	the application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
<b>APSP</b>	the Norcros plc 2011 Approved Performance Share Plan 2011
<b>Articles or Articles of Association</b>	the articles of association of the Company from time to time
<b>Audit and Risk Committee</b>	the audit and risk committee of the Board
<b>Auditors</b>	PricewaterhouseCoopers LLP
<b>Board</b>	the board of directors of the Company for the time being
<b>Business Day</b>	a day other than a Saturday or Sunday on which banks are generally open for non-automated business in the City of London
<b>Capita Asset Services</b>	a trading name of Capita Registrars Limited
<b>Capital Raising</b>	the Firm Placing and the Placing and Open Offer
<b>certificated or in certificated form</b>	a share or other security (as appropriate) not in uncertificated form (that is, not in CREST)
<b>City Code</b>	the UK City Code on Takeovers and Mergers, as amended, supplemented or replaced from time to time
<b>Closing Price</b>	the closing middle market quotation of an Existing Ordinary Share as derived from SEDOL
<b>Companies Act or Act</b>	the Companies Act 2006, as amended
<b>Company or the Issuer or Norcros</b>	Norcros plc
<b>Completion</b>	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
<b>CREST</b>	the relevant system (as defined in the CREST Regulations) for paperless settlement of sales and purchases of securities and the holding of shares in uncertificated form in respect of which Euroclear is the operator (as defined in the CREST Regulations)
<b>CREST Manual</b>	the rules governing the operation of CREST as published by Euroclear
<b>CREST member</b>	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations)
<b>CREST personal member</b>	a CREST member admitted to CREST as a personal member

<b>CREST Proxy Instruction</b>	has the meaning ascribed to it in the notes to the Notice of General Meeting
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as applicable), as amended from time to time
<b>DBP</b>	the Norcross plc 2011 Deferred Bonus Plan
<b>Directors</b>	the directors of the Company, whose names appear in paragraph 2 of Part XIV (Persons Responsible, Directors, Senior Management and Corporate Governance) of this document, or the directors for the time being of the Company, as the context requires, and “ <b>Director</b> ” shall be construed accordingly
<b>Disclosure Requirements document or Prospectus</b>	Articles 17, 18 and 19 of the Market Abuse Regulation this combined circular and prospectus
<b>EEA or European Economic Area</b>	the European Union, Iceland, Norway and Liechtenstein
<b>EEA State or Member State</b>	a member state of the EEA or the European Union
<b>Enlarged Group</b>	the Group as enlarged by the Acquisition and the proceeds of the Capital Raising (following Completion and Admission, as applicable)
<b>Enlarged Share Capital</b>	the Ordinary Shares in issue in the capital of the Company immediately after Admission
<b>Escrow</b>	the meaning given to it on page 28 of this document
<b>European Union or EU</b>	the economic and political union of Member States which are located primarily in Europe
<b>Excess Application Facility</b>	the arrangement pursuant to which Qualifying Shareholders may apply for Open Offer Shares in excess of their Open Offer Entitlement (up to a maximum number of Open Offer Shares equal to the number of Open Offer Shares less their Open Offer Entitlement), provided they have agreed to take up their Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
<b>Excess Entitlement</b>	in respect of each Qualifying Shareholder, the entitlement (in addition to his Open Offer Entitlement) to apply for Open Offer Shares up to the number of Open Offer Shares less his Open Offer Entitlement pursuant to the Excess Application Facility, which is conditional on such Qualifying Shareholder agreeing to take up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
<b>Excess Shares</b>	New Ordinary Shares in addition to his Open Offer Entitlement for which a Qualifying Shareholder may apply under the Excess Application Facility
<b>Excluded Territories</b>	each of Australia, Canada, Japan, South Africa and the United States, and any other jurisdiction where the availability of the Capital Raising would breach any applicable laws or regulations and “ <b>Excluded Territory</b> ” shall mean any of them
<b>Existing Ordinary Shares</b>	the 61,653,134 Ordinary Shares in issue at the date of this document
<b>Facilities Agreement</b>	the agreement relating to the facilities referred to in paragraph 11.4 of Part XV of this document (as amended and restated by the Amendment and Restatement Agreement)
<b>FCA</b>	the UK Financial Conduct Authority
<b>FCA Handbook</b>	the FCA’s Handbook of Rules and Guidance

<b>Firm Placee</b>	means any person that has conditionally agreed to subscribe for Firm Placing Shares
<b>Firm Placing</b>	means the conditional placing by Numis of the Firm Placing Shares on the terms and subject to the conditions contained in the Sponsor and Placing Agreement
<b>Firm Placing Shares</b>	the 6,165,312 new Ordinary Shares which are to be issued pursuant to the Firm Placing
<b>Form of Proxy</b>	the form of proxy enclosed with this document for use in connection with the General Meeting
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>General Meeting</b>	the general meeting of the Company proposed to be held at the offices of Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE at 10.00 a.m. on 22 November 2017 to approve the Resolutions, the notice of which is contained in this document
<b>Grant Thornton</b>	Grant Thornton UK LLP of Grant Thornton House, Melton Street Euston Square, Euston, London NW1 2EP
<b>Group</b>	the Company and its subsidiaries and its subsidiary undertakings, and when the context requires, its associated undertakings
<b>IFRS</b>	International Financial Reporting Standards, as issued by the International Accounting Standards Board
<b>ISIN</b>	International Securities Identification Number
<b>Latest Practicable Date</b>	1 November 2017
<b>Listing Rules</b>	the rules of the FCA relating to the admission to the Official List made by the FCA under section 73A(2) of FSMA
<b>London Stock Exchange Main Market</b>	London Stock Exchange plc or its successor(s)
<b>Market Abuse Regulation</b>	the London Stock Exchange's main market for listed securities
<b>Merlyn</b>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and its implementing legislation
<b>Merlyn Group</b>	Merlyn Industries Limited, incorporated in Ireland with registration number 318543
<b>Merlyn UK</b>	prior to the Reorganisation on 25 May 2015, Merlyn and Merlyn UK on a combined basis, and, thereafter, the Merlyn and its subsidiaries and subsidiary undertakings, and, where the context requires, its associated undertakings
<b>Money Laundering Regulations</b>	Merlyn Industries U.K. Limited, incorporated in England and Wales with registration number 3906029
<b>New Ordinary Shares</b>	the Money Laundering Regulations (SI 2007 No.2157), as amended
<b>Nomination Committee</b>	the Firm Placing Shares and the Open Offer Shares
<b>Non-PE Sellers</b>	the nomination committee of the Board
<b>Notice of General Meeting</b>	Michael Hoyne, Barry Hoyne, Nicola Hoyne, Andrew Hoyne, Charlie Soden, Michael Kilcommons and Barandnic Holdings Limited
<b>Numis or Sponsor</b>	the notice convening the General Meeting which is contained in this document
<b>Offer Price</b>	Numis Securities Limited of 10 Paternoster Square, London, EC4M 7LT
<b>Official List</b>	172 pence per New Ordinary Share
	the Official List of the UK Listing Authority

<b>Open Offer</b>	the offer to Qualifying Shareholders constituting an offer to apply for the Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in this document, and in the case of the Qualifying Non-CREST Shareholders, the Application Form
<b>Open Offer Entitlement</b>	the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 10 Open Offer Share(s) for every 51 Existing Ordinary Shares registered in their name as at the Record Date, on and subject to the terms of the Open Offer
<b>Open Offer Shares</b>	the 12,088,849 new Ordinary Shares to be offered to Qualifying Shareholders pursuant to the Open Offer and to Places pursuant to the Placing
<b>Ordinary Shares</b>	the ordinary shares of £0.10 in the capital of the Company from time to time
<b>Overseas Shareholders</b>	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
<b>Panel on Takeovers and Mergers</b>	the UK Panel on Takeovers and Mergers
<b>Placee</b>	any person who has agreed or shall agree to subscribe for Open Offer Shares pursuant to the Placing, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer
<b>Placing</b>	the placing of the Open Offer Shares at the Offer Price to Placees by Numis in accordance with the terms of the Sponsor and Placing Agreement, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer
<b>Placing Conditions</b>	the meaning given to it on page 47 of this document
<b>Plans</b>	the APSP, the DBP and the SAYE (as those expressions are defined in paragraph 4 of Part XV (Additional Information) of this document)
<b>pounds sterling or £</b>	the lawful currency of the United Kingdom
<b>Prospectus Rules</b>	the rules of the FCA made for the purposes of Part VI of FSMA in relation to offers of securities to the public and the admission of securities to trading on a regulated market
<b>Purchaser</b>	Norcros Group (Holdings) Limited, a wholly-owned subsidiary of the Company
<b>Qualifying CREST Shareholders</b>	Qualifying Shareholders holding Ordinary Shares in uncertificated form on the Record Date
<b>Qualifying Non-CREST Shareholders</b>	Qualifying Shareholders holding Ordinary Shares in certificated form on the Record Date
<b>Qualifying Shareholders</b>	holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion of Overseas Shareholders with a registered address or resident in any Excluded Territory
<b>Receiving Agent or Capita</b>	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
<b>Record Date</b>	6.00 p.m. on 31 October 2017
<b>Refinancing</b>	the refinancing which will take effect when the Amendment and Restatement Agreement becomes effective
<b>Registrar</b>	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
<b>regulatory authority</b>	any central bank, ministry, governmental, quasi governmental (including the European Union), supranational, statutory,

	regulatory or investigative body or authority (including any national or supranational anti-trust or merger control authority), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including for the avoidance of doubt, the Panel on Takeovers and Mergers, the FCA, the UKLA and the London Stock Exchange
<b>Regulatory Information Service</b>	one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information from listed companies
<b>Regulation S</b>	Regulation S under the US Securities Act
<b>Remuneration Committee</b>	the remuneration committee of the Board
<b>Resolutions</b>	the resolutions set out in the Notice of General Meeting
<b>SAYE</b>	the Norcross plc Savings-Related Share Option Scheme 2017 and the Norcross plc Savings-Related Share Option Scheme 2007
<b>SEDOL</b>	the London Stock Exchange Daily Official List
<b>Sellers</b>	the Non-PE Sellers and Winnipeg Lake Holdings Limited
<b>Senior Independent Director</b>	the “senior independent director”, as referred to in the UK Corporate Governance Code
<b>senior management</b>	certain members of the Group’s management team named as senior management in Part XIV ( <i>Persons Responsible, Directors, Senior Management and Corporate Governance</i> ) of this document
<b>Shareholder</b>	a holder of Ordinary Shares for the time being
<b>Sponsor and Placing Agreement</b>	the sponsor and placing agreement dated 2 November 2017 between the Company and Numis, details of which are set out in paragraph 11.3 of Part XV ( <i>Additional Information</i> ) of this document
<b>subsidiary</b>	the meaning given to it in the Companies Act
<b>subsidiary undertaking</b>	the meaning given to it in the Companies Act
<b>Transparency Rules</b>	the rules made under section 73A(6) of FSMA, which relate to major shareholdings and the notification and dissemination of information by issuers of transferable securities, and which are set out in chapters 4, 5 and 6 of the FCA’s Disclosure Guidance and Transparency Rules sourcebook
<b>UK Corporate Governance Code</b>	the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time
<b>UK Listing Authority or UKLA</b>	the FCA in its capacity as the competent authority for the purpose of Part VI of FSMA
<b>uncertificated or in uncertificated form</b>	in relation to a share or other security, a share or other security title in uncertificated form to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred through CREST
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>United States or US</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>US Securities Act</b>	US Securities Act of 1933, as amended
<b>USD, US dollars or \$</b>	the lawful currency of the United States

**VAT**

UK value added tax

**wholly-owned subsidiary**

the meaning given to it in the Companies Act

The rule known as the ejusdem generis rule will not apply and accordingly the meaning of general words introduced by the word “other” or a similar word or expression will not be restricted by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things.

## NOTICE OF GENERAL MEETING

# NORCROS PLC

*(incorporated in England and Wales with registered number 3691883)*

**NOTICE IS HEREBY GIVEN** that a general meeting of Norcros plc (**Company**) will be held at 10.00 a.m. on 22 November 2017 at the offices of Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1 and 2 below will be proposed as ordinary resolutions and resolution 3 below will be proposed as a special resolution.

### Resolution 1

#### Ordinary Resolution

**THAT** the proposed acquisition of Merlyn Industries Limited substantially on the terms and subject to the conditions contained in the conditional share purchase agreement dated 2 November 2017 between (1) Michael Hoyne, Barry Hoyne, Nicola Hoyne, Andrew Hoyne, Charlie Soden, Michael Kilcommons and Barandnic Holdings Limited, (2) Norcros Group (Holdings) Limited and (3) the Company (**Acquisition Agreement**) as described in Part II of the document containing the notice convening this meeting (**Prospectus**), and all other agreements and ancillary arrangements contemplated by the Acquisition Agreement, be and are hereby approved and that the directors of the Company (**Directors**) (or any duly constituted committee of the Directors) be and are hereby authorised to take all such steps, and to execute all documents and deeds, as they may consider necessary, expedient or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (provided such modifications, variations or amendments are not of a material nature) as they shall deem necessary, expedient or desirable.

### Resolution 2

#### Ordinary Resolution

**THAT**, in addition and without prejudice to all existing authorities and subject to the passing of the resolutions numbered 1 and 3 in the notice convening this meeting, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the capital of the Company, but so that:

- (a) the maximum amount of shares that may be allotted under this authority are shares with an aggregate nominal value of £1,825,416.10;
- (b) this authority is limited to the allotment of shares pursuant to the Capital Raising (as defined in the document containing the notice convening this meeting);
- (c) this authority shall expire on 31 December 2017; and
- (d) the Company may make any offer or agreement before such expiry which would or might require shares in the Company to be allotted after such expiry, and the directors may allot shares in the Company in pursuance of that offer or agreement as if this authority had not expired.

### Resolution 3

#### Special Resolution

**THAT**, subject to the passing of the resolutions numbered 1 and 2 in the notice convening this meeting and without prejudice to all existing powers, the directors are empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of that Act) for cash pursuant to the authority conferred on them by the resolution numbered 2 in the notice convening this meeting as if section 561 of that Act did not apply to any such allotment, provided that this power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the directors by the resolution numbered 2 in the notice convening this meeting, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after, and notwithstanding, such expiry and the directors may allot equity securities under any such offer or agreement as if this power had not expired.

By order of the Board of Directors of Norcros plc

*Registered office:*

Ladyfield House  
Station Road  
Wilmslow  
Cheshire  
SK9 1BU

**RICHARD COLLINS**

Company Secretary

2 November 2017

**NOTES:**

- 1 A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.
- 2 The right of a member of the Company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by the close of business on 20 November 2017 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.
- 3 A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with section 323 of the Companies Act 2006. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this notice of meeting. To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Capita Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to be received by 10.00 a.m. on 20 November 2017. Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at [www.signalshares.com](http://www.signalshares.com). To be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by the same time. Members who hold their shares in uncertificated form may also use "the CREST voting service" to appoint a proxy electronically, as explained below. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.
- 4 Any person to whom this notice is sent who is currently nominated by a member of the Company to enjoy information rights under section 146 of the Companies Act 2006 (**nominated person**) may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
- 5 As at 1 November 2017 (the latest practicable date prior to the printing of this document), (i) the Company's issued share capital consisted of 61,653,134 ordinary shares of £0.10 each, carrying one vote each, and (ii) the total voting rights in the Company were 61,653,134.
- 6 Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at [www.norcros.com](http://www.norcros.com). A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.
- 7 CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in "the CREST voting service" section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (**CREST proxy appointment instruction**) must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited (**Euroclear**), and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Capita Asset Services (ID RA10), as the Company's "issuer's agent", by 10.00 a.m. on 20 November 2017. After this time any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer's agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid.

