



13 June 2024

Norcros plc

Results for the year ended 31 March 2024

Robust performance in line with market expectations

Strong foundations in place to execute medium-term growth strategy

Norcros, a market-leading designer and supplier of high-quality bathroom and kitchen products in the UK, Europe and South Africa markets, today announces its results for the year ended 31 March 2024.

Financial summary

	2024	2023	% change 2024 v 2023
Revenue	£392.1m	£441.0m	(11.1%)
Revenue constant currency LFL ¹			(6.0%)
Underlying operating profit ²	£43.2m	£47.3m	(8.7%)
Underlying operating profit margin (%)	11.0%	10.7%	0.3pp
Underlying profit before taxation ²	£36.4m	£41.8m	(12.9%)
Diluted underlying EPS ²	32.1p	37.4p	(14.2%)
Underlying operating cash flow ²	£56.4m	£44.8m	25.9%
Operating profit	£39.9m	£27.5m	45.1%
Underlying net debt ²	(£37.3m)	(£49.9m)	25.3%
Dividend per share	10.2p	10.2p	-

1 LFL – Like for like after adjusting for the acquisition of Grant Westfield and the closure of Norcros Adhesives

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

Highlights

- Robust performance in a challenging environment:
 - UK and Ireland - record underlying profit of £38.4m (2023: £37.2m) and underlying operating profit margin of 13.6% (2023: 12.6%)
 - South Africa – gradual market recovery post significant energy interruptions; well placed to gain market share
- Strategy implementation driving market share gains and margin accretion:
 - Portfolio development – successful sale of Johnson Tiles UK (post-year end) strengthens portfolio mix
 - Organic growth – successful NPD, increased cross-selling and market-leading service
 - Operational excellence – collaboration driving benefits of scale
 - ESG – strong regulatory drivers enhance our competitive advantage; SBTi validation of carbon emissions targets
- Full year revenue of £392.1m (2023: £441.0m), 6.0% lower on a constant currency LFL basis¹
- Underlying operating profit² of £43.2m, 8.7% lower than prior year (2023: £47.3m)
- Underlying operating margin of 11.0% (2023: 10.7%)
- Underlying net debt² of £37.3m (2023: net debt of £49.9m) representing 0.8x net debt to underlying EBITDA²
- Underlying ROCE² of 16.4% (2023: 18.5%)

Medium-term strategic targets announced

- Organic growth at 2% - 3% above the market
- Group underlying operating profit margin to reach 15%
- Cash conversion greater than 90%
- Return on Capital Employed greater than 20%
- Delivery of SBTi-validated science-based emissions targets by 2028

Current trading

Group revenue in the two months to the end of May 2024 was encouragingly 2.2% ahead on a constant currency like for like basis, adjusting for Johnson Tiles UK and Norcros Adhesives (UK and Ireland +2.0%, SA +2.5%). Group revenue was 2.9% below the prior year comparator on a reported basis.

Although market conditions are likely to remain uncertain, the Group continues to make further strategic progress and the Board's expectations for FY25 remain unchanged.

Thomas Willcocks, CEO, commented:

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

There will be a presentation today at 9.30am 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, sustainable bathroom and kitchen products with operations primarily in the UK and Ireland and South Africa.

In the UK and Ireland, Norcros operates under six brands: Triton, Merlyn, Grant Westfield, VADO, Croydex, and Abode.

In South Africa, Norcros operates under four brands: Tile Africa, House of Plumbing, TAL, and Johnson Tiles.

Norcros is headquartered in Wilmslow, Cheshire and employs around 2,100 people. The Company is listed on the London Stock Exchange. For further information please visit the Company website: www.norcros.com

Chair's Statement

Results in line with market expectations

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

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

Clear strategy

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

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

ESG

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

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

Strength and depth of talent

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

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

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

Board changes

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

Dividend

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

Acting responsibly

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

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

Looking to the future

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

Chief Executive Officer's Review

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

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

Building off a strong foundation

Over the last ten years, we have developed and delivered on our goal to consolidate the fragmented bathroom and kitchen product markets we operate in, reaching a point where we are the number one UK and Ireland bathroom and kitchen products business and

the second largest in South Africa. Our strategy has been evenly balanced between organic and acquisitive growth, with the Group developing key competencies in both areas.

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

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

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

Portfolio development

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

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

Organic growth

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

Operational excellence

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

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

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

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

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

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

A unique market leader

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

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

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

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

Looking forward to the year ahead

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

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

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

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

To sum it all up

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

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

Business performance

	2024	2023
	£m	£m
Revenue	392.1	441.0
Operating profit	39.9	27.5
IAS 19R administrative expenses	1.3	1.6
Acquisition related costs	4.3	8.4
Exceptional operating items	(2.3)	9.8
Underlying operating profit	43.2	47.3

	2024	2023
	£m	£m
Revenue – UK and Ireland	281.9	295.8
Revenue – South Africa	110.2	145.2
Revenue – Group	392.1	441.0
Underlying operating profit – UK and Ireland	38.4	37.2
Underlying operating profit – South Africa	4.8	10.1
Underlying operating profit – Group	43.2	47.3
Underlying operating profit margin – UK and Ireland	13.6%	12.6%
Underlying operating profit margin – South Africa	4.4%	7.0%
Underlying operating profit margin – Group	11.0%	10.7%

	2024	2023
	£m	£m
Underlying operating profit	43.2	47.3
Depreciation of right of use assets	4.7	4.6
Lease costs	(6.5)	(6.4)
Depreciation and underlying amortisation (owned assets)	4.3	5.0
Underlying EBITDA (pre-IFRS 16)	45.7	50.5
Net working capital movement	3.3	(13.3)
IFRS 2 charge	0.9	1.2
Operating profit impact of IFRS 16	1.8	1.8
Depreciation of right of use assets	4.7	4.6
Underlying operating cash flow	56.4	44.8

	2024	2023
Basic underlying earnings per share	32.4p	38.0p
Diluted underlying earnings per share	32.1p	37.4p

Business review – UK and Ireland

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

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

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

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

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

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

Strong progress has also been made on our ESG strategy as we embed sustainability initiatives to drive further competitive advantage. More detail is included in the ESG section in our Annual Report and Accounts.

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

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

Business review – South Africa

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

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

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

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

In line with the rest of the business, sustainability is a core strategic driver for our South African business, and there are a number of environmentally-focused initiatives in progress. Further detail is included in the ESG section in our Annual Report and Accounts.

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

Chief Financial Officer's Review

	2024 £m	2023 £m
Revenue	392.1	441.0
Underlying operating profit	43.2	47.3
IAS 19R administrative expenses	(1.3)	(1.6)
Acquisition related costs	(4.3)	(8.4)
Exceptional operating items	2.3	(9.8)
Operating profit	39.9	27.5
Net finance costs	(7.3)	(5.8)
Profit before taxation	32.6	21.7
Taxation	(5.8)	(4.9)
Profit for the year	26.8	16.8

Revenue

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

Underlying operating profit

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

Acquisition related costs

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

Exceptional operating items

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

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

Restructuring costs

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

Sale of Johnson Tiles UK and reversal of impairment

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

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

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

Finance costs

	2024 £m	2023 £m
Interest payable on bank borrowings	5.2	3.7
Interest on lease liabilities	1.6	1.8
Amortisation of costs of raising debt finance	0.4	0.3
Discounting of deferred contingent consideration	0.9	0.6
Finance costs	8.1	6.4
IAS 19R finance credit	(0.8)	(0.6)
Net finance costs	7.3	5.8

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

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

Underlying profit before tax

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

Taxation

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

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

Dividends

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

This final dividend, if approved at the Annual General Meeting, will be payable on 2 August 2024 to shareholders on the register on 28 June 2024. The shares will be quoted ex-dividend on 27 June 2024. Norcros plc operates a Dividend Reinvestment Plan (DRIP). If a shareholder wishes to use the DRIP, the latest date to elect for this in respect of this final dividend is 12 July 2024.

Cash flow and net debt

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

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

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

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

Balance sheet

The Group's balance sheet is summarised below.

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

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

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

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

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

Pension schemes

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

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

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

Funding and liquidity

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

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

- Strategic risks include the risks associated with future acquisitions.
- Environmental, Social and Governance (ESG) risks include the risks associated with stakeholder requirements and reporting requirements.
- People risks include the risks associated with staff retention and recruitment. The Board's paramount concern as regards our people is to keep them safe.
- 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 and the loss of a key supplier.
- 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.
- Information technology and cyber security risks include the risk of reliance on automated processes and systems and the increasing sophistication of cyber-crime.

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;
- 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: Steve Good (Board Chair and Non-Executive Director), Thomas Willcocks (Chief Executive Officer), James Eyre (Chief Financial Officer), Alison Littley (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 2024

	Notes	2024 £m	2023 £m
Continuing operations			
Revenue	2	392.1	441.0
Underlying operating profit		43.2	47.3
IAS 19R administrative expenses		(1.3)	(1.6)
Acquisition related costs	3	(4.3)	(8.4)
Exceptional operating items	3	2.3	(9.8)
Operating profit		39.9	27.5
Finance costs	4	(8.1)	(6.4)
IAS 19R finance credit		0.8	0.6
Profit before taxation		32.6	21.7
Taxation		(5.8)	(4.9)
Profit for the year attributable to equity holders of the Company		26.8	16.8
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:			
From profit for the year	6	30.1p	19.1p
Diluted earnings per share:			
From profit for the year	6	29.8p	18.8p
Weighted average number of shares for basic earnings per share (m)		89.0	88.1
Alternative performance measures			
Underlying profit before taxation (£m)	5	36.4	41.8
Underlying earnings (£m)	5	28.8	33.5
Basic underlying earnings per share	6	32.4p	38.0p
Diluted underlying earnings per share	6	32.1p	37.4p

Consolidated statement of comprehensive income

Year ended 31 March 2024

	2024	2023
	£m	£m
Profit for the year	26.8	16.8
Other comprehensive income and expense:		
Items that will not subsequently be reclassified to the Income Statement		
Actuarial losses on retirement benefit obligations	(1.4)	(5.6)
Items that may be subsequently reclassified to the Income Statement		
Cash flow hedges – fair value gain/(loss) in year	1.0	(2.9)
Foreign currency translation of foreign operations	(5.3)	(8.3)
Other comprehensive expense for the year	(5.7)	(16.8)
Total comprehensive result for the year attributable to equity holders of the Company	21.1	—

Items in the statement are disclosed net of tax.

Consolidated balance sheet

At 31 March 2024

	2024 £m	2023 £m
Non-current assets		
Goodwill	107.3	107.9
Intangible assets	53.9	59.2
Property, plant and equipment	28.1	24.8
Deferred tax asset	0.7	—
Pension scheme asset	16.5	14.9
Right of use assets	18.0	20.0
	224.5	226.8
Current assets		
Inventories	97.4	103.9
Trade and other receivables	72.6	83.3
Cash and cash equivalents	30.8	29.0
	200.8	216.2
Current liabilities		
Trade and other payables	(89.1)	(99.2)
Lease liabilities	(6.3)	(6.1)
Current tax liabilities	(2.5)	(0.9)
Derivative financial instruments	(0.6)	(2.0)
Provisions	(0.7)	(4.5)
	(99.2)	(112.7)
Net current assets	101.6	103.5
Total assets less current liabilities	326.1	330.3
Non-current liabilities		
Financial liabilities – borrowings	(68.1)	(78.9)
Lease liabilities	(15.9)	(18.6)
Deferred tax liabilities	(14.1)	(15.0)
Other non-current liabilities	(4.6)	(6.2)
Provisions	(1.0)	(1.2)
	(103.7)	(119.9)
Net assets	222.4	210.4
Financed by:		
Share capital	8.9	8.9
Share premium	47.6	47.6
Retained earnings and other reserves	165.9	153.9
Total equity	222.4	210.4

Consolidated cash flow statement

Year ended 31 March 2024

	Note	2024 £m	2023 £m
Cash generated from operations	7	49.0	37.7
Income taxes paid		(5.6)	(7.7)
Interest paid		(6.8)	(5.5)
Net cash generated from operating activities		36.6	24.5
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(7.3)	(6.0)
Acquisition of subsidiary undertakings net of cash acquired		—	(78.3)
Net cash used in investing activities		(7.3)	(84.3)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		—	18.1
Purchase of treasury shares		(0.8)	—
Costs of raising debt finance		(0.2)	—
Principal element of lease payments		(4.9)	(4.6)
Drawdown of borrowings		18.0	114.0
Repayment of borrowings		(29.0)	(54.0)
Dividends paid to the Company's shareholders		(9.1)	(9.2)
Net cash (used in)/generated from financing activities		(26.0)	64.3
Net increase in cash and cash equivalents		3.3	4.5
Cash and cash equivalents at the beginning of the year		29.0	27.4
Exchange movements on cash and cash equivalents		(1.5)	(2.9)
Cash and cash equivalents at the end of the year		30.8	29.0

Consolidated statement of changes in equity

Year ended 31 March 2024

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2022	8.1	30.3	(0.1)	1.5	(12.8)	173.3	200.3
Comprehensive income:							
Profit for the year	—	—	—	—	—	16.8	16.8
Other comprehensive income:							
Actuarial 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
Comprehensive income:							
Profit for the year	—	—	—	—	—	26.8	26.8
Other comprehensive expense:							
Actuarial loss on retirement benefit obligations	—	—	—	—	—	(1.4)	(1.4)
Fair value gain on cash flow hedges	—	—	—	1.0	—	—	1.0
Foreign currency translation adjustments	—	—	—	—	(5.3)	—	(5.3)
Total other comprehensive income/(expense) for the year	—	—	—	1.0	(5.3)	(1.4)	(5.7)
Transactions with owners:							
Purchase of treasury shares	—	—	(0.8)	—	—	—	(0.8)
Dividends paid	—	—	—	—	—	(9.1)	(9.1)
Settlement of share option schemes	—	—	1.1	—	—	(1.2)	(0.1)
Value of employee services	—	—	—	—	—	0.9	0.9
At 31 March 2024	8.9	47.6	0.2	(0.4)	(26.4)	192.5	222.4

Notes to the preliminary statement

Year ended 31 March 2024

1. Basis of preparation

Norcros plc (the Company), and its subsidiaries (together the Group), is a market-leading designer and supplier of high-quality bathroom and kitchen products in the UK, Europe and South African markets.

The Company is 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 2024. The financial information set out above does not constitute the Company's statutory financial statements for the periods ended 31 March 2024 or 31 March 2023 but is derived from those financial statements. Statutory financial statements for 2024 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 financial model was then stress tested by modelling the most extreme but plausible scenario, that being a global pandemic similar in nature to COVID-19. This has been based on the actual impact of the COVID-19 pandemic on the Group, which, at its peak, saw a revenue reduction of 25% on the prior year over a six-month period. The scenario also incorporates management actions the Group has at its disposal, including a number of cash conservation and cost reduction measures including capital expenditure reductions, dividend decreases and restructuring activities.

The Group continues to exhibit sufficient and prudent levels of liquidity headroom against our key banking financial covenants during the 12-month period under assessment. Reverse stress testing has also been applied to the financial model, which represents a further decline in sales compared with the reasonable worst case. Such a scenario, and the sequence of events 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 12 months from the date of this report. For this reason, the Company continues to adopt the going concern basis for preparing the Group financial statements. In forming this view, the Board has also concluded that no material uncertainty exists in its use of the going concern basis of preparation.

2. Segmental reporting

Year ended 31 March 2024

	UK and Ireland £m	South Africa £m	Group £m
Revenue	281.9	110.2	392.1
Underlying operating profit	38.4	4.8	43.2
IAS 19R administrative expenses	(1.3)	—	(1.3)
Acquisition related costs	(4.1)	(0.2)	(4.3)
Exceptional operating items	2.3	—	2.3
Operating profit	35.3	4.6	39.9
Finance costs			(7.3)
Profit before taxation			32.6
Taxation			(5.8)
Profit for the year			26.8
Net debt excluding lease liabilities			(37.3)
Segmental assets	334.6	90.7	425.3
Segmental liabilities	(171.8)	(31.1)	(202.9)
Additions to tangible, intangibles and right of use assets	7.2	4.1	11.3
Depreciation and amortisation	10.9	4.6	15.5

Year ended 31 March 2023

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

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

	2024 £m	2023 £m
UK and Ireland	251.0	262.0
Africa	111.4	147.5
Rest of World	29.7	31.5
	392.1	441.0

No one customer had revenue over 10% of total Group revenue (2023: none).

3. Acquisition related costs and exceptional operating items

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

	2024 £m	2023 £m
Acquisition related costs		
Intangible asset amortisation ¹	6.5	6.2
Advisory fees ²	0.2	1.4
Deferred contingent consideration ³	(3.0)	—
Deferred remuneration ⁴	0.6	0.8
	4.3	8.4

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

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

3 Relates to the release of an element of deferred contingent consideration resulting from the acquisition of Grant Westfield.

4 In accordance with IFRS 3, a proportion of the deferred contingent consideration is treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred. In the current year this represents a cost of £0.6m (2023: £0.8m) in relation to the Grant Westfield acquisition.

	2024 £m	2023 £m
Exceptional operating items		
Restructuring costs ¹	1.7	4.8
Reversal of impairment ²	(4.0)	—
Impairment ³	—	5.0
	(2.3)	9.8

1 The exceptional restructuring cost charge in the current year of £1.7m was incurred in relation to restructuring programs at Johnson Tiles UK and the move to new premises at VADO. In the prior year exceptional restructuring costs of £4.8m were incurred in relation to the restructuring program implemented at Norcros Adhesives.

2 The reversal of previous land and buildings impairments of the Johnson Tiles UK site, following an independent valuation.

3 As a result of demand uncertainty, the Johnson Tiles UK tangible and right of use assets were impaired in the prior year with a non-cash impairment charge of £5.0m recognised as an exceptional item in the Income Statement.

4. Finance costs

	2024 £m	2023 £m
Interest payable on bank borrowings	5.2	3.7
Interest on lease liabilities	1.6	1.8
Discounting of deferred contingent consideration	0.9	0.6
Amortisation of costs of raising debt finance	0.4	0.3
Finance costs	8.1	6.4

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 deferred 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

	2024 £m	2023 £m
Profit before taxation	32.6	21.7
Adjusted for:		
– IAS 19R administrative expenses	1.3	1.6
– IAS 19R finance income	(0.8)	(0.6)
– acquisition related costs (see note 3)	4.3	8.4
– exceptional operating items (see note 3)	(2.3)	9.8
– amortisation of costs of raising finance	0.4	0.3
– discounting of deferred contingent consideration	0.9	0.6
Underlying profit before taxation	36.4	41.8
Taxation attributable to underlying profit before taxation	(7.6)	(8.3)
Underlying earnings	28.8	33.5

(b) Underlying operating profit and EBITDA (pre-IFRS 16)

	2024 £m	2023 £m
Operating profit	39.9	27.5
Adjusted for:		
– IAS 19R administrative expenses	1.3	1.6
– acquisition related costs (see note 3)	4.3	8.4
– exceptional operating items (see note 3)	(2.3)	9.8
Underlying operating profit	43.2	47.3
Adjusted for:		
– depreciation and amortisation (owned assets)	4.3	5.0
– depreciation of leased assets	4.7	4.6
– lease costs	(6.5)	(6.4)
Underlying EBITDA (pre-IFRS 16)	45.7	50.5

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

	2024 £m	2023 £m
Cash generated from operations (see note 7)	49.0	37.7
Adjusted for:		
– cash flows from exceptional items and acquisition related costs (see note 7)	3.4	3.3
– pension fund deficit recovery contributions	4.0	3.8
Underlying operating cash flow	56.4	44.8

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

	2024 £m	2023 £m
Net assets	222.4	210.4
Adjusted for:		
– pension scheme asset (net of associated tax)	(12.4)	(11.2)
– right of use assets (IFRS 16)	(18.0)	(20.0)
– lease liabilities (IFRS 16)	22.2	24.7
– cash and cash equivalents	(30.8)	(29.0)
– financial liabilities – borrowings	68.1	78.9
	251.5	253.8
Foreign exchange adjustment	(1.9)	1.3
Adjustment for acquisitions	—	58.2
Underlying capital employed	249.6	313.3
Average underlying capital employed	251.7	246.3
Underlying operating profit (pre-IFRS 16)	41.4	45.5
Underlying return on capital employed	16.4%	18.5%

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 2024 the potential dilutive ordinary shares amounted to 811,567 (2023: 1,370,679) as calculated in accordance with IAS 33.

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

	2024 £m	2023 £m
Profit for the year	26.8	16.8

	2024 Number	2023 Number
Weighted average number of shares for basic earnings per share	89,003,947	88,129,432
Share options	811,567	1,370,679
Weighted average number of shares for diluted earnings per share	89,815,514	89,500,111

	2024	2023
Basic earnings per share:		
From profit for the year	30.1p	19.1p

Diluted earnings per share:

From profit for the year 29.8p 18.8p

Basic and diluted underlying earnings per share

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

	2024 £m	2023 £m
Underlying earnings (see note 5)	28.8	33.5

	2024	2023
Basic underlying earnings per share	32.4p	38.0p
Diluted underlying earnings per share	32.1p	37.4p

7. Consolidated cash flow statement

(a) Cash generated from operations

The analysis of cash generated from operations is given below:

Continuing operations

	2024 £m	2023 £m
Profit before taxation	32.6	21.7
Adjustments for:		
– IAS 19R administrative expenses included in the Income Statement	1.3	1.6
– acquisition related costs included in the Income Statement	4.3	8.4
– exceptional items included in the Income Statement	(2.3)	9.8
– finance costs included in the Income Statement	8.1	6.4
– IAS 19R finance credit included in the Income Statement	(0.8)	(0.6)
– cash flows from exceptional items	(3.4)	(3.3)
– depreciation of property, plant and equipment	4.0	4.9
– underlying amortisation	0.3	0.1
– depreciation of right of use asset	4.7	4.6
– pension fund deficit recovery contributions	(4.0)	(3.8)
– IFRS 2 charges	0.9	1.2
Operating cash flows before movement in working capital	45.7	51.0
Changes in working capital:		
– decrease/(increase) in inventories	2.9	(3.0)
– decrease/(increase) in trade and other receivables	9.3	(3.1)
– decrease in trade and other payables	(8.9)	(7.2)
Cash generated from operations	49.0	37.7

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

	Cash £m	Current borrowings £m	Non-current borrowings £m	Underlying net cash/(debt) £m
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)
Exchange movement	(2.9)	—	—	(2.9)
At 31 March 2023	29.0	—	(78.9)	(49.9)
Cash flow	3.3	—	11.0	14.3
Non-cash finance costs	—	—	(0.2)	(0.2)
Exchange movement	(1.5)	—	—	(1.5)
At 31 March 2024	30.8	—	(68.1)	(37.3)

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

8. Events after the reporting period

On 25 April 2024, the Group announced that following a strategic review, it had entered into an agreement to sell the trade and assets of the Johnson Tiles UK division to Johnson Tiles Limited, a new company incorporated and run by the former divisional management team.

Consideration for the sale was £1.0m, with a further modest earn-out dependent on the future equity value of the business, with both payable in April 2028.

The sale was completed on 19 May 2024 after the conclusion of the customary employee consultation period.

Given the proximity of the sale to the balance sheet date, the Group have not fully assessed tangible fixed asset and working capital values transferred, but estimate the loss on disposal, to be accounted for in the year to 31 March 2025, to be approximately £20m, plus associated professional fees of less than £1m.

The Johnson Tiles land and buildings were not transferred as part of the sale and following an independent valuation, an impairment reversal of £4.0m has been recognised in the financial statements for the year to 31 March 2024. The group has also entered into an agreement to lease the site to Johnson Tiles Limited on an arm's length basis.