



NORCROS

15 June 2023

Results for the year ended 31 March 2023

Record revenue and underlying operating profit and a strong financial position

Norcros, a market leading supplier of high quality and innovative bathroom and kitchen products, today announces its results for the year ended 31 March 2023.

Financial Summary

	2023	2022	% change 2023 v 2022
Revenue	£441.0m	£396.3m	+11.3%
<i>Revenue constant currency LFL¹</i>			+1.5%
Underlying operating profit ²	£47.3m	£41.8m	+13.2%
Underlying profit before taxation ²	£41.8m	£39.3m	+6.4%
Diluted underlying EPS ²	37.4p	38.2p	-2.1%
Underlying operating cash flow ²	£44.8m	£28.6m	+56.6%
Operating profit	£27.5m	£36.2m	-24.0%
Underlying net (debt)/cash ²	(£49.9m)	£8.6m	
Dividend per share	10.2p	10.0p	+2.0%

1 LFL – Like for like after adjusting for Grant Westfield, acquired 31 May 2022

2 Definitions and reconciliations of alternative performance measures are provided in note 5

Highlights

- Resilience of the Group's business model in challenging market conditions
- Strong execution of strategy
- Record full year revenue of £441.0m (2022: £396.3m), 11.3% higher than prior year on a reported basis and 1.5% higher on a constant currency like for like basis after adjusting for Grant Westfield
- Record underlying operating profit² of £47.3m, 13.2% higher than prior year (2022: £41.8m)
- Underlying net debt² of £49.9m (2022: net cash of £8.6m)
- Underlying ROCE² of 18.5% (2022: 23.9%)
- Diluted underlying EPS² of 37.4p (2022: 38.2p)
- Progressive dividend at 10.2p for the year (2022: 10.0p)
- The acquisition of Grant Westfield completed in May 2022, successfully integrated and performing strongly

Current trading

- Group revenue in the two months to the end of May 2023 was 1.3% ahead of the strong prior year comparator on a reported basis and 3.6% below on a constant currency like for like³ basis (UK +1.3%, SA -12.7%) with South Africa impacted by electricity supply interruptions, which are being actively managed. Market conditions are likely to remain uncertain. However, the Board is confident that our market leading brands and strong execution of strategy will continue to deliver outperformance, leading to further progress and market share gains in line with its expectations in the year ahead.

3 Adjusted for Grant Westfield and Norcros Adhesives

David McKeith, Chair, commented:

"I am pleased to report another record performance for the Group with results at the top end of market expectations. Norcros has continued to demonstrate resilience and growth in market share despite challenging conditions. The Group's business model and strategy have proven to be highly effective through a sustained period of macroeconomic uncertainty."

There will be a presentation today at 9.00am for analysts at the offices of Hudson Sandler, 25 Charterhouse Square, London, EC1M 6AE. The supporting slides will be available in the investor section of the Norcros website at www.norcros.com later in the day.

Enquiries

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Notes to Editors

Norcros is a market leading supplier of high quality and innovative bathroom and kitchen products with operations primarily in the UK and South Africa.

- Based in the UK, Norcros operates under seven brands:
 - Triton - Market leader in the manufacture and marketing of showers in the UK
 - Merlyn - The UK and Ireland's No.1 supplier of shower enclosures and trays to the residential, commercial and hospitality sectors
 - Multipanel - Grant Westfield is a leading manufacturer of high-end waterproof bathroom wall panels
 - Vado - A leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves
 - Croydex - A 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 - The leading manufacturer and supplier of ceramic tiles in the UK
- Based in South Africa, Norcros operates under four brands:
 - Tile Africa - Chain of retail stores focused on ceramic and porcelain tiles, and associated products such as sanitaryware, showers and adhesives
 - Johnson Tiles South Africa - Manufacturer of ceramic and porcelain tiles
 - TAL - The leading manufacturer of ceramic and building adhesives
 - House of Plumbing - Market leading supplier of specialist plumbing materials
- Norcros is headquartered in Wilmslow, Cheshire and employs around 2,400 people. The Company is listed on the London Stock Exchange. For further information please visit the Company website: www.norcros.com

Chair's Statement

Overview

I am pleased to report another record performance for the Group with results at the top end of market expectations. Norcros has continued to demonstrate resilience and growth in our markets despite challenging conditions. The Group's business model and strategy have proven to be highly effective through a sustained period of macroeconomic uncertainty.

Group revenue for the year was £441.0m (2022: £396.3m), 11.3% higher than the prior year on a reported basis and 1.5% higher on a constant currency like for like basis.

Underlying operating profit was at a record level of £47.3m (2022: £41.8m), 13.2% ahead of the prior year, reflecting the contribution from Grant Westfield and further market share gains.

The Group finished the year with net debt of £49.9m (2022: net cash of £8.6m), the year on year movement reflecting the successful acquisition of Grant Westfield, partially offset by strong cash generation in the period.

Strategy

Notwithstanding the macro challenges in recent years of Brexit, COVID-19, the war in Ukraine and the UK "mini budget" in September 2022, we have made strong strategic progress, and our focused growth strategy continues to be valid and relevant. Our performance during the period demonstrates our focus upon sustaining a pre-tax return on underlying capital employed of 15% over the economic cycle and this continues to be key in how we evaluate opportunities and deploy capital. We made the decision to close our UK Adhesives business during the year, and whilst this was a difficult decision, it will improve the Group's financial performance going forward. Our business model, strategy and core capabilities including sustainable product design and innovation, well developed sourcing partnerships, and market leading customer service have again delivered excellent results. The business will continue to drive market share growth in our existing businesses while taking advantage of further acquisition opportunities in what remain fragmented markets.

Dividend

For the year ended 31 March 2023, the Board is recommending a final dividend of 6.8p (2022: 6.9p) per share. When combined with the interim dividend of 3.4p (2022: 3.1p) per share, which was paid on 10 January 2023, this will make a total dividend for the year of 10.2p (2022: 10.0p) per share, a 2.0% increase on the previous year whilst maintaining a prudent level of dividend cover.

Environmental, social and governance (ESG)

The Board is committed to embedding sustainability within our business strategy. We are proud of our history of environmental and social leadership, our achievements in setting industry leading standards in our products, and the support we provide to the communities in which we live and work.

I am pleased we have made significant progress this year. We have extensively updated our ESG strategy around eight priority ESG themes which are commented on in detail in the Annual Report and Accounts, finalised a 2040 Net Zero Transition Plan and made enhancements to our emissions and energy data collection process. We are pleased to have further developed our report aligned to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), which outlines our approach to managing climate-related risks and opportunities across the Group.

Pension scheme

The net position relating to our UK defined benefit pension scheme (as calculated under IAS 19R) remains in a surplus of £14.9m at 31 March 2023 (2022: £19.6m). Deficit repair contributions were £3.8m in the year.

The pension scheme is mature, with an average member age of 78, and experienced a reduction in member numbers in the year from 6,002 to 5,641. We remain confident that our pension obligations continue to be appropriately funded and well managed. The Group recognises that the pension scheme is a key stakeholder, and the Group and the Trustee continue to work constructively together.

Board changes and senior management appointments

In January 2023, I was appointed Acting Board Chair until the Group appoints a new Non-executive Director as Board Chair and we are pleased to confirm that, as announced, Steve Good will be appointed a Director from 1 July 2023 and will become Board Chair Designate from that date. Steve Good will be seeking election at the AGM and if elected he will assume the Board Chair role at the conclusion of the AGM. I will not be seeking re-election at the AGM.

Thomas Willcocks was appointed to the Board as Chief Executive Officer with effect from 1 April 2023 following Nick Kelsall's retirement. Thomas joined Norcros in 2006 and was promoted to Managing Director of Norcros South Africa in 2009 and has overseen the sustained and profitable growth of our South African business. On 1 August 2021, Thomas became our Group Business Director – UK before joining the Board. I have worked closely with both Nick and Thomas as we have developed and grown the Norcros business, and it has been a pleasure to be able to stand back and recognise the success achieved. I would like to thank Nick for his focused and determined leadership over this time and wish him and his family the very best in his retirement. Nick has handed over to an experienced team led by Thomas and James Eyre (CFO), which is testament to his development of the Norcros business and team throughout his tenure.

Stefan Allanson was appointed to the Board on 1 January 2023 as a Non-Executive Director and Chair (Designate) of the Audit and Risk Committee. Stefan is the Chief Financial Officer of MJ Gleeson plc and has held senior finance roles at Keepmoat Ltd, Tianhe Chemicals Ltd, The Vita Group Ltd and Honda Motor Company.

The Board composition can be found in our Annual Report and Accounts.

The Group executive committee comprises our CEO (Thomas Willcocks), CFO (James Eyre) and Group Counsel and Company Secretary (Richard Collins). The search for a replacement Group Business Director – UK, who will also join the executive committee, is well advanced.

Governance

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

People

Our employees are our most valuable asset. Given our entrepreneurial, design and service led business model, the Group remains committed to ensuring a safe and positive working environment within an open, transparent and entrepreneurial culture and decentralised operating model. On behalf of the Board, I would like to specifically thank the teams in each of our businesses who have helped to deliver on the Group's strategic objectives over the last twelve months. Recognising the central part that our people at all levels play, I am pleased to announce that we have also created the position of Chief People Officer. The position will help accelerate the Group and individual businesses' development of our internal talent and future recruitment. In further developing our talented team, we remain committed to being the employer of choice in our markets, including increasing our focus on ensuring that our businesses attract and retain diverse and inclusive teams.

Current trading

Group revenue in the two months to the end of May 2023 was 1.3% ahead of the strong prior year comparator on a reported basis and 3.6% below on a constant currency like for like basis (UK +1.3%, SA -12.7%) with South Africa impacted by electricity supply interruptions, which are being actively managed.

Summary and outlook

The Group has delivered another record performance despite the ongoing economic challenges. The Board remains confident that our highly experienced management teams, leading customer service propositions and strong financial position, will drive further market share growth in line with its expectations in the year ahead.

Chief Executive Officer's Statement

Overview

I was delighted to join the Board from 1 April 2023 and would like to thank my predecessor, Nick Kelsall, for his outstanding commitment and leadership over a Norcros career spanning 30 years. This well managed transition comes at a time when the business is financially sound and has once again delivered record levels of revenue and underlying operating profit.

Norcros has continued to build on the progress of recent years. The performance in the current year reflects the strength of our leading brands, supply chain infrastructure, stock availability, and financial strength.

Group revenue at £441.0m (2022: £396.3m) increased by 11.3% on a reported basis and by 1.5% on a constant currency like for like basis. The strong trading performance in the first half of the year continued into the second half with further revenue growth in the UK and a robust full year performance in South Africa.

Group underlying operating profit for the year increased by 13.2% to a record level of £47.3m (2022: £41.8m) reflecting the increased revenue in the year and an operating margin slightly ahead of last year at 10.7% (2022: 10.5%).

UK

Revenue in the UK was £295.8m for the year (2022: £256.7m), 15.2% higher than the prior year on a reported basis and broadly in line on a like for like basis. A resilient trade sector in the period offset softer demand in the retail sector, which was particularly impacted by customer destocking in the first half of the year.

All businesses, other than the UK Adhesives division, performed well in the year with particularly strong performances at Triton and Merlyn. Our UK businesses continued to capitalise on their strong market positions and excellent customer service. We have successfully developed our portfolio in the year. On 31 May 2022, we completed the acquisition of 100% of the share capital of Granfit Holdings Limited and its subsidiaries including Grant Westfield Limited, trading as Multipanel. Grant Westfield is a quality business with a strong track record of profitability and cash generation. Since the acquisition, the business has been successfully integrated and made a strong contribution to the Group through its complementary range of waterproof bathroom panels. In addition, we have also taken decisive action at our UK Adhesives division, announcing the closure of this small but loss making business. Against a backdrop of lower current and uncertain short-term demand for our locally produced tiles, we have made the decision to impair the carrying value of the assets at Johnson Tiles. Further detail can be found in the Financial overview.

UK underlying operating profit for the year was another record at £37.2m (2022: £30.9m) with an improved underlying operating margin of 12.6% (2022: 12.0%). Underlying operating profit growth was supported by the contribution from Grant Westfield.

Operating cash flow was higher than the prior year driven by the increased level of operating profit and higher underlying operating cash conversion supported by our continued focus on working capital.

South Africa

Revenue in South Africa increased by 4.7% on prior year on a constant currency basis, and by 4.0% on a Sterling reported basis, to £145.2m (2022: £139.6m). All divisions delivered revenue growth on the prior year.

This revenue growth was mainly driven by robust demand in the housebuilding sector and the full year impact of the expansion of our House of Plumbing branch portfolio. An exceptional performance over the first half was diluted by heightened levels of loadshedding (electricity rationing), especially in the fourth quarter and we continue to manage this in the current year. The breadth of our revenue channels once again benefitted our performance.

South African underlying operating profit for the year was robust at £10.1m (2022: £10.9m), reflecting our market leading positions and share growth in a difficult market, particularly in the second half of the year. Underlying operating margin was 7.0% (2022: 7.8%). We are accustomed to the higher levels of variability in this developing market and have a proven experienced team with a track record in this region.

Operating cash flow was lower than prior year largely as a result of continued investment into working capital (primarily inventory) to support our service levels and stock availability.

Strong financial position

The Group continues to have a strong balance sheet with net debt of £49.9m (2022: net cash of £8.6m). The year on year movement reflects the acquisition of Grant Westfield and planned investment into working capital in the year of £13.3m to further support business growth and customer service, with a resultant underlying operating cash inflow of £44.8m (2022: £28.6m) in the year.

The Group has extended its £130m multicurrency revolving credit facility ("RCF") for a further year. The facility has a three year and seven month term to October 2026, with a further year extension available. It also includes the option for an uncommitted accordion facility of £70m. The Group therefore remains well positioned to progress its growth strategy.

Following the acquisition of Grant Westfield in May 2022, leverage at the 2023 year end is circa 1.0x EBITDA on a pre-IFRS 16 basis.

Strategy

In April 2018 the business launched a refreshed strategy for growth and a 2023 vision for the Group, including an updated set of strategic targets which were: to increase Group revenue to £600m by 2023; to maintain revenue derived outside of the UK at

approximately 50% of Group revenue; and to sustain a pre-tax return on underlying capital employed of more than 15% over the economic cycle. The previous timescale of 2023 was extended to 2025 reflecting the COVID-19 disruption. This growth strategy has delivered strong organic and acquisition driven growth at above targeted returns:

- Group revenue increased by 11.3% to £441.0m, supported by the acquisition of Grant Westfield on 31 May 2022.
- On a Sterling reported basis, Group revenue derived outside of the UK was 40.6%.
- Group underlying return on capital employed was 18.5% on a pre-IFRS 16 basis.

The Group's strong performance and the decisive response to the inflationary and supply chain challenges and market conditions continue to demonstrate the resilience of our business model and the effectiveness of our strategy.

Norcros has a strong and scalable position in the bathroom and kitchen product markets. The markets in our existing and adjacent geographies remain highly fragmented with significant consolidation opportunities to either broaden our product portfolio or further consolidate our current offerings. The significant strength of the balance sheet means the business is well placed to take advantage of further acquisitions or organic growth opportunities as they arise. Norcros' proven record of growing existing and carefully selected acquired businesses remains a core business strength.

Sustained investment in our in-house new product development programmes will continue to drive organic growth alongside our market leading brands, customer service and best in class quality. Our product vitality rate (the percentage of revenue in the period derived from new products launched in the last three years) remained high at 24% (2022: 29%) but short of our demanding target of 30% mainly due to the COVID-19 related disruption to supply chains. Our vitality rates are nonetheless market leading and we continue to invest in our pipeline as new product launches return to pre-COVID-19 levels.

ESG

Sustainability is a key priority for the Group and we continue to work closely with our businesses to drive progress in line with our previously mentioned updated ESG strategy.

Further progress was made in the year as we continue the journey to net zero. For the first time, we have set scope 1, 2 and 3 carbon emissions targets. Data collection, measurement and visibility will continue to be developed internally and with our partners. Further details of our ESG strategy can be found in our Annual Report and Accounts.

Our well developed social and governance programs are detailed in the Annual Report and Accounts, with a notable example being our SAFE bathrooms initiative in underprivileged South African schools.

Summary and outlook

Norcros has made excellent progress in our markets despite the challenging conditions and again delivered record results. Our Group performance demonstrates the strength of our business model and the calibre and support of all our employees. Our businesses, both in the UK and South Africa, continue to make strong progress, gain market share and benefit from the ongoing development of our leading brands, supply chain infrastructure and stock availability. Grant Westfield has been an excellent addition to our portfolio and has performed well in the year.

Our UK businesses performed well with strong second half growth year on year. The market leading positions and continuing excellent service levels, ensured that key retail customers were retained with new account wins. The trade and specification sector demonstrated ongoing resilience and continues to represent an important opportunity for the group, including the recently acquired Grant Westfield business, going forward.

Our South African business has continued to deliver revenue growth, notwithstanding the challenging market conditions experienced in the second half of the year. The business remains in a strong competitive position to grow market share, particularly in bathrooms.

The markets in which we operate in the UK and South Africa remain fragmented and attractive for organic and acquisitive growth opportunities. Our acquisition in the year of Grant Westfield demonstrates the Group's ability to capitalise on growth opportunities and leverage off the existing Group businesses, and especially our broad and well established distribution channels.

In summary, we have ended the year strongly, outperforming our markets and, once again, delivered record levels of revenue and underlying operating profit. While market conditions remain uncertain, especially in South Africa, the Board believes that the Group's proven business model and highly experienced management teams will continue to deliver market share growth in line with its expectations in the year to 31 March 2024.

Business performance

	2023 £m	2022 £m
Revenue	441.0	396.3
Operating profit	27.5	36.2
IAS 19R administrative expenses	1.6	1.7
Acquisition related costs	8.4	4.8
Exceptional operating items	9.8	(0.9)
Underlying operating profit	47.3	41.8

	2023 £m	2022 £m
Revenue – UK	295.8	256.7
Revenue – South Africa	145.2	139.6
Revenue – Group	441.0	396.3
Underlying operating profit – UK	37.2	30.9
Underlying operating profit – South Africa	10.1	10.9
Underlying operating profit – Group	47.3	41.8
Underlying operating profit margin – UK	12.6%	12.0%
Underlying operating profit margin – South Africa	7.0%	7.8%
Underlying operating profit margin – Group	10.7%	10.5%

	2023 £m	2022 £m
Underlying operating profit	47.3	41.8
Depreciation of right of use assets	4.6	4.1
Lease costs	(6.4)	(5.7)
Depreciation and underlying amortisation (owned assets)	5.0	5.2
Underlying EBITDA (pre-IFRS 16)	50.5	45.4
Net working capital movement	(13.3)	(23.6)
IFRS 2 charge	1.2	1.1
Operating profit impact of IFRS 16	1.8	1.6
Depreciation of right of use assets	4.6	4.1
Underlying operating cash flow	44.8	28.6

	2023	2022
Basic underlying earnings per share	38.0p	38.9p
Diluted underlying earnings per share	37.4p	38.2p

Business review – UK

In the UK, full year revenue was 15.2% higher than the prior year on a reported basis at £295.8m (2022: £256.7m) reflecting the contribution from Grant Westfield, market share gains and selling price increases to recover higher input costs.

On a like for like basis, full year revenue was broadly in line with the strong prior year comparator with growth in the second half of the year of 3.3%.

Over the year, our UK businesses delivered a strong performance, benefiting from the diverse customer base and an increased focus on the trade and specification sector. Compared to the strong prior year comparator, the retail sector was impacted by softer demand and some customer destocking in the first half. The market did improve in the second half of the year and we are well positioned to continue to grow market share.

The trade sector, where we enjoy market leading positions, proved resilient with a particularly strong fourth quarter. Sales to national and independent merchants and housebuilders were robust. Representing a smaller proportion of our revenue, export was lower year on year reflecting softer first half demand in our export markets.

New product development remains a focus at all of our UK businesses. This core in-house strength is a key driver in our strategy to grow our brands' long-term leading market positions.

Strong progress has been made on our ESG strategy with a number of businesses achieving the Environmental Management Standard ISO 14001 in the year, a key milestone on the path to net zero. We have also set targets and KPIs to align our businesses to our ESG strategic priorities. Further detail is included in the ESG section of our Annual Report and Accounts.

Underlying operating profit for the year grew by £6.3m to a record level of £37.2m (2022: £30.9m) with an operating margin of 12.6% (2022: 12.0%). This increase in profitability mainly reflected the contribution from Grant Westfield and the return to profitability at Johnson Tiles in the period.

Operating cash conversion was significantly ahead of the prior year supported by our continued focus on working capital.

Triton

Revenue at Triton, the UK's market leader in showers, was £63.7m (2022: £60.1m), 6.0% higher than the prior year reflecting market share gains in the period driven by our market leading sustainability programme.

Triton has benefited from strong retail sales over the last three years by ensuring excellent product availability and maintaining high customer service levels. Second half retail revenue was particularly strong after experiencing some destocking in the first half from larger retail customers. Full year retail sector revenue was up by 4.6% compared to the prior year.

Trade sector revenue was 11.7% higher than the prior year, reflecting the strengthening of our team in this market segment, with growth continuing in contract business and Triton taking share in the social housing and local authority market. Export revenue also recovered in the second half albeit full year revenue was 2.5% behind the prior year reflecting first half customer destocking.

New products continue to be a key driver in maintaining Triton's long-term leading market position where ongoing investment and new product launches have proven successful. Notable revenue growth in the year was delivered from the DuElec® range of dual outlet electric showers and the introduction of new finishes.

Proud to be manufactured in Britain for almost 50 years and a member of the "Made in Britain" scheme since 2014, Triton is known as a leader in electric shower innovation with a focus on its environmental credentials. Investment in brand and marketing campaigns continued with the "Every Drop Makes a Difference" theme, raising awareness about the efficiency and sustainability benefits of electric showers. The campaign achieved a Special Recognition in Driving Behaviour Change Award from the Bathroom Manufacturers Association and was Highly Commended at the HVAC Industry Energy Savings Awards. Triton's Enrich electric shower also won the inaugural Screwfix sustainability award. During the year Triton achieved Carbon Neutral status and continued to work towards its target to be net carbon zero by the end of 2035.

Triton again delivered an underlying operating profit ahead of the prior year.

Merlyn

Merlyn, the UK and Ireland's number one supplier of shower enclosures and trays to the residential, commercial and hospitality sectors, performed strongly and recorded revenue of £57.5m (2022: £58.3m), slightly behind the strong prior year comparator. The business continued to grow its market share, leveraging its leading position in the UK through its leading design, quality product offering, stock availability and exceptional customer service.

UK revenue was in line with the prior year. The retail sector improved in the second half, driven by new customer wins and organic growth, with revenue finishing the year broadly in line with the prior year.

Trade revenue increased by 2.0% with growth across a number of existing customers, in addition to a number of new contracts including Vistry and Larkfleet, offset by slightly reduced sales to national merchants. Merlyn renewed agreements with all of the major

buying groups and national merchants in the year. Exports decreased by 12.7% in the year reflecting customer destocking in Ireland and France.

New product development remains an integral component of Merlyn's growth strategy with the successful launch of the Sleek modern shower enclosure range. Further investment in Merlyn's online presence was reflected in the launch of the new Merlyn website with a new "find your perfect solution" feature. Recognising the strength of the brand, Merlyn was shortlisted at the BKU Awards for Shower Brand of the Year after winning the prestigious award plus Best Sales Representative in 2022. Merlyn has further developed its environmental credentials during the year and has now, amongst other initiatives, eliminated the use of single use plastics with fully recyclable alternatives.

Merlyn recorded underlying operating profit ahead of the prior year.

Grant Westfield

Grant Westfield, our recently acquired market leading manufacturer of high end waterproof bathroom wall panels, recorded revenue for the ten months post acquisition in line with expectations at £39.5m, ahead of the equivalent prior year period.

The business was successfully integrated in the first half of the year and has continued to develop, working with other Norcros businesses on several customer and channel opportunities. This collaboration has resulted in a new and developing relationship with Topps Tiles. The majority of Grant Westfield's revenue is through the trade channel with a small level of export revenue. Sales through the national merchants such as City Plumbing, Wolseley Group and Travis Perkins were strong. The online channel is growing and has performed well.

The Multipanel Tile collection, which was successfully launched post acquisition, has been well received and has reinforced the reputation of Grant Westfield for product innovation and quality. It is the only tile effect panel manufactured in the UK. The business achieved the Environmental Management standard ISO 14001 in the year.

Grant Westfield delivered an underlying profit performance in line with expectations.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded revenue of £42.3m for the year (2022: £43.9m), 3.6% lower than the strong prior year comparator.

In the UK, our retail sector revenue was impacted in the period with revenue 14.7% lower than the prior year, albeit performance improved significantly in the second half of the year. The trade sector performed robustly, with revenue up 9.4% on prior year. This was driven by continuing to work with all existing key customers along with several contract wins, particularly in the second half of the year, such as The Cocoa Works, apartments at Silverstone and with Berkeley Homes. Export revenue was broadly in line with the prior year. Reduced sales in Ireland were offset by strong sales in the Middle East in the second half of the year.

Following the successful launch of the Arrondi range which was created in partnership with Conran and Partners and won a Red Dot Design award, the business continued to invest in new product development with further market leading launches in the flush plate, frames, and cistern markets.

Vado generated an underlying operating profit ahead of prior year.

Croydex

Croydex, our market leading, innovative designer, manufacturer, and distributor of high quality bathroom furnishings and accessories, recorded revenue of £25.5m (2022: £27.0m) for the period, 5.6% lower than the strong prior year comparator. Pleasingly, performance in the second half was ahead of prior year as a result of operational improvements.

Retail sector revenue in the first half of the year was significantly impacted by customer destocking and whilst the second half improved significantly, full year revenue was 22.1% behind the prior year. E-commerce sales were soft in the first half against a strong comparator of the prior year but were stronger at the end of the year including new listings with Dunelm online. The trade sector continued to perform well with strong sales across the national and independent merchants. Revenues were 16.3% ahead of the prior year. Export sales were below prior year by 7.7% largely as a result of reduced demand from the USA.

Underlying operating profit was marginally behind the prior year albeit the second half was ahead of the prior year.

Abode

Abode, our leading designer and distributor of high quality hot water taps, bathroom mixers, kitchen sinks and taps, recorded revenue of £17.7m for the year (2022: £18.9m), a 6.3% decrease on prior year largely reflecting a strong prior year comparator and the exit from some low margin business in the year.

The business continued to benefit from its strong market positions with key customers, which were further developed in the year with the launch of the loyalty scheme "Abode Accumulate". The business has continued to grow market share over the period and retail growth has been supported by MasterChef champion Shelina Permalloo who became a brand ambassador in the year. Her "Cook

with Pronteau” features have increased awareness of the Abode Pronteau hot water taps helping drive market share gains in this attractive segment.

Abode celebrated its 20th anniversary in the year and achieved Carbon Neutral status as a result of its focus on developing sustainable products that provide customers with “water the way you want it”, sustainably. Abode has a strong new product pipeline going into the new financial year.

Underlying operating profit was higher than prior year as a result of an improved customer mix and a strong focus on operational efficiencies.

Johnson Tiles

Johnson Tiles, our UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, recorded revenue of £35.3m (2022: £34.2m), 3.2% higher than the prior year.

Trade sector revenue was up 14.0% on the prior year. Johnson Tiles’ strong relationships with the national house developers continued, including Barratt, David Wilson, Persimmon, Charles Church, Redrow and Countryside. Major projects in the commercial and public specification sectors included Buckingham Palace and the National Portrait Gallery. Retail sector revenue was down 9.3% on the prior year, driven primarily by the continued exit of lower margin product categories. Export revenue, a small contributor to the overall business, was 25.0% below prior year due to reduced revenues on low margin products in the Middle East and France.

Johnson Tiles has developed a market leading position on sustainability over many years focusing strongly on recycling energy, water, and waste. The business achieved Gold status at the Supply Chain Sustainability School and became the first tile factory in the world to achieve BES 6001 (Responsible Sourcing in Construction).

The business returned to profitability in the year after incurring a significant energy related loss in the prior year, testament to the experience and focus of our team’s early intervention. However, against a backdrop of uncertain and potentially lower demand for our locally produced tiles, a decision has been taken to impair the carrying value of the associated assets. Further detail can be found in the Financial overview.

Norcros Adhesives

Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products recorded revenue of £14.3m (2022: £14.3m), in line with prior year.

As mentioned earlier, we have taken the difficult but necessary decision to close the business. The revenue of £14.3m (2022: £14.3m) and the loss in the year of £2.7m have been included in the underlying results for the current and prior year. An exceptional restructuring cost of £4.8m has also been recognised in the year in relation to the costs associated with the closure. Further detail can be found in the Financial overview.

Business review – South Africa

Revenue for the year increased by 4.7% on prior year on a constant currency basis, and increased by 4.0% on a Sterling reported basis to £145.2m (2022: £139.6m) compared to the strong prior year comparator.

Revenues on a constant currency basis increased year on year across all South African divisions, and the business continued to take market share by capitalising on its leading market positions and excellent customer service. Market conditions in the second half of the year were more challenging as energy supply constraints increased. The local management team have actively managed the impact of these energy interruptions. The businesses are well invested in terms of backup power generation. Market share growth continues to be driven by new product development and accelerated growth into the bathroom and plumbing channels.

Underlying operating profit for the year was £10.1m (2022: £10.9m), the reduction largely reflecting a record prior year comparator and reduced retail demand as consumer renovation spend has been replaced in the short term by domestic energy backup and saving projects. Cash generation was below prior year due to lower underlying operating profit and further investment in both working capital and capital expenditure. The business remains in a strong competitive position and is well placed to continue to gain market share in its respective markets.

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business, recorded revenue of £17.9m (2022: £16.5m), an 8.5% increase on a reported basis and 9.1% higher on a constant currency basis.

Strong levels of manufacturing output continued during the year as productivity and efficiency initiatives delivered a good performance against a backdrop of energy and water supply challenges. Whilst demand in the retail sector has reduced in the second half of the year, this has been offset by resilient demand in the housebuilding sector, where the business holds a leading market position.

The new product development pipeline remains an important growth driver, with an increasing focus on sustainability. Products were specified and installed in leading developments across the country, including in a number of quality residential developments developed by national market leaders Central Development Properties and Balwin Properties in Johannesburg, Cape Town, and Durban.

Underlying operating profit was ahead of the prior year.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, sanitaryware and bathroom fittings, recorded revenue of £75.5m (2022: £75.5m), in line on a reported basis and 0.5% higher on a constant currency basis.

Market share gains were driven through further improvements in operations leading to better than market stock availability. The business also continues to benefit from the focus on the bathroom sector, offering a compelling one-stop-shop for retail and commercial customers. The two private label bathroom ranges, Nuvo and Evox, continue to grow revenue at higher margins, benefitting from the international supply chain synergies. The introduction of quality bathroom furniture is performing well.

A growing number of alternative floor covering installations were completed in the year and the appeal and demand for our alternative coverings continues to grow. The larger commercial contracts sector remains subdued but we continue to make progress supplying national and regional housebuilders and growing our position as the specialist partners of choice for commercial customers in retail and hospitality.

Tile Africa currently operates from thirty-three owned stores and two franchise stores. No new Tile Africa stores were opened in the year as we focused on store upgrades (bathrooms and alternative flooring) and investing in our value for money stores under the HomeXpress sub-brand. This process has been completed with five stores moving into this category. A full upgrade of our Tile Africa Store in Nelspruit was successfully completed incorporating a full bath store within a store and alternative floor section.

Tile Africa's underlying operating profit was in line with the prior year.

TAL

TAL, our market leading adhesives business, recorded revenue of £22.5m (2022: £22.5m), in line with the prior year on a reported basis and a 0.9% increase on a constant currency basis.

TAL has retained all its key accounts albeit large commercial new build projects remained subdued, which impacted demand for TAL's high specification rapid setting adhesives and system-driven construction products. Retail sales were impacted by lower consumer confidence and considerable competitor activity, including new capacity, in the market.

Notwithstanding market conditions, TAL remains the leading brand in South Africa, with the business supplying market leading products and technical expertise to several construction projects during the year, including a new mall in Pretoria North, Marino Mall in Ermelo, Midlands Mall in Kwazulu-Natal, refurbishment of schools and hospitals in Mahikeng and Kwazulu-Natal and the Setari residential apartments in Cape Town.

TAL's underlying operating profit was below the prior year.

House of Plumbing

House of Plumbing, our market leading supplier of specialist plumbing materials into the specification and commercial sector, recorded full year revenue of £29.3m (2022: £25.1m), 16.7% higher than the prior year on a reported basis and 17.7% higher on a constant currency basis.

The business has leveraged its increased national footprint to deliver revenue growth despite the softer commercial projects sector. House of Plumbing now operates eight branches with focus on providing expert technical advice and consistent stock availability with the business planning to continue to extend its geographical footprint.

During the year, House of Plumbing supplied several landmark projects, including Unilim Student Housing in Mankweng, Coca Cola Factory in Durban, Ekangala Housing Project, Frimax Factory in Tongaat and the University of Venda.

House of Plumbing's underlying operating profit was marginally lower than the prior year.

Financial overview

	2023 £m	2022 £m
Revenue	441.0	396.3
Underlying operating profit	47.3	41.8
IAS 19R administrative expenses	(1.6)	(1.7)
Acquisition related costs	(8.4)	(4.8)
Exceptional operating items	(9.8)	0.9
Operating profit	27.5	36.2
Net finance costs	(5.8)	(3.2)
Profit before taxation	21.7	33.0
Taxation	(4.9)	(7.3)
Profit for the year	16.8	25.7

Revenue

Group revenue at £441.0m (2022: £396.3m) increased by 11.3% on a reported basis and by 1.5% on a constant currency like for like basis after adjusting for Grant Westfield, acquired on 31 May 2022.

Underlying operating profit

Underlying operating profit increased by 13.2% to £47.3m (2022: £41.8m). Our UK businesses recorded an underlying operating profit of £37.2m (2022: £30.9m), and our South African businesses recorded an underlying operating profit of £10.1m (2022: £10.9m). Group underlying operating profit margin was 10.7% (2022: 10.5%).

IAS 19R administrative costs

These costs represent the costs incurred by the Trustee of administering the UK defined benefit pension scheme and are reflected in the Income Statement under IAS 19R. Costs of £1.6m are lower than the prior year (2022: £1.7m) largely as a result of the additional fees incurred in the prior year relating to the triennial actuarial valuation.

Acquisition related costs

A cost of £8.4m (2022: £4.8m) has been recognised in the year and is analysed as follows:

	2023 £m	2022 £m
Intangible asset amortisation	6.2	3.7
Advisory fees	1.4	1.1
Deferred remuneration	0.8	—
	8.4	4.8

Intangible asset amortisation has increased from £3.7m to £6.2m following the acquisition of Grant Westfield.

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

In accordance with IFRS 3, a proportion of the contingent consideration is treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred. In the current year this represents a cost of £0.8m in relation to the Grant Westfield acquisition.

Exceptional operating items

An exceptional operating charge of £9.8m (2022: credit of £0.9m) has been recognised in the year.

	2023 £m	2022 £m
Restructuring costs	4.8	—
Impairment	5.0	—
Release of UK property provision	—	(0.9)
	9.8	(0.9)

Norcros Adhesives

The exceptional restructuring cost charge of £4.8m was incurred in relation to the aforementioned restructuring programme implemented at Norcros Adhesives. £4.8m (of which circa £2m represents the gross cash cost) represents a provision for the costs associated with closure including the write down of current and non-current asset values and costs such as redundancy. As a result of realisations on assets, the net impact on cash is not expected to be material.

The revenue of £14.3m, representing approximately 3% of Group revenue (2022: £14.3m) and the loss in the year of £2.7m (following a small loss in the prior year) have been included in the underlying results for the current and prior year.

Johnson Tiles

The Group reviews all cash generating units to determine whether any of the assets related to our operations are impaired. These reviews are performed by comparing the estimated future cash flows generated by the divisions with the carrying value of the assets generating those cash flows. The future cash flows are sensitised for items including reduced margins, increasing energy costs and working capital variances to illustrate a value in use for the business. As a result of these reviews and a reduction in demand for our locally produced tiles, tangible and right of use assets within the Johnson Tiles UK business have been impaired with a non-cash impairment charge of £5.0m recognised as an exceptional item in the income statement.

During the prior year, the release of UK property provision related to the settlement of a legacy onerous property lease and the release of the surplus provision.

Finance costs

	2023 £m	2022 £m
Interest payable on bank borrowings	3.7	0.8
Interest on lease liabilities	1.8	1.7
Amortisation of costs of raising debt finance	0.3	0.2
Discounting of contingent consideration	0.6	—
Discounting of property lease provisions	—	0.1
Finance costs	6.4	2.8
IAS 19R finance (credit)/cost	(0.6)	0.4
Net finance costs	5.8	3.2

Net finance costs for the year of £5.8m compares to £3.2m in 2022. This movement is mainly due to the increase in the level of borrowings in the year relating to the Grant Westfield acquisition and the increase in Bank of England base rates in the UK.

The Group has recognised a £0.6m IAS 19R interest credit in respect of the UK defined benefit pension scheme surplus (2022: cost of £0.4m) due to the surplus throughout the year.

Underlying profit before tax

Underlying profit before tax was £41.8m (2022: £39.3m), mainly reflecting the increase in underlying operating profit noted above, partially offset by the increased interest costs.

Taxation

The tax charge for the year of £4.9m (2022: £7.3m) represents an effective tax rate for the year of 22.6% (2022: 22.1%). The increase in the effective tax rate mainly relates to the increase in non-deductible acquisition related costs in 2023.

The standard rates of corporation tax in the UK, South Africa and Ireland in the period were 19% (2022: 19%), 28% (2022: 28%) and 12.5% (2022: 12.5%) respectively.

Dividends

In light of the strong performance in the year, the Board recommends a final dividend of 6.8p per share (2022: 6.9p). This, combined with the interim dividend of 3.4p per share (2022: 3.1p) results in a total dividend of 10.2p per share (2022: 10.0p). The total dividend is equivalent to a dividend cover of 3.7 times, broadly in line with the year ended 31 March 2022 (3.8 times). The cash cost of the total dividend is £9.1m.

This final dividend, if approved at the Annual General Meeting, will be payable on 4 August 2023 to shareholders on the register on 30 June 2023. The shares will be quoted ex-dividend on 29 June 2023. Norcros plc operates a Dividend Reinvestment Plan (DRIP). If a shareholder wishes to use the DRIP the latest date to elect for this in respect of this final dividend is 14 July 2023.

Balance Sheet

The Group's Balance Sheet is summarised below.

	2023 £m	2022 £m
Property, plant and equipment	24.8	29.0
Right of use assets	20.0	19.9
Goodwill and intangible assets	167.1	90.3
Deferred tax	(15.0)	(9.4)
Net current assets excluding cash and borrowings	80.6	68.2
Pension scheme surplus	14.9	19.6
Lease liabilities	(24.7)	(24.0)
Other non-current assets and liabilities	(7.4)	(1.9)
Net (debt)/cash	(49.9)	8.6
Net assets	210.4	200.3

Total net assets increased by £10.1m to £210.4m (2022: £200.3m). Net current assets increased by £12.4m largely reflecting the cash investment into working capital to support business growth.

Property, plant and equipment decreased by £4.2m to £24.8m and included additions of £5.4m (2022: £5.3m) and acquired assets of £1.1m. The Group recognised an impairment charge of £4.1m (2022: £nil), the depreciation charge was £4.9m (2022: £5.1m) and foreign exchange losses were £1.7m (2022: gain of £0.8m) relating to assets held in South Africa.

Right of use assets increased by £0.1m to £20.0m (2022: £19.9m), reflecting the acquisition of Grant Westfield offset by the impairment of Johnson Tiles assets. Lease liabilities of £24.7m (2022: £24.0m) increased by £0.7m.

The deferred tax liability increased by £5.6m to a liability of £15.0m (2022: liability of £9.4m). The increase is mainly the result of the deferred tax arising on acquired intangibles.

Pension schemes

On an IAS 19R accounting basis, the gross defined benefit pension scheme valuation of the UK scheme showed a surplus of £14.9m compared to a surplus of £19.6m last year. The present value of scheme liabilities decreased by £83.3m primarily due to an increase in the discount rate to 4.90% (31 March 2022: 2.75%) and benefit payments made in the period. The value of scheme assets decreased by £88.0m largely due to benefit payments made in the period and reduced asset valuations.

As agreed at the 2021 triennial valuation, deficit repair contributions are £3.8m per annum from 1 April 2022 to March 2027 (increasing with CPI, capped at 5%, each year).

The Group's contributions to its defined contribution pension schemes were £4.0m (2022: £3.7m).

Cash flow and net debt

Underlying operating cash flow was £16.2m higher than in the prior year at £44.8m (2022: £28.6m).

	2023 £m	2022 £m
Underlying operating profit	47.3	41.8
Depreciation and underlying amortisation (owned assets)	5.0	5.2
Depreciation of right of use assets	4.6	4.1
Lease costs	(6.4)	(5.7)
Underlying EBITDA (pre-IFRS 16)	50.5	45.4
Net working capital movement	(13.3)	(23.6)
IFRS 2 charge add-back	1.2	1.1
Lease costs	6.4	5.7
Underlying operating cash flow	44.8	28.6
Underlying operating cash conversion	89%	63%

The main drivers of the improvement in underlying operating cash flow were the increased level of underlying operating profit and a continued focus on working capital. Underlying operating cash conversion in the year was 89% of underlying EBITDA (2022: 63%).

	2023 £m	2022 £m
Underlying operating cash flow	44.8	28.6
Cash flows from exceptional items and acquisition related costs	(3.3)	(1.7)
Pension fund deficit recovery contributions	(3.8)	(3.3)
Cash flow generated from operations	37.7	23.6
Net interest paid	(5.5)	(2.5)
Taxation	(7.7)	(6.5)
Net cash generated from operating activities	24.5	14.6
Acquisition of subsidiary undertaking (net of cash acquired)	(78.3)	—
Capital expenditure	(6.0)	(5.4)
Dividends	(9.2)	(9.1)
Share transactions	18.1	0.1
Principal element of lease payments	(4.6)	(4.7)
Exchange movement	(2.9)	1.6
Movement in costs of raising finance	(0.1)	1.0
Net cash movement	(58.5)	(1.9)
Opening net cash	8.6	10.5
Closing net (debt)/cash (pre-IFRS 16)	(49.9)	8.6

Cash generated from operating activities was £9.9m higher than the prior year at £24.5m, largely due to the £16.2m increase in underlying operating cash flows, partially offset by higher interest payments.

Cash flows from exceptional items and acquisition related costs in the current year primarily relate to the advisory fees for the acquisition of Grant Westfield.

Capital expenditure at £6.0m (2022: £5.4m) includes investment in new product programmes, store upgrades, IT systems and manufacturing facilities.

The Group ended the year with net debt of £49.9m (2022: net cash of £8.6m) on a pre-IFRS 16 basis after a net cash outflow of £58.5m. Net debt inclusive of IFRS 16 lease liabilities was £74.6m (2022: £15.4m).

Funding and liquidity

The Group extended its multicurrency revolving credit facility by a further year in the period. The Group has committed banking facilities of £130m (plus a £70m uncommitted accordion) with a maturity date of the facility of October 2026 with a further year extension available.

Principal Risks and Uncertainties

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

The Board has carried out a robust assessment of the principal risks and taken them into consideration when assessing the long-term viability of the Company. The principal risks are listed below and they do not comprise all the risks that the Group may face, and are not listed in any order of priority.

- Strategic risks, include the risks associated with a pandemic, future acquisitions, and the Environmental, Social and Governance (ESG) agenda.
- People risks, include the risks associated with staff retention and recruitment.
- Commercial risks, include risks associated with market conditions, the loss of key customers and competition.
- Operational risks include the risks associated with the reliance on production facilities, the loss of a key supplier and information technology and cyber security.
- Financial risks, include the risks associated with exchange rates, maintaining a suitable level of funding and liquidity and those associated with managing the defined benefit pension scheme.

Further details on the principal risks including detailed descriptions and mitigating actions are presented in the Annual Report and Accounts.

Responsibility Statement

Each of the directors, whose names and functions are listed below, confirms that, to the best of their knowledge:

- The consolidated financial statements, prepared in accordance with the applicable United Kingdom law and in conformity with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The business review includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole; and
- There have been no significant individual related party transactions during the year.

Directors: David McKeith (Acting Board Chair and Non-Executive Director), Thomas Willcocks (Chief Executive Officer), James Eyre (Chief Financial Officer), Alison Littlely (Non-Executive Director) and Stefan Allanson (Non-Executive Director).

Thomas Willcocks
Chief Executive Officer

James Eyre
Chief Financial Officer

Consolidated income statement

Year ended 31 March 2023

	Notes	2023 £m	2022 £m
Continuing operations			
Revenue	2	441.0	396.3
Underlying operating profit		47.3	41.8
IAS 19R administrative expenses		(1.6)	(1.7)
Acquisition related costs	3	(8.4)	(4.8)
Exceptional operating items	3	(9.8)	0.9
Operating profit		27.5	36.2
Finance costs	4	(6.4)	(2.8)
IAS 19R finance credit/(cost)		0.6	(0.4)
Profit before taxation		21.7	33.0
Taxation		(4.9)	(7.3)
Profit for the year to equity holders of the Company		16.8	25.7
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From profit for the year	6	19.1p	31.8p
Diluted earnings per share:			
From profit for the year	6	18.8p	31.2p
Weighted average number of shares for basic earnings per share (millions)		88.1	80.9
Alternative performance measures			
Underlying profit before taxation (£m)	5	41.8	39.3
Underlying earnings (£m)	5	33.5	31.5
Basic underlying earnings per share	6	38.0p	38.9p
Diluted underlying earnings per share	6	37.4p	38.2p

Consolidated statement of comprehensive income

Year ended 31 March 2023

	2023 £m	2022 £m
Profit for the year	16.8	25.7
Other comprehensive income and expense:		
Items that will not subsequently be reclassified to the Income Statement		
Actuarial (losses)/gains on retirement benefit obligations	(5.6)	27.5
Items that may be subsequently reclassified to the Income Statement		
Cash flow hedges – fair value (loss)/gain in year	(2.9)	3.0
Foreign currency translation of foreign operations	(8.3)	3.6
Other comprehensive (expense)/income for the year	(16.8)	34.1
Total comprehensive result for the year attributable to equity holders of the Company	—	59.8

Items in the statement are disclosed net of tax.

Consolidated balance sheet

At 31 March 2023

	2023 £m	2022 £m
Non-current assets		
Goodwill	107.9	61.2
Intangible assets	59.2	29.1
Property, plant and equipment	24.8	29.0
Pension scheme asset	14.9	19.6
Right of use assets	20.0	19.9
	226.8	158.8
Current assets		
Inventories	103.9	100.6
Trade and other receivables	83.3	71.1
Derivative financial instruments	—	1.6
Cash and cash equivalents	29.0	27.4
	216.2	200.7
Current liabilities		
Trade and other payables	(99.2)	(102.4)
Lease liabilities	(6.1)	(5.7)
Current tax liabilities	(0.9)	(2.7)
Derivative financial instruments	(2.0)	—
Provisions	(4.5)	—
	(112.7)	(110.8)
Net current assets	103.5	89.9
Total assets less current liabilities	330.3	248.7
Non-current liabilities		
Financial liabilities – borrowings	(78.9)	(18.8)
Lease liabilities	(18.6)	(18.3)
Deferred tax liabilities	(15.0)	(9.4)
Other non-current liabilities	(6.2)	(0.3)
Provisions	(1.2)	(1.6)
	(119.9)	(48.4)
Net assets	210.4	200.3
Financed by:		
Share capital	8.9	8.1
Share premium	47.6	30.3
Retained earnings and other reserves	153.9	161.9
Total equity	210.4	200.3

Consolidated cash flow statement

Year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash generated from operations	7	37.7	23.6
Income taxes paid		(7.7)	(6.5)
Interest paid		(5.5)	(2.5)
Net cash generated from operating activities		24.5	14.6
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(6.0)	(5.4)
Acquisition of subsidiary undertakings net of cash acquired	8	(78.3)	—
Net cash used in investing activities		(84.3)	(5.4)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		18.1	0.1
Principal element of lease payments		(4.6)	(4.7)
Drawdown of borrowings		114.0	25.0
Repayment of borrowings		(54.0)	(23.0)
Dividends paid to the Company's shareholders		(9.2)	(9.1)
Net cash generated from/(used in) financing activities		64.3	(11.7)
Net increase/(decrease) in cash and cash equivalents		4.5	(2.5)
Cash and cash equivalents at the beginning of the year		27.4	28.3
Exchange movements on cash and cash equivalents		(2.9)	1.6
Cash and cash equivalents at the end of the year		29.0	27.4

Consolidated statement of changes in equity

Year ended 31 March 2023

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2021	8.1	30.2	(0.1)	(1.5)	(16.4)	128.1	148.4
Comprehensive income:							
Profit for the year	—	—	—	—	—	25.7	25.7
Other comprehensive income:							
Actuarial gain on retirement benefit obligations	—	—	—	—	—	27.5	27.5
Fair value gain on cash flow hedges	—	—	—	3.0	—	—	3.0
Foreign currency translation adjustments	—	—	—	—	3.6	—	3.6
Total other comprehensive income for the year	—	—	—	3.0	3.6	27.5	34.1
Transactions with owners:							
Shares issued	—	0.1	—	—	—	—	0.1
Dividends paid	—	—	—	—	—	(9.1)	(9.1)
Value of employee services	—	—	—	—	—	1.1	1.1
At 31 March 2022	8.1	30.3	(0.1)	1.5	(12.8)	173.3	200.3
Comprehensive income:							
Profit for the year	—	—	—	—	—	16.8	16.8
Other comprehensive expense:							
Actuarial loss on retirement benefit obligations	—	—	—	—	—	(5.6)	(5.6)
Fair value loss on cash flow hedges	—	—	—	(2.9)	—	—	(2.9)
Foreign currency translation adjustments	—	—	—	—	(8.3)	—	(8.3)
Total other comprehensive expense for the year	—	—	—	(2.9)	(8.3)	(5.6)	(16.8)
Transactions with owners:							
Shares issued	0.8	17.3	—	—	—	—	18.1
Dividends paid	—	—	—	—	—	(9.2)	(9.2)
Value of employee services	—	—	—	—	—	1.2	1.2
At 31 March 2023	8.9	47.6	(0.1)	(1.4)	(21.1)	176.5	210.4

Notes to the preliminary statement

Year ended 31 March 2023

1. Basis of preparation

The principal activities of Norcros plc ("the Company") and its subsidiaries (together "the Group") are the design, manufacture and distribution of a range of high quality and innovative bathroom and kitchen products mainly in the UK and South Africa. The Company is a public limited company which is listed on the premium segment of the London Stock Exchange market of listed securities and is incorporated and domiciled in the UK. The address of its registered office is Ladyfield House, Station Road, Wilmslow, SK9 1BU.

The financial information presented in this preliminary statement is extracted from, and is consistent with, the Group's audited financial statements for the year ended 31 March 2023. The financial information set out above does not constitute the Company's statutory financial statements for the periods ended 31 March 2023 or 31 March 2022 but is derived from those financial statements. Statutory financial statements for 2023 will be delivered following the Company's annual general meeting. The auditors have reported on those financial statements; their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group's results have been prepared in accordance with UK-adopted International Accounting Standards and with the accounting policies set out in the Annual Report and Accounts consistently applied to all periods.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Group's business activities and the principal risks and uncertainties including current macroeconomic factors in the context of the current operating environment.

The Group, in acknowledging its TCFD requirements, has also considered climate risks in the financial statements. A going concern financial assessment was developed on a bottom-up basis by taking the output of the annual budgeting process built up by individual businesses and then subjected to review and challenge by the Board. The acquisition of Grant Westfield was also reflected in the assessment. The financial model was then stress tested by modelling the most extreme but plausible scenario, that being a global pandemic similar in nature to COVID-19. This has been based on the actual impact of the COVID-19 pandemic on the Group, which at its peak saw a revenue reduction of 25% on the prior year over a six-month period. The scenario also incorporates management actions the Group has at its disposal including a number of cash conservation and cost reduction measures including capital expenditure reductions, dividend decreases and restructuring activities.

The Group continues to exhibit sufficient and prudent levels of liquidity headroom against our key banking financial covenants during the twelve-month period under assessment. Reverse stress testing has also been applied to the financial model, which represents a further decline in sales compared with the reasonable worst case. Such a scenario, and the sequence of events which could lead to it, is considered to be implausible and remote.

As a result of this detailed assessment, the Board has concluded that the Company is able to meet its obligations when they fall due for a period of at least twelve months from the date of this report. For this reason, the Company continues to adopt the going concern basis for preparing the Group financial statements. In forming this view, the Board has also concluded that no material uncertainty exists in its use of the going concern basis of preparation.

2. Segmental reporting

Year ended 31 March 2023

	UK £m	South Africa £m	Group £m
Revenue	295.8	145.2	441.0
Underlying operating profit	37.2	10.1	47.3
IAS 19R administrative expenses	(1.6)	—	(1.6)
Acquisition related costs	(8.2)	(0.2)	(8.4)
Exceptional operating items	(9.8)	—	(9.8)
Operating profit	17.6	9.9	27.5
Finance costs			(5.8)
Profit before taxation			21.7
Taxation			(4.9)
Profit for the year			16.8
Net debt excluding lease liabilities			(49.9)
Segmental assets	340.5	102.5	443.0
Segmental liabilities	(195.6)	(37.0)	(232.6)
Additions to goodwill	47.7	—	47.7
Additions to tangible, intangible and right of use assets	5.9	3.7	9.6
Depreciation and amortisation	10.8	5.0	15.8

Year ended 31 March 2022

	UK £m	South Africa £m	Group £m
Revenue	256.7	139.6	396.3
Underlying operating profit	30.9	10.9	41.8
IAS 19R administrative expenses	(1.7)	—	(1.7)
Acquisition related costs	(4.6)	(0.2)	(4.8)
Exceptional operating items	0.9	—	0.9
Operating profit	25.5	10.7	36.2
Finance costs			(3.2)
Profit before taxation			33.0
Taxation			(7.3)
Profit for the year			25.7
Net cash excluding lease liabilities			8.6
Segmental assets	252.9	106.6	359.5
Segmental liabilities	(116.9)	(42.3)	(159.2)
Additions to tangible and right of use assets	4.0	4.4	8.4
Depreciation and amortisation	8.0	5.0	13.0

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

	2023 £m	2022 £m
UK	262.0	222.4
Africa	147.5	141.9
Rest of World	31.5	32.0
	441.0	396.3

No one customer had revenue over 10% of total Group revenue (2022: none).

3. Acquisition related costs and exceptional operating items

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

	2023 £m	2022 £m
Acquisition related costs		
Intangible asset amortisation ¹	6.2	3.7
Advisory fees ²	1.4	1.1
Deferred remuneration ³	0.8	—
	8.4	4.8

¹ Non-cash amortisation charges in respect of acquired intangible assets.

² Professional advisory fees incurred in connection with the Group's business combination activities.

³ In accordance with IFRS 3, a proportion of the contingent consideration is treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred. In the current year this represents a cost of £0.8m in relation to the Grant Westfield acquisition.

	2023 £m	2022 £m
Exceptional operating items		
Restructuring costs ¹	4.8	—
Impairment ²	5.0	—
Release of UK property provision ³	—	(0.9)
	9.8	(0.9)

¹ The exceptional restructuring cost charge of £4.8m was incurred in relation to the restructuring programme implemented at Norcros Adhesives. £4.8m represents a provision for the costs associated with closure including the write down of current and non-current asset values and costs such as redundancy. Due to realisations of assets, the net impact on cash is not expected to be material.

² As a result of demand uncertainty, the Johnson Tiles tangible and right of use assets have been impaired with a non-cash impairment charge of £5.0m recognised as an exceptional item in the income statement.

³ The UK property provision related to the only remaining surplus and legacy onerous property lease at Groundwell, Swindon. In the prior year, the Group reached agreement with the landlord to exit the lease early. A cash settlement payment of £1.3m including dilapidation obligations was made in the prior year and the remaining £0.9m of the related provision was released as an exceptional operating item.

4. Finance costs

	2023 £m	2022 £m
Interest payable on bank borrowings	3.7	0.8
Interest on lease liabilities	1.8	1.7
Discounting of contingent consideration	0.6	—
Amortisation of costs of raising debt finance	0.3	0.2
Property lease discount	—	0.1
Finance costs	6.4	2.8

5. Alternative performance measures

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

The alternative performance measures used by the Group are:

Measure	Definition
Underlying operating profit	Operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items.
Underlying profit before taxation	Profit before taxation before IAS 19R administrative expenses, acquisition related costs, exceptional operating items, amortisation of costs of raising finance, discounting of contingent consideration, discounting of property lease provisions and finance costs relating to pension schemes.
Underlying taxation	Taxation on underlying profit before tax.
Underlying earnings	Underlying profit before tax less underlying taxation.
Underlying capital employed	Capital employed on a pre-IFRS 16 basis adjusted for business combinations where relevant to reflect the assets in both the opening and closing capital employed balances, and the average impact of exchange rate movements.
Underlying operating margin	Underlying operating profit expressed as a percentage of revenue.
Underlying return on capital employed (ROCE)	Underlying operating profit on a pre-IFRS 16 basis expressed as a percentage of the average of opening and closing underlying capital employed.
Basic underlying earnings per share	Underlying earnings divided by the weighted average number of shares for basic earnings per share.
Diluted underlying earnings per share	Underlying earnings divided by the weighted average number of shares for diluted earnings per share.
Underlying EBITDA	Underlying EBITDA is derived from underlying operating profit before depreciation and amortisation excluding the impact of IFRS 16 in line with our banking covenants.
Underlying operating cash flow	Cash generated from continuing operations before cash outflows from exceptional items and acquisition related costs and pension fund deficit recovery contributions.
Underlying net debt/cash	Underlying net debt/cash is the net of cash, capitalised costs of raising finance and total borrowings. IFRS 16 lease commitments are not included in line with our banking covenants.
Pro-forma underlying EBITDA	An annualised underlying EBITDA figure used for the purpose of calculating banking covenant ratios.
Pro-forma leverage	Net debt expressed as a ratio of pro-forma underlying EBITDA.

Underlying profit and underlying earnings per share measures provide shareholders with additional useful information on the underlying performance of the Group. This is because these measures are those principally used by the Directors to assess the performance of the Group and are used as the basis for calculating the level of the annual bonus and long-term incentives earned by the Directors. Underlying ROCE is one of the Group's strategic key performance indicators and is therefore provided so that shareholders can assess the Group's performance in relation to its strategic targets. Underlying EBITDA and underlying operating cash flow are also used internally by the Directors in order to assess the Group's cash generation. The term 'underlying' is not recognised under IFRS and consequently the Group's definition of underlying may differ from that used by other companies.

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

Consolidated Income Statement

(a) Underlying profit before taxation and underlying earnings

	2023 £m	2022 £m
Profit before taxation	21.7	33.0
Adjusted for:		
– IAS 19R administrative expenses	1.6	1.7
– acquisition related costs (see note 3)	8.4	4.8
– exceptional operating items (see note 3)	9.8	(0.9)
– amortisation of costs of raising finance	0.3	0.2
– property lease discount	—	0.1
– discounting of contingent consideration	0.6	—
– IAS 19R finance (income)/cost	(0.6)	0.4
Underlying profit before taxation	41.8	39.3
Taxation attributable to underlying profit before taxation	(8.3)	(7.8)
Underlying earnings	33.5	31.5

(b) Underlying EBITDA

	2023 £m	2022 £m
Operating profit	27.5	36.2
Adjusted for:		
– IAS 19R administrative expenses	1.6	1.7
– acquisition related costs (see note 3)	8.4	4.8
– exceptional operating items (see note 3)	9.8	(0.9)
Underlying operating profit	47.3	41.8
– depreciation and amortisation (owned assets)	5.0	5.2
– depreciation of leased assets	4.6	4.1
– lease costs	(6.4)	(5.7)
Underlying EBITDA (pre-IFRS 16)	50.5	45.4

Consolidated Cash Flow Statement**(a) Underlying operating cash flow**

	2023 £m	2022 £m
Cash generated from operations (see note 7)	37.7	23.6
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see note 7)	3.3	1.7
– pension fund deficit recovery contributions	3.8	3.3
Underlying operating cash flow	44.8	28.6

Consolidated Balance Sheet**(a) Underlying capital employed and underlying return on capital employed**

	2023 £m	2022 £m
Net assets	210.4	200.3
Adjusted for:		
– pension scheme asset (net of associated tax)	(11.2)	(14.7)
– right of use assets (IFRS 16)	(20.0)	(19.9)
– lease liabilities (IFRS 16)	24.7	24.0
– cash and cash equivalents	(29.0)	(27.4)
– financial liabilities – borrowings	78.9	18.8
	253.8	181.1
Foreign exchange adjustment	1.3	(1.7)
Adjustment for acquisitions	58.2	—
Underlying capital employed	313.3	179.4
Average underlying capital employed	246.3	168.3
Underlying operating profit (pre-IFRS 16)	45.5	40.2
Underlying return on capital employed	18.5%	23.9%

6. Earnings per share

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

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. At 31 March 2023 the potential dilutive ordinary shares amounted to 1,370,679 (2022: 1,504,604) as calculated in accordance with IAS 33.

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

	2023 £m	2022 £m
Profit for the year	16.8	25.7

	2023 Number	2022 Number
Weighted average number of shares for basic earnings per share	88,129,432	80,887,240
Share options	1,370,679	1,504,604
Weighted average number of shares for diluted earnings per share	89,500,111	82,391,844

	2023	2022
Basic earnings per share:		
From profit for the year	19.1p	31.8p
Diluted earnings per share:		
From profit for the year	18.8p	31.2p

Basic and diluted underlying earnings per share

Basic and diluted underlying earnings per share have also been provided which reflects underlying earnings from continuing operations divided by the weighted average number of shares set out above.

	2023 £m	2022 £m
Underlying earnings (see note 5)	33.5	31.5

	2023	2022
Basic underlying earnings per share	38.0p	38.9p
Diluted underlying earnings per share	37.4p	38.2p

7. Consolidated cash flow statement

(a) Cash generated from operations

The analysis of cash generated from operations is given below:

Continuing operations

	2023 £m	2022 £m
Profit before taxation	21.7	33.0
Adjustments for:		
– IAS 19R administrative expenses included in the Income Statement	1.6	1.7
– acquisition related costs included in the Income Statement	8.4	4.8
– exceptional items included in the Income Statement	9.8	(0.9)
– finance costs included in the Income Statement	6.4	2.8
– IAS 19R finance (credit)/cost included in the Income Statement	(0.6)	0.4
– cash flows from exceptional items	(3.3)	(1.7)
– depreciation of property, plant and equipment	4.9	5.1
– underlying amortisation	0.1	0.1
– depreciation of right of use asset	4.6	4.1
– pension fund deficit recovery contributions	(3.8)	(3.3)
– IFRS 2 charges	1.2	1.1
Operating cash flows before movement in working capital	51.0	47.2
Changes in working capital:		
– increase in inventories	(3.0)	(22.7)
– increase in trade and other receivables	(3.1)	(5.1)
– (decrease)/increase in trade and other payables	(7.2)	4.2
Cash generated from operations	37.7	23.6

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

	Cash £m	Current borrowings £m	Non-current borrowings £m	Underlying net cash/(debt) £m
At 1 April 2021	28.3	—	(17.8)	10.5
Cash flow	(2.5)	—	(2.0)	(4.5)
Non-cash finance costs	—	—	1.0	1.0
Other non-cash movements	—	—	—	—
Exchange movement	1.6	—	—	1.6
At 31 March 2022	27.4	—	(18.8)	8.6
Cash flow	4.5	—	(60.0)	(55.5)
Non-cash finance costs	—	—	(0.1)	(0.1)
Other non-cash movements	—	—	—	—
Exchange movement	(2.9)	—	—	(2.9)
At 31 March 2023	29.0	—	(78.9)	(49.9)

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

8. Business combinations

On 31 May 2022, the Group acquired 100% of the ordinary share capital of Granfit Holdings Limited and subsidiaries (Grant Westfield), a market leading designer, manufacturer and supplier of waterproof bathroom panels in the UK. The business was acquired due to its compelling strategic fit with our existing portfolio of businesses and its opportunities for sustainable growth. Full details of the acquisition are provided on the Group's website (www.norcros.com).

The following table summarises the consideration paid for Grant Westfield and the fair value of the assets acquired and the liabilities assumed:

	£m
Consideration	
Net cash paid	78.3
Cash acquired	38.4
Contingent consideration	4.5
	121.2

	£m
Recognised amounts of identifiable assets and liabilities	
Intangible assets	35.5
Property, plant and equipment	1.1
Right of use assets	2.0
Inventories	4.7
Trade and other receivables	11.0
Cash	38.4
Trade and other payables	(7.8)
Current tax liabilities	(0.3)
Deferred tax liability	(9.1)
Lease liabilities	(2.0)
Total identifiable net assets	73.5
Goodwill	47.7
Total	121.2

The Group has determined the fair values of Grant Westfield's assets and liabilities with intangible assets (excluding goodwill) recognised of £35.5m representing the brand and customer relationships. The values of these intangibles are calculated using assumptions on the expected future profitability of the acquired business. A deferred tax liability of £9.1m has also been recognised mainly arising from the recognition of acquired intangible assets.

In most business combinations there is an element of cost which cannot be allocated against the individual assets and liabilities acquired. This residual amount is recognised as goodwill and is supported by a number of factors which do not meet the criteria required for them to be treated as intangible assets. In this case the most significant elements relate to Grant Westfield's unique product portfolio and its knowledgeable workforce. It is not expected at this stage that any of the goodwill will be deductible for tax purposes.

Total costs relating to the transaction of £3.0m have been expensed to the Consolidated Income Statement and included within acquisition related costs of £1.4m recognised in the year ended 31 March 2023 and the remaining £1.6m recognised in prior years.

Trade and other receivables of £11.0m is the net of £11.2m of gross contractual receivables and a £0.2m provision for doubtful debts.

The contingent consideration of £4.5m to the previous shareholders is dependent on the financial performance of Grant Westfield over the next three years. To the extent that certain profit and cashflow performance criteria are met cash payments ranging from £nil to £7.0m (on an undiscounted basis) will be paid in the year ended 31 March 2026.

In addition, as part of the transaction a long-term incentive scheme has been put in place for key Grant Westfield management staff which is also dependent on the financial performance of Grant Westfield over the next three years. The maximum amount and current expectation is that £3.0m will be payable in cash under this scheme which will be treated as deferred remuneration and included within acquisition related costs in the Consolidated Income Statement.

The revenue and profit after tax included in the Consolidated Statement of Comprehensive Income since 31 May 2022 contributed by Grant Westfield are £39.5m and £3.4m respectively. On a pro-forma basis, Grant Westfield's revenue and profit after tax contribution had it been part of the Group from the beginning of the period, would have been £47.5m and £4.2m respectively.

The net cash outflow from the transaction reported within investing activities was as follows:

	£m
Cash consideration	116.7
Cash acquired	(38.4)
Net cash outflow reported in the Consolidated Statement of Cash Flow	78.3

In addition to the above, a cash outflow of £3.0m relating to costs incurred in respect of the transaction has been included within cash generated from continuing operations, such that the total net cash outflow from the acquisition in the period was £81.3m. Net proceeds from the equity raise were £18.1m resulting in an overall impact of the acquisition on net debt of £63.2m.