THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK IMMEDIATELY YOUR OWN FINANCIAL ADVICE FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, FUND MANAGER OR OTHER APPROPRIATE INDEPENDENT FINANCIAL ADVISER, WHO IS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") IF YOU ARE RESIDENT IN THE UNITED KINGDOM OR, IF NOT, FROM ANOTHER APPROPRIATELY AUTHORISED INDEPENDENT FINANCIAL ADVISER.

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

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

This document is a circular prepared in accordance with the Listing Rules made under section 73A of FSMA for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document. This document has been approved by the Financial Conduct Authority (the "**FCA**").

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norcros

NORCROS PLC

(incorporated in England and Wales with registered number 3691883)

Proposed acquisition of Granfit Holdings Limited
and
Notice of General Meeting

Numis

Sponsor, Bookrunner and Broker

Numis Securities Limited

This document should be read as a whole. Your attention is drawn to the letter from the Chair of the Board which is set out in Part I (*Letter from the Chair of the Board*) of this document and which contains a recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below. The section of this document entitled "Risk Factors" includes a discussion of certain risk factors which should be taken into account when considering the matters referred to in this document.

The Company and the Directors (whose names appear on page 21 of this document) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Applications have been made for the Placing Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market (together "**Admission**"). It is expected that Admission will become effective and that dealings in the Placing Shares will commence at 8.00 a.m. on 16 May 2022.

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

A Notice of General Meeting of the Company, to be held at the offices of Eversheds Sutherland (International) LLP, Two New Bailey, 6 Stanley Street, Manchester, M3 5GX at 10.00 a.m. on 30 May 2022, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Group, PXS 1, Central Square, 10th Floor, 29 Wellington Street, Leeds, LS1 4DL, by not later than 10.00 a.m. on 26 May 2022 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). If you are a member of CREST, you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 10.00 a.m. on 26 May 2022 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, should you so wish.

This document is not a prospectus and does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, any securities.

Unless otherwise determined by the Company in its sole discretion and permitted by applicable law and regulation, this document and the accompanying Form of Proxy are not being, nor may they be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed, or sent outside of the United Kingdom, and persons receiving this document and the accompanying Form of Proxy (including, without limitation, trustees, nominees or custodians) must not send them outside of the United Kingdom as to do so may constitute a violation of the securities laws of any such jurisdictions. Any person (including, without limitation, trustees, nominees or custodians) who would or otherwise intends to, or who may have a contractual or legal obligation to, forward this document and the accompanying Form of Proxy to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

The Placing Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") and may not be offered or sold, directly or indirectly, in or into the United States except in transactions exempt from the registration requirements of the US Securities Act. There will be no public offer of the Placing Shares in the United States.

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

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

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

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

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

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

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

Certain terms used in this document are defined in Part VIII (*Definitions*) of this document.

This document is dated 12 May 2022.

Contents

RISK FACTORS

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

The risks and uncertainties described below represent those which the Directors consider to be material as at the date of this document. However, these risks and uncertainties are not the only ones facing the Group, the Grant Westfield Group and, if the Acquisition becomes effective, the Enlarged Group. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may individually or cumulatively also materially and adversely affect their business, results of operations, financial condition and/or prospects. If any or a combination of these risks actually occurs, the business, results of operations, financial condition and/or prospects of the Group, the Grant Westfield Group and, if the Acquisition becomes effective, the Enlarged Group could be materially and adversely affected. In such case, the market price of the Ordinary Shares could decline and Shareholders may lose all or part of their investment.

1 Risks relating to the Acquisition

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

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

Due diligence on the Grant Westfield Group

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

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

The Acquisition is conditional, amongst other things, upon:

- the shareholders of the Company in general meeting passing an ordinary resolution to approve without amendment the purchase by the Purchaser of the shares in Grant Westfield (on the terms and subject to the conditions of the Acquisition Agreement) on or before 30 June 2022 (or such later date as may be agreed);
- the Sponsor and Placing Agreement not having been terminated or rescinded and having become unconditional in all respects (including as to Admission);
- the Facilities Agreement not having been terminated or rescinded and such amount as the Purchaser requires to borrow under the Facilities Agreement in order to finance that part of the provisional consideration due to the Sellers on Completion that is not being funded from the Purchaser's cash resources, including those raised pursuant to the Placing, being available for draw-down by the Purchaser under the Facilities Agreement.

There can be no assurance that those conditions will be satisfied or waived, if applicable, and that Completion will be achieved.

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

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

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

2 Risks relating to the Group, the Grant Westfield Group and, following Completion, the Enlarged Group

Risks relating to the Group's business

Market conditions

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

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

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

South African operations

Approximately 32 per cent. of the Group's activities by revenue are conducted in South Africa, where the Group may be exposed to risks outside of its control, such as political, social and economic instability, unexpected changes in the regulatory environment, exposure to different legal standards or employment relations and potentially adverse tax consequences. Any of the above factors could disrupt the Group's business by either increasing costs or by reducing overall economic growth and impacting investment in construction and infrastructure projects, e.g. social housing, which in turn could reduce demand for the Group's products. Potential losses caused by these disruptions may not be covered by insurance.

In addition, the geographical spread of the Group's operations and, following Completion, the Enlarged Group's operations means that management co-ordination of effort and communications with employees is subject to certain challenges, which could lead to inefficient allocation of resources or duplication of effort. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

Response to changing consumer preferences

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

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

Competition

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

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

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

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

Reliance on key customers and customer relationships

In the year ended 31 March 2021, and to date in the year ending 31 March 2022, no customer accounted, or accounts, for more than 10 per cent. of the Group's revenue for the relevant year or the year to date. However, there are certain customers who account for higher levels of the Group's or the Grant Westfield Group's revenue than other customers. Any significant deterioration in the relationships between the Group's and, following Completion, the Enlarged Group's businesses and those customers, whether as a result of inability to agree terms on renewal of any relevant contract, a change of management in that customer, gains made by the Group's and, following Completion, the Enlarged Group's competitors or otherwise, could have a material adverse effect on its business, financial position and/or results of operations.

Whilst the Group and the Grant Westfield Group have a diverse range of customers, many of the contractual arrangements with customers are short term in nature (as is common in the Group's and, following Completion, the Enlarged Group's markets) and there exists some risk that the current performance of a business may not be maintained, and further growth may not be achieved, if such contracts were not renewed or extended, or were maintained at lower volumes due to a decline in economic activity.

Relationships with suppliers

Whilst the Group and the Grant Westfield Group have a diverse range of suppliers, there are nevertheless certain key suppliers who account for high levels of supply. Although many of the supplier relationships are longstanding, the rolling nature of the existing contractual relations could potentially change at relatively short notice and there exists some risk that the current performance of a business may not be maintained, and further growth may not be achieved, if such contracts were not renewed or extended, or if alternative suppliers needed to be engaged.

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

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

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

Availability of raw materials/components, and supply chain failure

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

Significant recent change in core source material

The Grant Westfield Group has historically primarily used a plywood core for their Multipanel product alongside Moisture Resistant Medium Density Fibreboard ("**MRMDF**") for select customers. Although the plywood is sourced from UK and Scandinavian suppliers, a significant proportion of the base timber originates from mills that source Birch plywood from Russian forests. Given the sanctions imposed on Russia and that the Forest Stewardship Council (the "**FSC**") has suspended the promotion and trade use of FSC certificates on timber originating from Russia and Belarus from 8 April 2022, the Group, following successful operational testing, will now primarily switch to using the alternative MRMDF material.

There is a potential commercial and operational risk associated with the transition to this alternative material albeit management do not consider the risks to be material given that they have developed a detailed transition plan to manage this changeover. Furthermore, MRMDF is an established core material for laminate waterproof wall panels and the business has manufactured panels using this material previously. MRMDF is also used by several competitors in the industry.

COVID-19

The COVID-19 pandemic had a significant impact on the Group's results for the year to 31 March 2021, especially in the first quarter. The full extent of the impact of the COVID-19 pandemic on the Group remains uncertain and will depend on future developments, including the duration and severity of future COVID-19 infections and/or mutations (including any variants of concern that may emerge in the future), the efficacy and supply of COVID-19 vaccines, the speed of vaccine programmes, public confidence in and demand for COVID-19 vaccines and the impact of existing and future quarantine measures, travel advisories, testing regimes and other governmental restrictions on travel. The impact of such matters on the Group will depend on their nature and extent but may include reduced customer confidence in and demand for, and pricing of, the Group's products.

Reliance on production facilities

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

Product failures or product recalls

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

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

Staff retention and recruitment

The Group employs over 2,150 people worldwide and the Grant Westfield Group employs approximately 185 people worldwide. The success of the Group and the Grant Westfield Group and their ability to grow and increase their market share depends significantly on their continuing ability to recruit, retain and motivate highly skilled employees in each area of their activities. This includes retaining key senior management. There can be strong competition for personnel from other companies and organisations and there may at any time be shortages in the availability of appropriately skilled people at any particular levels within the Group or the Grant Westfield Group. While the Group and the Grant Westfield Group have employment or service contracts with their key executives and personnel, and the Group has in place the Plans to incentivise key executives and technical personnel, the Group cannot guarantee the retention of such key executives and personnel. The failure to retain and/or recruit additional or substitute senior managers and/or other key employees could have a material adverse effect on the Group's and, following Completion, the Enlarged Group's business, financial condition, prospects and/or results of operations.

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

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

The Group's and the Grant Westfield Group's businesses are dependent upon maintaining relationships with their key customers. These relationships are maintained by senior personnel of the Group or the Grant Westfield Group (as the case may be). The Group and the Grant Westfield Group have in place restrictive covenants and employ other measures, such as share incentive plans, to dissuade such personnel, including the executive directors, from leaving the Group or the Grant Westfield Group (as the case may be). Notwithstanding this, if key personnel were lost, it could lead to the weakening or loss of the Group's and, following Completion, the Enlarged Group's relationships with key customers.

Reliance on information technology

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

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

Global economic, financial, political, social and governmental policies, developments and conditions

The Group's and, following Completion, the Enlarged Group's business and financial performance could be materially adversely affected by a deterioration in macroeconomic and geopolitical conditions, in the UK or in other jurisdictions, which could result in an adverse impact on global economic, financial, political, social or governmental conditions to which the Group and, following Completion, the Enlarged Group is subject. For example, the conflict between Russia and Ukraine has resulted in a significant expansion in sanctions imposed by the United States, the United Kingdom and the EU, in particular, against Russia, the Russian financial sector and certain Russian individuals, and further sanctions (the scope and extent of which are currently unclear) may be imposed in the event of a further escalation of, or prolonged, hostilities in Ukraine. Such conditions may include higher inflation, higher interest rates, negative interest rates, declining access to credit, lower or stagnating wages, increasing unemployment, weakness in housing and real estate markets, changes in government regulatory, fiscal or tax policies, including changes in applicable tax rates and the modification of existing, or adoption of new, tax legislation, with or without retrospective effect, sanctions regimes, removal of subsidies, reduced public spending, initiatives to address climate change or credit crises affecting disposable incomes, increases in fuel prices, weakness in energy markets or a loss of consumer confidence. Such conditions may have an adverse impact on the financial performance of the Group and, following Completion, the Enlarged Group.

Risks relating to the Group's financial condition

Foreign currency exchange risk

The Group's financial performance is subject to the effects of fluctuations in foreign exchange rates. In particular, the Group sources a significant proportion of its components and goods for resale from Europe and the Far East which are denominated in foreign currencies (primarily the US Dollar and the Euro).

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

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

Pension scheme management

The Group has a defined benefit pension scheme with approximately 6,000 members and assets of in the region of £400 million, that are being used to meet the current and future liabilities of the scheme and are augmented by deficit recovery contributions from the Company. The scheme was closed to new members and future accrual with effect from 1 April 2013 and replaced by an auto-enrolment compliant defined contribution scheme. This has materially reduced the risk from rising costs of providing a final salary pension scheme.

Triennial valuations are undertaken every three years after which deficit recovery plans are agreed between the scheme trustee and the Company. The Company reached agreement recently with the trustee of the scheme on the 2021 triennial actuarial valuation and on a new deficit recovery plan. The actuarial deficit at 31 March 2021 was £35.8 million. Deficit recovery contributions from the Company have been agreed at £3.8 million per annum from 1 April 2022 to March 2027, indexed for inflation. The next valuation is due in March 2024 and, whilst the scheme is being carefully monitored and managed by executive management, the Group cannot give assurance that the contributions will not significantly increase in future valuations or if there is a material change in funding requirements.

The Group's financial results show an aggregate deficit in this scheme on an accounting basis, as at 30 September 2021, of £6.1 million (2021: £18.3 million) assessed in accordance with IAS 19 (revised). There are various risks that could adversely affect the funding of the defined benefits under the scheme and consequently the Group's funding obligations, including the following:

- the assumptions used by the Group allow for improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the scheme and consequently an increase in scheme liabilities;

– a reduction in corporate bond yields would result in a lower discount rate being used to value the scheme liabilities and consequently result in an increase in scheme liabilities. Additionally, an increase in inflation would increase the scheme liabilities as the majority of the pension payments increase in line with inflation, although there are a number of caps in place to ensure that the impact of high inflation is minimised; and

– a reduction in the value of investments caused by fluctuating exchange rates and a variety of other market factors would result in a lower valuation of scheme assets.

In mitigation of these risks, the Group currently undertakes the following active measures:

– all asset investments are managed by professional fund managers and a diverse asset portfolio is maintained to spread risk and return;

– executive management regularly monitors the funding position of the scheme and is represented on the Trustee board to monitor and assess investment performance and other risks to the Group; and

– the Group considers each valuation (IAS 19R and technical provisions basis) and reassesses its position regarding its pension commitments in conjunction with external actuarial advice.

Operating and financial restrictions resulting from existing debt facilities

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

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

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

This risk factor relates to risks which fall outside the 12-month period covered by the working capital statement contained in paragraph 6 of Part VI (*Additional Information*) of this document and does not qualify anything contained in that statement.

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

The Group's ability to grow and adapt its business is dependent, in part, on its banking financing facilities. Recent challenging financial market conditions have led to a reduction in the availability of bank lending generally and the costs of most types of lending have significantly increased. Whilst the Group has committed funding until the date falling three years and seven months after the first utilisation date, unless extended by a maximum of 24 months, it is possible that the Group and, following Completion, the Enlarged Group may find it difficult to obtain financing on commercially acceptable terms in the longer term.

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

This risk factor relates to risks which fall outside the 12-month period covered by the working capital statement contained in paragraph 6 of Part VI (*Additional Information*) of this document, and does not qualify anything contained in that statement. As at the date of this document, the Group has a £130 million investment grade senior multicurrency revolving facility agreement (plus an accordion facility of up to £70 million) across four lenders, National Westminster Bank plc, HSBC Bank plc, The Governor and Company of the Bank of Ireland and Lloyds Bank plc. The borrowers had drawn £20.0 million of the RC Facilities (as at 31 March 2022).

Performance against banking covenants

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

Acquisition risk

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

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

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

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

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

Legal and regulatory risks

Environmental regulations and matters

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

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

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

Brexit

Notwithstanding that the UK ceased to be a member of the EU ("**Brexit**") on 31 January 2020, the full implications of this decision, and the outcome of the resulting negotiations between the UK and the EU, are not yet known.

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

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

As a result of the above-mentioned uncertainty, the British Pound Sterling experienced a sharp depreciation against a range of currencies. This has led to increased inflationary pressures on the Group's business.

In the financial year to 31 March 2021, the Group's UK businesses saw significant disruption to global logistics networks in part related to Brexit, which had a significant impact on product delivery times and freight costs in the final quarter.

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

Collective bargaining agreements and trade unions

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

Health and safety

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

Intellectual property

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

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

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

3 Risks relating to the Company's Ordinary Shares

Investment risk

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

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

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

- the Group's and, following Completion, the Enlarged Group's expected and actual operational and financial performance;
- the level of activity in the construction, house building and home improvement sectors;

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

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

<u>Dilution of ownership of Existing Ordinary Shares upon allotment of the Placing Shares</u>

The Placing is being offered only to certain institutional and other investors. As a result of the Placing, the Company's issued share capital will increase by approximately 9.9 per cent. to 89,152,452 Ordinary Shares. Existing Shareholders will suffer a dilution of approximately 9.1 per cent. of their interests in the Company.

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

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

Possible sale of shares or issue of additional shares

The Group cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. In addition, the Company may issue additional shares in the longer term, which may adversely affect the market price of the Ordinary Shares in issue prior to that new issue. Save for the issue of the Placing Shares, the Company has no current plans for a subsequent offering of its shares or of rights or invitations to subscribe for shares (other than pursuant to the Plans). However, it is possible that the Company may decide to offer or issue additional shares in the future. Future sales of substantial amounts of Ordinary Shares in the market, additional offerings or issues of shares by the Company, or public perception that such sales, offerings or issues may occur, could each have a material adverse effect on the market price of Ordinary Shares and may make it more difficult for investors to sell their Ordinary Shares at a time and price that they deem appropriate.

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

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

PRESENTATION OF INFORMATION

1 General

Shareholders should rely only on the information in this document. No person has been authorised to give any information or to make any representations in connection with the arrangements described in this document other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Numis. No representation or warranty, express or implied, is made by Numis or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Numis or any selling agent as to the past, present or future. Neither the delivery of this document nor any sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

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

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

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

In connection with the Placing, Numis and any of its affiliates, acting as investors for their own accounts, may acquire Placing Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Placing Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Placing Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Numis and any of its affiliates acting as investors for their own accounts. Numis does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

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

2 Presentation of financial information

Section B of Part IV (*Historical Financial Information of the Grant Westfield Group*) of this document sets out the consolidated financial information for the Grant Westfield Group for the three years ended 31 December 2021. This consolidated financial information has been prepared in accordance with the Listing Rules and the basis of preparation set out in note 2 of Section B of Part IV.

Unless otherwise indicated in this document, all references to:

- “**underlying operating profit**” are to operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items;
- “**EBITDA**” are to operating profit before depreciation and amortisation; and

- “**ROCE**” are to underlying operating profit on a pre-IFRS 16 basis expressed as a percentage of the average of opening and closing underlying capital employed.

3 Qualifications in the Historical Financial Information of the Grant Westfield Group

The qualified opinion provided by Grant Thornton (at Section A of Part IV (*Historical Financial Information of the Grant Westfield Group*) of this document) relates to Grant Thornton not being able to obtain sufficient appropriate audit evidence about the carrying amount of Grant Westfield’s investment in Wallace Land Investment and Management Limited as at 31 December 2019 and 31 December 2020 and Grant Westfield’s share of Wallace Land Investment and Management Limited’s net income and gain on disposal for the three years ended 31 December 2021.

Wallace Land Investment and Management Limited was a joint venture of the Grant Westfield Group and was disposed of in 2021. The joint venture operated in a market segment in which the Group does not operate, and has no intention of operating in. The Directors’ assessment that this qualification does not present a risk to the underlying acquisition of Grant Westfield is that the Directors’ valuation of Grant Westfield is based on current and forecast activities which exclude the activities of Wallace Land Investment and Management Limited.

4 Market, industry and economic data

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

5 Rounding

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

6 Currencies

Unless otherwise indicated in this document, all references to:

- “**Pounds Sterling**” or “**£**” are to the lawful currency of the UK;
- “**US Dollar**”, “**Dollar**” or “**$**” are to the lawful currency of the United States; and
- “**Euro**” or “**€**” are to the lawful currency of the Member States,

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

7 Forward-looking statements

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

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

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

Nothing in this document seeks in any way to qualify the statements regarding working capital contained in paragraph 6 of Part VI (*Additional Information*) of this document.

8 No incorporation of website information

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to any such website have not been verified and do not form part of this document, and Shareholders should not rely on them.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Paul Gareth (Gary) Kennedy, Non-Executive Chair of the Board Nicholas (Nick) Paul Kelsall, Group Chief Executive Officer James David Eyre, Group Chief Financial Officer David William McKeith, Non-Executive Director Alison Louise Littley, Non-Executive Director
Company secretary	Richard Collins
Registered office	Ladyfield House Station Road Wilmslow Cheshire SK9 1BU
Website	www.norcros.com
Sponsor, bookrunner and broker	Numis Securities Limited 45 Gresham Street London EC2V 7BF
Solicitors to the Company	Eversheds Sutherland (International) LLP Two New Bailey 6 Stanley Street Manchester M3 5GX
Reporting accountants	Grant Thornton UK LLP 11th Floor Landmark St. Peter's Square Manchester M1 4BP
Registrars	Link Group Central Square 10th Floor 29 Wellington Street Leeds LS1 4DL
Solicitors to the sponsor, bookrunner and broker	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Financial public relations advisers to the Company	Hudson Sandler 25 Charterhouse Square Barbican London EC1M 6AE

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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

	Time and date
Announcement of the Acquisition and the Placing	11 May 2022
Announcement of results of Placing through Regulatory Information Service	12 May 2022
Publication and posting of this document and Form of Proxy	12 May 2022
Admission and commencement of dealings in Placing Shares	8.00 a.m. on 16 May 2022
Placing Shares credited to CREST accounts (uncertificated holders only)	as soon as practicable after Admission
Despatch of definitive share certificates in respect of the Placing Shares (where applicable)	no later than 23 May 2022
Latest time and date for receipt of Forms of Proxy/CREST Proxy Instructions	10.00 a.m. on 26 May 2022
General Meeting	10.00 a.m. on 30 May 2022
Date of Completion	expected on 31 May 2022

SHARE CAPITAL AND PLACING STATISTICS

Placing	
Number of Existing Ordinary Shares in issue at the Latest Practicable Date	81,063,752
Number of Placing Shares to be issued pursuant to the Placing	8,088,700
Number of Ordinary Shares in issue immediately following Admission	89,152,452
Placing Shares as a percentage of the Enlarged Share Capital immediately following Admission	9.1 per cent.
Estimated expenses of the Placing	£1.3 million
Acquisition	
Estimated expenses of the Acquisition	£2.2 million

Note:

These figures are calculated assuming that:

(a) the number of Ordinary Shares in issue as at close of business on the Latest Practicable Date does not change and that no issue of Ordinary Shares, other than the issue of the Placing Shares under the Placing, occurs between the Latest Practicable Date and Completion; and

(b) the maximum number of Ordinary Shares proposed to be issued pursuant to the Placing are issued.

PART I – LETTER FROM THE CHAIR OF THE BOARD

NORCROS PLC

(incorporated in England and Wales with registered number 3691883)

Directors
Gary Kennedy, Chair of the Board
Nick Kelsall, Group Chief Executive Officer
James Eyre, Group Chief Financial Officer
David McKeith, Non-executive Director
Alison Littley, Non-executive Director

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

12 May 2022

Dear Shareholder

Proposed acquisition of Granfit Holdings Limited ("Grant Westfield") and Notice of General Meeting

1 Introduction

On 11 May 2022, the Company announced that the Group had entered into the Acquisition Agreement with, among others, the Sellers, to acquire Grant Westfield. The Grant Westfield is a market leading designer, manufacturer and supplier of waterproof bathroom wall panels in the UK. Grant Westfield is being acquired for an enterprise value of £80 million with a potential earnout of up to £12 million based on certain performance criteria. The consideration is being funded through the net proceeds of the Placing, amounting to approximately £17.3 million, with the balance to be funded from existing debt facilities.

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

The Grant Westfield Group has established a market leading position in the UK bathroom and shower panel market through several ranges under the established 'Multipanel' brand. These ranges include the recently launched 'Linda Barker' (2018), 'Heritage' (2018) and 'Neutral Collection' (2020) ranges and, in March 2022, it debuted the 'Tile Effect' range at UK's Kitchen Bedrooms and Bathroom 'KBB' exhibition. Wall panels are a modern method of construction and provide an alternative to other wall coverings, including tiles and natural stone. The UK bathroom and shower panel market is benefitting from strong growth, driven by improved quality and finish, ease of installation and maintenance. The Directors believe the UK bathroom and shower panel market segment represented approximately 30 per cent. of the estimated £330 million UK bathroom wall coverings market in 2021. The Directors believe that the Grant Westfield Group has a market share of approximately 12 per cent. of the broader UK bathroom wall coverings market and a market share of approximately 40 per cent. of the growing UK bathroom and shower panel market. In the year ended 31 December 2021, the Grant Westfield Group reported revenue of £42.2 million and adjusted EBITDA of £10.1 million.

The Board believes that the Acquisition represents an attractive opportunity for the Group to acquire a growing, profitable, market leading and well positioned business that enhances the Group's bathroom product portfolio and is in line with the Group's strategy of acquiring quality businesses with strong brands in targeted sectors and geographies.

The Acquisition is of sufficient size relative to the Group to constitute a Class 1 transaction under the Listing Rules and is therefore conditional upon, among other things, the passing of the Resolution by Shareholders at the General Meeting to be held at 10.00 a.m. on 30 May 2022. A notice of General Meeting is set out at the end of this document.

As more fully described in paragraph 4 of this Part I (*Letter from the Chair of the Board*), the Company has raised gross proceeds of approximately £18.6 million through the Placing, the net proceeds of which will be used to fund a proportion of the consideration payable under the Acquisition Agreement and the associated transaction fees, and to maintain an appropriate leverage position which will enable the Group to continue pursuing its growth strategy in the near term. As announced on 12 May 2022, the Placing comprises the issue of, in aggregate, 8,088,700 Placing Shares at an Offer Price of 230 pence per share. The Placing Shares have been conditionally placed with institutional and other investors by Numis.

The Offer Price of 230 pence is equal to the Closing Price of 230 pence per Ordinary Share on 11 May 2022 (being the last Business Day before announcement of the Placing).

The Placing is conditional upon the Sponsor and Placing Agreement becoming unconditional by 8.00 a.m. on 16 May 2022 (or such later time and/or date as Numis and the Company may agree, being not later than 8.00 a.m. on 30 May 2022) and not having been terminated in accordance with its terms prior to Admission.

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

– the Company having complied with those of its obligations under the Sponsor and Placing Agreement which fall to be performed on or prior to Admission;

– the Acquisition Agreement having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission;

– the Facilities Agreement not having been terminated or rescinded prior to Admission;

– not less than £102.8 million being available for draw-down under the Facilities Agreement upon delivery of a drawdown notice (subject only to the Company not becoming aware, and the Facility Agent (as defined in the Facilities Agreement) not notifying the Company, that a Default (as defined in the Facilities Agreement) is continuing or would result from the proposed loan at any time before the Facility Agent (as defined in the Facilities Agreement) sends the relevant monies to the relevant account);

– the FCA agreeing to admit the Placing Shares to the Official List and the London Stock Exchange agreeing to admit the Placing Shares to trading on its main market for listed securities (both subject only to the allotment of the Placing Shares); and

– Admission occurring on or before 8.00 a.m. on 16 May 2022 (or such later time, not later than 8.00 a.m. on 30 May 2022, as Numis and the Company may agree in writing).

Applications have been made for the Placing Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective and that dealings in the Placing Shares will commence at 8.00 a.m. on 16 May 2022.

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

2 Information on the Group's strategy

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

In April 2018, the Group refreshed its 'strategy for growth' and launched the next phase of its development, targeting further growth as part of its 2023 vision. This included setting a growth target to achieve £600m revenue by 2023 and achieving a sustainable ROCE of 15 per cent. The timescale to achieve the £600m revenue target was extended in June 2021 to 2025 reflecting the COVID-19 disruption.

The Board is focused on a combination of organic and acquisitive growth and has a successful track record of acquiring and developing businesses to support and accelerate the Group's strategy.

The Group has made good progress towards its strategic objectives, including achieving underlying ROCE of 18.2 per cent. in the year ended 31 March 2021, ahead of target. Group revenue for the year ended 31 March 2021 increased to £324.2 million and the Board believes that the Group's market share has increased through the COVID-19 pandemic.

The Group intends to continue to target acquisitions in complementary product, market and industry segments exhibiting attractive returns on capital and where there are opportunities to drive above market revenue growth. The most recent examples of the Group executing this strategy include the acquisitions of Vado in April 2013, Croydex in June 2015, Abode in March 2016, Merlyn in November 2017 and House of Plumbing in April 2019. These acquisitions have delivered compound average growth of 5.6 per cent., 3.8 per cent., 7.2 per cent. and 8.1 per cent. respectively and House of Plumbing revenue is 5.4 per cent. below pre acquisition level. Following the acquisition of Merlyn in 2017, the Group has both successfully introduced Merlyn into DIY and Small Format channels and increased its penetration within the Specification channel, in addition to growing its share of wallet across Merlyn's customer base and increasing market share through a series of new contract wins.

The Board has identified key characteristics for attractive acquisition targets. The current priority is to find potential acquisition targets that: operate in complementary markets where the Group can drive revenue synergies; bring complementary and high-quality branded products that enhance the Group's product portfolio to create a 'one stop shop' for bathrooms in its key geographies; and can demonstrate revenue and profit growth supported by an experienced and capable management team.

The Group's vision is to be a leading supplier of bathroom and kitchen products in selected geographies, offering strong brands, contemporary designs with a reputation for quality, outstanding service and innovation. The Board believes that execution of the strategy will continue to deliver improved and sustainable returns for the Company's shareholders.

3 Background to and reasons for the Acquisition and the Placing

3.1 The Acquisition

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

The Group expects the Acquisition to be double digit earnings enhancing in the first full financial year of ownership, ending 31 March 2024 and to deliver return on invested capital in excess of the Company's cost of capital in the same year.

The Board believes that the Grant Westfield Group's impressive track record of growth and cash generation enhanced by its low capital intensity, as highlighted by the table below, makes it both an attractive strategic and financial proposition to the Company's shareholders.

	For the year ended 31 December		
	2021 £ million	**2020 £ million**	**2019 £ million**
Revenue	42.2	32.3	34.2
Operating profit	7.1	5.9	5.2
Add back:			
Exceptional bonus	2.3	–	–
Amortisation of intangible assets	–	–	0.1
Depreciation of property, plant and equipment	0.3	0.3	0.3
Depreciation of right of use assets	0.4	0.3	0.2
Adjusted EBITDA	10.1	6.5	5.8
Cash generated from operations	7.0	7.4	6.8

The Directors believe that the key strengths of the business include:

Leading player in high growth bathroom wall panels subsegment

The acquisition of Grant Westfield will provide the Group with a highly profitable business with a leading share in the UK bathroom and shower panel market. The Grant Westfield Group's main market is the UK, which represents 96 per cent. of revenue, with Continental Europe representing 4 per cent. of total revenue. The Board believes that there is a significant opportunity to leverage the Group's existing UK and international distribution channels to drive revenue growth.

Forecast market growth is underpinned by positive underlying market dynamics and sector trends such as the growing emphasis on the bathroom within the home, growing consumer preference for showering and the ongoing premiumisation trend.

The Grant Westfield Group's addressable market is the UK bathroom wall coverings market, the value of which the Directors believe was approximately £330 million in 2021.

The Directors believe that the UK bathroom and shower panel market segment of the UK bathroom wall coverings market was estimated at approximately £100 million, and that other segments within the UK bathroom wall coverings market, including tiles and natural stone, have an estimated size of approximately £230 million.

The Directors believe the UK bathroom and shower panel market segment represented approximately 30 per cent. of the estimated £330 million UK bathroom wall coverings market in 2021. The Directors believe that the Grant Westfield Group has a market share of approximately 12 per cent. of the broader UK bathroom wall coverings market and a market share of approximately 40 per cent. of the growing UK bathroom and shower panel market. The Acquisition will enable Norcros to offer a 'one stop shop' to the bathroom wall coverings market, analogous to its current porcelain floor tile and luxury-vinyl-tile 'LVT' floor coverings product offering.

The key drivers of demand for the bathroom wall coverings market include housing transactions and housing starts, consumer spending, private housing repair maintenance and growth in several commercial market segments, including hotels, universities, care homes and residential lodges.

There are additional key drivers of demand for the bathroom wall panel sub-segment. These include increasing customer requirements for rapid and easy installation where panel systems can be a more efficient approach given the increasing shortage of available skilled tradespeople. In addition to private customers, these drivers could be particularly relevant for developers in social housing and modular build markets. Panels are a low maintenance alternative to other wall coverings, offering grout-free installation while retaining durability and waterproof features, which remain meaningful tailwinds for the panels subsegment of the wall coverings market.

The Grant Westfield Group continues to grow its revenue and take market share, and the Directors believe that the Grant Westfield Group is growing ahead of the average growth rate of its major competitors.

High quality product with a diversified selection of ranges

The Grant Westfield Group designs, manufactures and supplies the Multipanel product, a waterproof wall covering panel. The Multipanel product is differentiated through its high quality, easy and rapid installation, low maintenance and sustainability features: the product is well placed to win market share of the bathroom wall panel market and also act as a modern alternative to other wall coverings in a bathroom setting.

The Grant Westfield Group's Multipanel brand is synonymous with superior design, quality and service. As a result, the Grant Westfield Group enjoys high levels of brand advocacy and loyalty among key customers and influencers (with an 80 per cent. net promoter score (**NPS**)) and the business has delivered a consistent track record of growth, generating consistently high and growing margins as a result of its focus on premium products. Top 20 customers account for 68 per cent. of Grant Westfield's total revenue with 74 per cent. of UK sales in 2021 from returning customers who have bought products from the Grant Westfield Group for at least four consecutive years.

The Grant Westfield Group's Multipanel brand is split into seven ranges covering a range of price points, with a focus on the high-quality, premium, sustainable product ranges, which represent the majority of FY21 sales:

- Classic (41 per cent. of revenue), the leading and original range, reasonably priced with various finishes;
- Linda Barker (26 per cent. of revenue, having grown sales from FY18: £2.3 million to FY21: £11.4 million), launched in 2018, an exclusive, designer range curated by interior designer Linda Barker, offering marble, granite and wood finishes. Norcros believes the recent improvement in product aesthetic, including Grant Westfield's Linda Barker range, has been instrumental in driving shower and bathroom panels becoming a mainstream product;
- Heritage (5 per cent. of revenue), launched in 2018, contemporary collection incorporating a range of wood textiles and gloss finishes;
- Neutrals (4 per cent. of revenue), launched in 2020, aimed at replicating look of painted wall available in stone, marble and wood textures;
- Economy, legacy range aimed at the value end of the market;
- Reflect, legacy acrylic panel range; and
- Tile Effect, newly launched range, premium collection which is a 'grout free' alternative to tile, where Grant Westfield is currently progressing National House Building Council (**NHBC**) approval to target the housebuilder and specification sectors.

The Grant Westfield Group has a strong track record of successfully introducing new, margin enhancing, ranges to market, for example, the 'Linda Barker' range has been a key growth driver since its introduction in 2018 and represented approximately 26 per cent. of revenue in 2021. Grant Westfield Limited's Product Vitality score is 37.5 per cent., calculated as the proportion of sales of new products (introduced over the last four years) over the total revenue of the business.

The Board believes that the acquisition of Grant Westfield will enhance the Group's 'one stop shop' offer to the trade and specification segments in the UK. This will create opportunities for cross-selling across all Group channels, particularly in specification, social housing, DIY and retail markets.

The Grant Westfield Group is at the forefront of bathroom and shower panel design and innovation. Its focus on continual product evolution has enabled the business to strengthen its position within the industry and be at the forefront of the premiumisation of bathroom and shower panels. Grant Westfield Group is committed to bringing new and innovative products in response to market dynamics. Their shower panel products are well-suited for off-site construction methods including the production of modular bathrooms.

The Multipanel product is underpinned by the Grant Westfield Group's proprietary Hydrolock technology which ensures a smooth panel joint that is highly effective, waterproof and attractive for customers, even when installed on uneven walls.

The Board expects the launch of the premium 'Tile Effect' range, as debuted at the KBB Exhibition in March 2022, to further demonstrate the Grant Westfield Group's ability to bring demand-led, premium products to market.

The Board believes that the Grant Westfield Group's innovative culture and focus on new product development is consistent with the Group's objective to expand its product range both in the UK and internationally.

ESG at the core of product development

The Grant Westfield Group has developed the business and Multipanel products with sustainability and ESG impacts as core design principles.

The manufacturing process involves the bonding of laminates to machined plywood/MRMDF sheets. There has been a strong ESG emphasis with plywood being supplied from Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification Schemes ("PEFC") accredited sources. The Directors believe that the Grant Westfield Group is, at present, the only UK manufacturer of bathroom wall panel plywood products to be certified by both the FSC and the

PEFC. 100 per cent. of panels are recyclable and 99 per cent. of post-production waste is recycled into biomass materials and other products.

High quality plywood/MRMDF and laminate is sourced from a diverse and sustainable supply chain. Relationships with key suppliers extend beyond 30 years, with other suppliers holding long term relationships with the company.

The business has developed carbon and energy management policies and plans. This includes: reducing energy in transportation by sourcing materials made in the UK; creating and using green energy through the HQ and factory roof solar array with the capacity to generate 42,000kW per year; installing LED lights throughout the factory (LED offer better lumen outputs meaning that less energy is consumed reducing emissions of CO2 gases); and as leases expire on company cars, generally replacement hybrid or fully electric vehicles are leased.

Manufacturing accreditations include: ISO 9001: 2015 (Quality management systems) and Grant Westfield Limited is currently on track to achieve accreditation for ISO 45001 (Health & Safety Management) and ISO 14001 (Environmental Management).

Diversified blue-chip customer base

The Grant Westfield Group has a multi-channel sales model. In 2021, the company supplied approximately 1,300 customers across the UK (approximately 1,000) and Continental Europe (approximately 300), covering a range of national merchants, regional merchants, specification and online customers.

The top-twenty customers represent 68 per cent. of sales in 2021 and include blue chip national merchants, large buying groups and online retailers. The Grant Westfield Group has strong recurring revenues with 74 per cent. of sales in 2021 coming from customers who have been continuously buying from the business for at least four years. The Grant Westfield Group's strategy has been to drive innovative new and updated products to increase differentiation from competitor products.

The Grant Westfield Group has successfully established a blue-chip customer base across multiple sales channels including:

- national and regional merchants;
- independent retailers (including buying groups);
- targeted specification contracts;
- digital and online; and
- Continental Europe.

As a strong B2B brand, independent retailers, merchants, specifiers and installers are key influencers on Grant Westfield Group customers in their purchasing decision. The Grant Westfield Group has earned the trust of influencers over many years, based upon both service and quality enhanced by its recent investment to provide superior delivery.

The Board believes that multiple sales channels provide end market diversification and also significant growth opportunities in the future. The Grant Westfield Group's sales are delivered through a 24-person field-based sales force (UK:17 / Continental Europe:7) and associated sales management and support team located at its head office in Edinburgh, providing a variety of value-add services to customers, such as sales support in orders and deliveries, technical, product and installation support.

For high-running items (approximately 80 per cent. of stock), the business aims to load customers' orders on their next delivery run, usually within two days of receiving an order, via a dedicated 20-vehicle Multipanel- branded delivery fleet.

The Grant Westfield Group operates from eight leased depots across the UK, one leased depot in Germany, and a further two depots operated by longstanding third party distributors. In addition to extensive storage located at the Edinburgh Head Office and factory, seven depots provide approximately 37,000 sq. ft of storage across the UK to ensure the majority of product range is in close proximity. The Edinburgh Head Office and factory is outside the transaction perimeter and the freehold will be transferred to Iain MacDonald's investment company on Completion subject to a ten-year lease to Grant Westfield Limited at market rates.

Consistent organic growth and increasingly profitable

The Grant Westfield Group has delivered strong revenue and profit growth over the past three years and has demonstrated the ability to:

- Increase sales volumes, increasing the number of panels sold by introducing new ranges and improving sales performance (including introducing key account management approaches, sales pipeline management and building capability of the sales team);
- Increase price to drive margin growth as well as passing on increasing base material costs;
- Improve margin through improving the product mix, successfully increasing volume in higher margin products; and
- Improve margin through enhancing business performance by increasing focus on management information and data-driven operational decision making. This has been enabled by the development and roll out of enterprise-wide IT systems.

The Board believes that there is opportunity to support the Grant Westfield Group to continue to drive volume growth by supporting the business to increase wallet share with key customers, access regions and market channels where it is under-represented and bring new products to market.

Significant growth opportunities

The Grant Westfield Group offers strong organic growth prospects through:

- Ongoing market penetration – based on attraction of wall panels – through new product development;
- Scope to increase exposure to UK new housing (private and social), modular and DIY channels;
- Geographic expansion of the Grant Westfield Group in the UK and Europe; and
- Utilisation of existing manufacturing capacity.

The Grant Westfield Group as part of Norcros offers:

- Opportunity to cross-sell based on 'one-stop-shop' approach across Norcros' existing distribution channels;
- Increased capability to leverage group products into new housing and modular markets; and
- Ability to leverage Norcros' expertise to drive operational efficiency gains.

Good fit with the Norcros DNA

The Board believes that the characteristics and the strengths of the Grant Westfield Group business mean it is a good strategic and commercial fit with the Norcros Group DNA including its low capital intensity and multi-channel sales strategy. The business has an experienced and capable management team, well developed management processes and business systems and is also a good cultural fit.

The senior management team has extensive and relevant market experience and has developed long-standing customer relationships. The senior management team is headed by Sarah Law (55), who has been Managing Director since 2017 and with the business since 2012. Sarah has been responsible for the brand and product repositioning strategy including creation of the 'Linda Barker' collection, which has been pivotal in driving sustained margin improvements and market growth. She has a background in management positions within legal services businesses following an early career in manufacturing. Jai Paragreen (45), Finance Director, joined the business in 2014 and has been instrumental in introducing modern accounting practices and processes within what had previously been a manual ledger-run accounting function. John Mortimer (37), Sales Director, joined the business in 2019 and has introduced sales discipline into the organisation, including new sales processes, sales KPIs, increased customer account management focus and professional development across the sales team that have all contributed to sales growth. John also led the introduction of the new 'Tile Effect' range. Gillian Westland (49), IT Director, joined the business in 2017 and has been instrumental in embedding modern business information systems into the company, which are now an integral component and important aspect of the Grant Westfield Group's business model.

3.2 The Placing

The Company has raised gross proceeds of £18.6 million via the Placing.

Immediately following Admission, the Enlarged Share Capital is expected to be 89,152,452 Ordinary Shares. On this basis, the Placing Shares will represent approximately 9.1 per cent. of the Enlarged Share Capital immediately following Admission.

The Placing Shares will, when issued and fully paid, be identical to and rank in full for all dividends or other distributions declared, made or paid after Admission and in all other respects will rank *pari passu* with the Existing Ordinary Shares in issue. No temporary documents of title will be issued.

4 Financial impact of the Acquisition and use of proceeds

Grant Westfield is being acquired for an enterprise value of £80 million with a potential earnout of up to £12 million based on certain performance criteria and payable partly in 2024 and partly in 2025. In addition, the Company will incur expenses of approximately £3.5 million in connection with the Acquisition and the Placing.

The Company proposes to use the net proceeds of the Placing of approximately £17.3 million to fund a proportion of the consideration payable under the Acquisition Agreement and the associated transaction fees. The remaining consideration will be funded through the Group's existing banking facilities.

The Group expects the Acquisition to be double digit earnings enhancing in the first full financial year of ownership, ending 31 March 2024 and to deliver a return on invested capital in excess of the Company's cost of capital.[1] Following completion of the Acquisition, the Group will maintain a strong balance sheet and expects pro forma 2022E post IFRS16 leverage to be approximately 1.0x.

Your attention is drawn to Part V (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of this document which contains an unaudited *pro forma* statement of net assets and an unaudited *pro forma* income statement of the Enlarged Group, assuming that the Acquisition and Placing had both occurred on 1 April 2020 for the *pro forma* income statement and on 30 September 2021 for the *pro forma* net asset statement. As more fully described in that Part V, on a *pro forma* basis and based on the assumptions described therein, the unaudited *pro forma* revenues and underlying operating profit of the Enlarged Group would be £366.4 million and £40.9 million respectively, while the *pro forma* net assets of the Enlarged Group would be £183.8 million.

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

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

5 Summary information on the Group and its current trading

5.1 Overview

Norcros is one of the market's leading suppliers of high quality and innovative bathroom and kitchen products with operations primarily in the UK and South Africa. The Group employs over 2,150 people worldwide and its head office is located in Wilmslow, UK.

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

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

– Triton – a leading UK shower manufacturer also offering a range of electric and mixer showers and accessories;

– Merlyn – the leading manufacturer and distributor of shower enclosures and trays;

– Vado – a manufacturer and distributor of taps, mixer showers, bathroom accessories and valves;

– Croydex – one of the market's leading innovative designers, manufacturers and distributors of high-quality bathroom furnishings and accessories;

– Abode – a leading niche designer and distributor of high-quality kitchen taps, bathroom taps, and kitchen sinks;

– Johnson Tiles – a leading manufacturer and distributor of ceramic wall and floor tiles; and

– Norcros Adhesives – manufacturer of tile and stone adhesives and ancillary products.

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

– Tile Africa – a national retailer of local and international tiles and associated bathroom and kitchen products;

– Johnson Tiles South Africa – the second-largest manufacturer and distributor of ceramic wall and floor tiles in South Africa;

– TAL – a leading manufacturer of tile adhesives, pourable floor coverings and tiling tools; and

– House of Plumbing – one of South Arica's leading suppliers of specialist plumbing materials.

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

5.2 Current trading and prospects of Norcros and profit estimate for the financial year ended 31 March 2022

5.2.1 Current trading and prospects

The Group announced the following trading update on 14 April 2022 in respect of the financial year ended 31 March 2022.

"Trading Update

Norcros plc ("Norcros" or the "Group"), a market leading supplier of high quality and innovative bathroom and kitchen products, will announce its preliminary results for the year ended 31 March 2022[(1)] *on 9 June 2022. In advance of this, the Group is providing the following trading update.*

Full year trading performance ahead of expectations

The Group has continued to trade robustly, acting decisively to counter unprecedented cost inflation and navigate exceptional supply chain challenges. The Board now expects underlying operating profit for the year to 31 March 2022[(1)] *to be at a record level and ahead of its previous expectations.*

Group revenue for the year ended 31 March 2022[(1)] *is expected to be in the region of £396 million (2021: £324.2 million, 2020: £342.0 million), 22.2% above prior year on a reported basis and 20.6% above on a constant currency basis.*

Against a pre-pandemic FY20 comparator, this represents a 15.8% increase on FY20 on a reported basis, 18.6% above on a constant currency basis and 20.8% above on a constant currency LFL[(3)] *basis.*

	Revenue increase on prior year			Revenue increase on FY20			
	Reported			Reported	LFL[(3)]		
	H1	H2	FY	FY	H1	H2	FY
UK	*39.6%*	*(0.4%)*	*16.6%*	*13.9%*	*17.5%*	*14.8%*	*16.1%*
South Africa	*68.5%*	*11.1%*	*34.0%*	*19.6%*	*10.9%*	*35.9%*	*21.9%*
South Africa at CC[(2)]	*52.4%*	*11.1%*	*28.6%*	*28.1%*	*20.0%*	*43.8%*	*30.5%*
Group	*48.5%*	*3.4%*	*22.2%*	*15.8%*	*15.1%*	*21.5%*	*18.1%*
Group at CC[(2)]	*43.8%*	*3.4%*	*20.6%*	*18.6%*	*18.4%*	*23.6%*	*20.8%*

Our UK business has continued to perform strongly with revenue at 16.6% above prior year and 16.1% above FY20 on a like for like "LFL[(3)]" basis, benefitting from the breadth of its distribution channels, stock availability and market leading service levels.

Our South African business also continued to perform robustly, reflecting its leading market positions, stock availability and enhanced product offer resulting in increasing share gains in the second half. Revenue for the year was 28.6% higher than prior year and 30.5% higher than FY20 on a constant currency LFL[(3)] basis.

Financial position

The Group remains in a strong financial position and has invested in inventory in the period to optimise our service and stock availability proposition in the light of exceptional supply chain challenges. Net cash (on a pre-IFRS 16 basis) at 31 March 2022[(1)] is expected to be circa £7 million (2021: net cash of £10.5 million, 2020: net debt of £36.4 million).

Refinancing of banking facilities

The Group is pleased to announce that it has agreed a new, £130 million multicurrency revolving credit facility ("RCF") with four lenders. The facility is for an initial three year and seven month term, with two further years as extension options, and includes the option for an uncommitted accordion facility of £70 million.

Triennial pension scheme valuation

The Group has reached agreement recently with the Trustee on the 2021 triennial actuarial valuation for the UK defined benefit scheme and on a new deficit recovery plan. The actuarial deficit at 31 March 2021 was £35.8m (2018: £49.3m). Deficit repair contributions have been agreed at £3.8m per annum from 1 April 2022 to March 2027 (increasing with CPI, capped at 5%, each year).

Groundwell - exit from last onerous property lease

The Group has also reached agreement with the landlord to exit early the only remaining surplus and legacy onerous property lease at Groundwell, Swindon which was expiring on 23 June 2022. A cash settlement payment of £1.3 million including dilapidation obligations was made in the period. Annualised holding costs were previously £0.6m.

Notice of results.

The Group will announce its full year results for the year ended 31 March 2022[(1)] on Thursday 9 June 2022.

Nick Kelsall, Chief Executive Officer, said:

"Norcros has continued to build on last year's strong recovery from the unprecedented global disruption and uncertainty caused by the pandemic. It is particularly pleasing to see how well our businesses both in the UK and South Africa have continued to make strong progress notwithstanding the supply chain challenges and a period of exceptional cost inflation.

Whilst market conditions are likely to remain uncertain, exacerbated by the situation in Ukraine, the Board believes that the Group's highly experienced management teams, leading brands, proven business model, and leading customer service proposition will continue to drive outperformance leading to further progress in the year ahead.

(1) The accounting reference 'year to 31 March 2022' relates to the 52-week accounting period commencing on 5 April 2021 and ending 3 April 2022

(2) CC refers to constant currency basis

(3) LL adjusts 2020 revenue from a 53 to a 52 week period pro-rating and H1 2020 revenue from a 27 week to a 26 week pro rating"

5.2.2 Profit estimate for the financial year ended 31 March 2022

On 14 April 2022, as part of its trading update for the year ended 31 March 2022, Norcros stated:

"The Board now expects underlying operating profit for the year to 31 March 2022$^{(1)}$ to be at a record level and ahead of its previous expectations.

(1) The accounting reference 'year to 31 March 2022' relates to the 52-week accounting period commencing on 5 April 2021 and ending 3 April 2022"

This statement constitutes a profit estimate for the purposes of the Listing Rules (the "**Profit Estimate**"). The Profit Estimate is unaudited and relates to the 52-week accounting period commencing on 5 April 2021 and ending 3 April 2022. The Directors have considered and reconfirm that the Profit Estimate continues to be valid as at the date of this document.

The Profit Estimate has been properly compiled on a basis consistent with the accounting policies of Norcros applied in the financial year ended 31 March 2019 (the financial year in which the Group reported its previous record underlying operating profit), which are expected by the Directors to be applicable for the year ended 31 March 2022, other than in respect of IFRS 16 and which are in accordance with IFRS.

The Directors have prepared the Profit Estimate based on the Group's unaudited management accounts, according to the estimation uncertainty and critical judgements that are applied consistently within the management accounts (as outlined in the Company's annual accounts).

6 Summary information on the Grant Westfield Group

6.1 Overview

Background

The Grant Westfield Group's business was founded by Donald Grant in 1881 as a shopfitting business and, in 1962, it started to manufacture products for building interiors. After partnering with Formica in 1965 to jointly develop products, in the 1990s it launched the Cubewall system that revolutionised commercial washroom fit-outs and grew to become one of the UK's leading washroom fit-out businesses. Leveraging expertise developed in manufacture using laminates, the 'Multipanel' shower panel product was first launched in 2004 to provide resilience for the wider business as it became increasingly reliant on the construction sector.

In 2017, following implementation of a brand and product repositioning strategy for Multipanel, Grant Westfield Limited sold its washroom fit-out business to focus on developing its shower panel business.

Business overview

The Grant Westfield Group employs approximately 95 staff at its headquarters in Edinburgh and 55 across its depots located at Basingstoke, Bridgewater, Burton-on-Trent, Harlow, Prudhoe, St. Helens and Wakefield. A field-based sales team of 17 staff is supported by a sales manager, 12 customer services team members and 5 marketing staff based in Edinburgh. There is a dedicated sales team of 7 staff across Germany, Belgium, Austria and the Netherlands.

6.2 Current trading and prospects of the Grant Westfield Group

Grant Westfield is trading in line with the expectations of the management of the business for the three months ended 31 March 2022, with the revenue growth continuing to be driven by successful price increases and trading momentum.

7 Summary of the key terms of the Acquisition

7.1 Acquisition Agreement

The key terms and conditions of the Acquisition Agreement are summarised in Part II (*Summary of Key Terms and Conditions of the Acquisition*) of this document.

7.2 Class 1 transaction approvals

Owing to its size, the Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and therefore requires approval from Shareholders. Accordingly, a General Meeting has been convened for 30 May 2022 for the purpose of passing a resolution to approve the Acquisition.

Further details about the General Meeting are set out in paragraph 12 of this Part I (*Letter from the Chair of the Board*).

7.3 Conditions to the Acquisition

Completion is conditional upon:

- the shareholders of the Company in general meeting passing an ordinary resolution to approve without amendment the purchase by the Purchaser of the shares in Grant Westfield (on the terms and subject to the conditions of the Acquisition Agreement) on or before 30 June 2022 (or such later date as may be agreed);
- the Sponsor and Placing Agreement not having been terminated or rescinded and having become unconditional in all respects (including as to Admission);
- the Facilities Agreement not having been terminated or rescinded and such amount as the Purchaser requires to borrow under the Facilities Agreement in order to finance that part of the provisional consideration due to the Sellers on Completion that is not being funded from the Purchaser's cash resources, including those raised pursuant to the Placing, being available for draw-down by the Purchaser under the Facilities Agreement; and
- there being no material adverse change in the business or operations of the Grant Westfield Group at the time that the other conditions are satisfied or (where permitted) waived

(the "**Conditions**").

8 Integration, management and employees following the Acquisition

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

9 Dividend Policy

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

10 Risk Factors

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

11 Effect of the Placing on the Plans

If considered appropriate, and the rules of each Plan allows, the number of shares that may be acquired pursuant to, and the exercise price payable on the exercise of, subsisting options and awards under the Plans may be adjusted and, if applicable, any performance conditions which options and awards have been granted subject to may be amended, to take account of the Placing. If this is the case, participants will be contacted separately following completion of the Placing.

12 General Meeting

Set out at the end of this document entitled "Notice of General Meeting" is a notice convening a General Meeting of the Company to be held at the offices of Eversheds Sutherland (International) LLP, Two New Bailey, 6 Stanley Street, Manchester, M3 5GX at 10.00 a.m. on 30 May 2022, at which the Resolution to approve the Acquisition will be proposed. The Resolution is set out in full in the Notice of General Meeting.

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

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

13 Action to be taken

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

Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Registrar, Link Group, PXS 1, Central Square, 10th Floor, 29 Wellington Street, Leeds, LS1 4DL, by not later than 10.00 a.m. on 26 May 2022, as soon as possible and, in any event, so as to arrive not later than 10.00 a.m. on 26 May 2022.

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

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the issuer's agent, ID RA10, so that it is received no later than 10.00 a.m. on 26 May 2022.

14 Further information

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

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Company's website (www.norcros.com). It is expected that this will be on 30 May 2022.

15 Recommendation and voting intentions

The Board considers the Acquisition and the Resolution to be in the best interests of the Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution, as all of the Directors intend to do in respect of their own beneficial shareholdings, amounting to 1,809,663 Ordinary Shares in aggregate as at the Latest Practicable Date (representing approximately 2.23 per cent. of the Existing Ordinary Shares).

Yours sincerely

Gary Kennedy
Chair of the Board

12 May 2022

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

1 Introduction

The Acquisition Agreement was entered into on 11 May 2022 by the Sellers, the Purchaser and the Company. A separate deed of transfer was also entered into on 11 May 2022 with the Purchaser by Iain MacDonald, Calum MacDonald and Megan MacDonald to transfer their legal (but not beneficial) title in the B ordinary shares in the capital of Grant Westfield.

In accordance with the provisions of the Acquisition Agreement and subject to the satisfaction or the waiver of the conditions set forth therein, the Purchaser has agreed to purchase all of the issued shares in Grant Westfield and, by virtue of acquiring Grant Westfield, the Purchaser shall also indirectly acquire its subsidiaries Grant Westfield Limited, Ocean Interiors BV and Ocean Interiors GmbH.

In the Acquisition Agreement, the Company has agreed to use its reasonable endeavours to procure that certain of the conditions to completion of the Acquisition Agreement are satisfied and has given certain warranties in relation to its ability to enter into and perform its obligations under the Acquisition Agreement and that it has not breached the Sponsor and Placing Agreement or the Facilities Agreement.

2 Consideration

The total consideration due to the Sellers for all of the shares in Grant Westfield is as follows:-

- £117.8 million due to the Sellers in cash on Completion (made up of an enterprise value of £80 million, an estimated net cash adjustment of approximately £36.5 million and an estimated net working capital adjustment of approximately £1.3 million); plus
- an earnout of up to £9 million in aggregate, based on an EBITDA target for the Grant Westfield Group during the period of 24 months ending on 31 March 2024 and an EBITDA and cashflow target for the Grant Westfield Group during the period of 36 months ending on 31 March 2025, being payable in cash within five Business Days of the agreement or determination of the amount of each such earnout; plus
- an earnout of up to £3 million in cash under the EIP (which is not payable to the Sellers).

3 Conditions to Completion

Under the terms of the Acquisition Agreement, Completion is conditional upon:

- the shareholders of the Company in general meeting passing an ordinary resolution to approve without amendment the purchase by the Purchaser of the shares in Grant Westfield (on the terms and subject to the conditions of the Acquisition Agreement) on or before 30 June 2022 (or such later date as may be agreed);
- the Sponsor and Placing Agreement not having been terminated or rescinded and having become unconditional in all respects (including as to Admission);
- the Facilities Agreement not having been terminated or rescinded and such amount as the Purchaser requires to borrow under the Facilities Agreement in order to finance that part of the provisional consideration due to the Sellers on Completion that is not being funded from the Purchaser's cash resources, including those raised pursuant to the Placing, being available for draw-down by the Purchaser under the Facilities Agreement; and
- there being no material adverse change in the business or operations of the Grant Westfield Group at the time that the other conditions are satisfied or (where permitted) waived

(the "**Conditions**").

4 Termination rights

The Acquisition Agreement will automatically terminate if any of the Conditions is not satisfied or waived by 30 June 2022 (or such later date as may be agreed).

The Purchaser may also terminate the Acquisition Agreement in the event of a material breach by the Sellers of the conduct provisions relating to the Grant Westfield Group between exchange and

Completion referred to in paragraph 5 below or a material breach of the warranties referred to in paragraph 6 below at exchange and if they were repeated at Completion.

5 Pre-Completion undertakings of the Sellers

Pursuant to the Acquisition Agreement, among other undertakings, the Sellers have agreed to exercise their voting rights and all other powers of control they have to procure that each member of the Grant Westfield Group carries on its business in the ordinary course.

6 Warranties

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

- certain financial statements of Grant Westfield;
- assets;
- intellectual property and IT systems;
- properties;
- environmental and health and safety matters;
- employee and pension matters;
- insurance;
- material contracts;
- compliance with applicable legislation and laws;
- litigation; and
- tax.

The Acquisition Agreement also contains fundamental warranties, given by the Sellers, as to, *inter alia*:

- the shares to be acquired pursuant to the Acquisition Agreement being fully paid and beneficially owned and registered as set out in the Acquisition Agreement free from any encumbrance and comprising the whole of the allotted and issued share capital of Grant Westfield; and
- each Seller having full power to enter into and perform the Acquisition Agreement and the Acquisition Agreement constituting obligations binding on each Seller in accordance with its terms.

7 Indemnities

In the Acquisition Agreement, the Sellers have agreed to indemnify the Purchaser in respect of certain potential liabilities.

8 Limitations

The Sellers' liability under the Acquisition Agreement is subject to customary limitations agreed between them and the Purchaser.

9 Restrictions

The Acquisition Agreement includes certain post-Completion restrictions on the Sellers, including that they may not, within the UK, South Africa and the EEA for a period of three years immediately following Completion, be engaged, concerned, connected with or interested in (except for small investment holdings) any other business which supplies any products or services which are competitive with or of the type supplied by any member of the Grant Westfield Group at any time during the period of 12 months immediately preceding Completion.

10 Tax Deed

A tax deed between the Sellers and the Purchaser (the "**Tax Deed**") was entered into on the same date as the Acquisition Agreement and includes a covenant from the Sellers to pay to the Purchaser an amount equal to any tax liabilities of any member of the Grant Westfield Group occurring (or deemed to occur) prior to Completion. The Tax Deed also includes a covenant to pay from the Sellers in respect of income tax and national insurance liabilities arising to the Grant Westfield Group or the Purchaser relating to share options or employment-related securities granted before Completion, and a covenant to pay in respect of certain inheritance tax liabilities. The Sellers' liability under these tax covenants is subject to customary limitations agreed between them and the Purchaser.

The Tax Deed also includes a covenant from the Purchaser to pay to the Sellers an amount equal to any tax liability of the Sellers, or any company under the Sellers' control, where such tax liability occurs post-completion and arises as a result of a member of the Grant Westfield Group or any member of the Purchaser's group failing to pay any tax for which it is liable.

The Tax Deed contains various other provisions, including administrative provisions in respect of the preparation of corporation tax returns of the members of the Grant Westfield Group relating to periods commencing before Completion, as well as provisions dealing with the conduct of tax claims where the Purchaser or a member of the Grant Westfield Group becomes aware that there may be a claim against the Sellers under the Tax Deed.

11 Warranty and indemnity insurance policy

The Purchaser's recourse against the Sellers in respect of any losses which it may suffer in connection with breaches of the Sellers' business warranties in the Acquisition Agreement and under the Tax Deed is limited to £3 million. Accordingly, the Purchaser has obtained a buy-side warranty and indemnity insurance policy up to a maximum coverage of £25 million (the "**W&I Insurance Policy**") in respect of the Sellers' warranties in the Acquisition Agreement and the Tax Deed, subject to certain excesses and limitations agreed between the Purchaser and the insurer.

PART III – INFORMATION ON THE GRANT WESTFIELD GROUP

The Grant Westfield Group is a market leading designer, manufacturer and supplier of waterproof bathroom wall panels in the UK. The product is sold through several ranges under the brand Multipanel. The product is clearly differentiated through its high quality, seamless joints underpinned by proprietary Hydrolock technology, ease of installation and maintenance and sustainability features. The Grant Westfield Group has demonstrated strong growth in recent years and has developed a strong customer list across numerous channels.

1 History and background

The Grant Westfield Group's business was founded by Donald Grant in 1881 as a shopfitting business and, in 1962, it started to manufacture products for building interiors. After partnering with Formica in 1965 to jointly develop products, in the 1990s it launched the Cubewall system that revolutionised commercial washroom fit-outs and grew to become one of the UK's leading washroom fit-out businesses. Leveraging expertise developed in manufacture using laminates, the 'Multipanel' shower panel product was first launched in 2004 to provide resilience for the wider business as it became increasingly dependent on the construction sector.

In 2017, following implementation of a brand and product repositioning strategy for Multipanel, Grant Westfield Limited sold its washroom business to focus on developing its shower panel business.

Subsequently, the business has launched a number of premium branded ranges 'Linda Barker' (2018 – under licence), 'Heritage' (2018), 'Neutral Collection' (2020) and, in March 2022, it debuted the 'Tile Effect' range at UK's Kitchen Bedrooms and Bathroom 'KBB' exhibition.

The company has established operations in Germany and the Netherlands to target the Europe market.

The business is led by Managing Director Sarah Law, who joined the holding company in 2012 and became Managing Director of the operating company in 2017. She has been instrumental in the reorientation of the business through exiting washroom fit-out and introducing quality product with premium branding.

2 Business Overview

The Grant Westfield Group designs, manufactures and distributes high quality, premium, branded shower panels and ancillary products.

The business works with customers in the following key channels: major buying groups, national merchants, regional merchants, specification and online. The Grant Westfield Group is mainly focused on the UK and also has smaller operations in the European market. The Grant Westfield Group's strategy has been to drive innovative new and updated design-led products to increase differentiation from competitors.

Revenue for the year ended 31 December 2021 was £42.2 million, with 96 per cent. of goods sales to the UK and 4 per cent. to the rest of the world.

The Grant Westfield Group employs approximately 95 staff at its headquarters in Edinburgh and 55 across its depots located at Basingstoke, Bridgewater, Burton-on-Trent, Harlow, Prudhoe, St. Helens and Wakefield. A field-based sales team of 17 staff is supported by a sales manager, 12 customer services team members and 5 marketing staff based in Edinburgh. There is a dedicated sales team of 7 staff across Germany, Belgium, Austria and the Netherlands.

The Directors consider that the key strengths of the Grant Westfield Group include:

- The Multipanel brand, which is recognised as the market leader for bathroom wall panels;
- The Multipanel product, which is differentiated through its high quality and design-led decors, ease of installation and maintenance and sustainability features: the product is well placed to win more share of the bathroom wall panel market and also as an alternative to ceramic wall tiles;
- Wide distribution base with trusted customer relationships;
- Focus on customer service and product design;

- Focus on innovation and product development and ability to successfully take new ranges to market;
- Strong internal management processes, systems and management information in place that enable managers to make effective and efficient decisions in sales, operations and distribution functions. These have been developed, continuously improved and embedded over several years deliberately to enhance the performance of the business; and
- Opportunity for growth both within the UK market, especially through accelerating their penetration of the Specification market segment, entry into DIY and through exports into other geographies.

3 The UK bathroom wall coverings market

The Grant Westfield Group's addressable market is the UK bathroom wall coverings market, the value of which the Directors believe was approximately £330 million in 2021 and the Directors believe that Grant Westfield's approximate market share of this overall market is 12 per cent.

The Directors believe that the UK bathroom and shower panel market segment of the bathroom wall coverings market has grown from approximately £70 million in 2018, as estimated by MRA, to approximately £100 million in 2021, and that the Grant Westfield Group's approximate market share of this segment is 40 per cent. The Directors believe that other segments within the bathroom wall coverings market, including tiles and natural stone, have an estimated size of approximately £230 million.

The shower panel market includes a global laminate worktop manufacturer that also produces shower panels, low-to-mid positioning, a European supplier and a small number of family owned enterprises. Key drivers of the market are housing transactions and housing starts, consumer spending, private housing repair maintenance and growth in several commercial market segments, including hotels, universities, care homes and residential lodges.

The Grant Westfield Group continues to grow its revenue and take market share, and the Directors believe that the Grant Westfield Group is growing ahead of the average growth rate of its major competitors.

The Multipanel product is a modern alternative for other wall coverings such as tiles and natural stone. The Directors believe that the market for bathroom wall coverings other than wall panels for 2021 was estimated at approximately £230 million. It is possible that the Grant Westfield Group can continue to grow by attracting customers who may find the easy to install and maintain wall panel product a good alternative to other wall coverings.

4 Competitive position

The Grant Westfield Group has established a market leading position in the UK bathroom and shower panel market, supplying via several channels, with particular strength in the national and regional merchant sectors channel. The Directors believe that the Grant Westfield Group has grown ahead of the market for many years and has subsequently increased its market share. The Directors believe that no significant competitors of a comparable scale have entered the market organically in the past 10 years.

5 Routes to market

In 2021, the Grant Westfield Group supplied approximately 1,300 customers across the UK (approximately 1,000) and Europe (approximately 300), covering a range of regional merchants, national merchants, specification and online customers. The top-twenty customers represent 68 per cent. of sales with a long tail of other customers including the Regional and Independent Merchants and B2B ecommerce customers (boutique bathrooms suppliers and designers).

Grant Westfield Group products are brought to market through the following distinct channels:

- **National and Regional Merchants** (41 per cent. of FY21 gross revenue): sales are generated by national and regional merchants through their showroom estates to their general trade customers;

- **Independents** (30 per cent. of FY21 gross revenue): any independent retailers outside of a buying group which are completely independent, including bathroom retailers, plumbers' merchants and other stores;
- **Buying Groups** (15 per cent. of FY21 gross revenue); its largest customer has national coverage with member outlets in most areas of the UK. The organisation has 95 partner companies operating from over 300 outlets;
- **Specification** (6 per cent. of FY21 gross revenue): sales to specification customers are made through merchants and specialist contract customers management and some direct accounts. The Grant Westfield Group's largest specification housebuilder customer is Barratt, which is the UK's leading housebuilder;
- **Digital and Online** (4 per cent. of FY21 gross revenue): the emergence of online brands in recent years has provided a new route to market. Since FY17, the company has more than trebled its sales to pure online retailers; and
- **Export** (4 per cent. of FY21 gross revenue): growth in the Export business has been developed through a broad and expanding customer base featuring independent retail, regional merchants, contractors and buying groups.

The company has a loyal customer base: In 2021, 74 per cent. of UK sales were with customers who had bought products from the Grant Westfield Group every year for at least the last four years.

6 Service

A key differentiator of the Grant Westfield Group is the strength of its depot network, 24-person field-based sales force and associated sales management and support team located at its head office in Edinburgh, providing a variety of value-add services to customers, such as sales support in orders and deliveries, technical, product and installation support.

The Grant Westfield Group maintains a high level of stock availability, which is reflected in its high level of On-Time-In-Full currently tracking above 95 per cent.

For high-running items (approximately 80 per cent. of stock), the business aims to load customers' orders on their next delivery run, usually within two days of receiving an order via a dedicated 20-vehicle Multipanel branded delivery fleet.

The business's marketing efforts are tailored for different audiences and customer channels, with focus on high impact brochures and in-store displays. In addition to in-store marketing, the Grant Westfield Group invests in digital marketing and social media to better communicate a clear and focused brand identity to customers and end customers.

The Grant Westfield Group operates from eight leased depots across the UK, one leased depot in Germany, and a further two depots operated by longstanding third party distributors. In addition to extensive storage located at the Edinburgh Head Office and factory, seven depots provide approximately 37,000 sq. ft of storage across the UK to ensure majority of product range is in close proximity.

The Grant Westfield Group owns and operates its own fleet of vehicles to deliver products from the factory in Edinburgh to its depots and direct to customers (if required). For high-running items (approximately 80 per cent. of stock), the business ensures customers' delivery on their next delivery run, usually within two days of receiving an order. Customer referencing has shown that the Grant Westfield Group's ability to provide a prompt delivery builds trust and differentiates the business in the market.

7 Manufacturing and sourcing

The manufacturing process is relatively simple (and capital light) with bonding of laminates to machined plywood and MRMDF sheets. There has been a strong 'ESG' emphasis, with plywood and MRMDF being supplied from FSC and PEFC accredited sources. 100 per cent. of panels are recyclable and 99 per cent. of post-production waste is recycled into biomass materials and other products. High quality plywood and laminate sourced from diverse and sustainable supply chain. Relationships with key suppliers extend beyond 30 years, with other suppliers holding long term relationships with the company.

Manufacturing accreditations include: ISO 9001: 2015 (Quality management systems) and Grant Westfield Limited is currently on track to achieve accreditation for ISO 45001 (Health & Safety Management) and ISO 14001 (Environmental Management).

8 Future growth

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

- Continued growth in existing customer accounts share of wallet, driven by their investment in sales force and customer portal that identifies availability of stock;
- Continued product innovation, including the launch of the new Tile Effect range. The Tile Effect product has been designed and was debuted to the market at the KBB Exhibition in March 2022;
- Growth in DIY, Specification (including modular) and Social Housing sectors where the Grant Westfield Group has some customers but low market share;
- Ability to leverage Norcros' expertise to drive operational efficiency gains; and
- Expand on base in Continental Europe following appointment of a new Sales Director in 2021.

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

- New geographies: driving further internationalisation of the business;
- Introducing the Grant Westfield Group's product range into other Norcros group channels in the UK, Ireland and South Africa; and
- Launching new panel products for bathroom and other settings in residential and commercial buildings (for example kitchens and offices).

9 Management

The senior management team has extensive and relevant market experience and has developed long-standing customer relationships. The senior management team is headed by Sarah Law (55), who has been Managing Director since 2017 and with the business since 2012. Sarah has been responsible for the brand and product repositioning strategy, including creation of the 'Linda Barker' collection, which has been pivotal in driving sustained margin improvements and market growth. She has a background in management positions within legal services businesses following an early career in manufacturing. Jai Paragreen (45), Finance Director, joined the business in 2014 and has been instrumental in introducing modern accounting practices and processes within what had previously been a manual ledger-run accounting function. John Mortimer (37), Sales Director, joined the business in 2019 and has introduced sales discipline into the organisation including new sales processes, sales KPIs, increased customer account management focus and professional development across the sales team that have all contributed to sales growth. John also led the introduction of the new 'Tile Effect' range. Gillian Westland (49), IT Director, joined the business in 2017 and has been instrumental in embedding modern business information systems into the company, which are now an integral component and important aspect of the Grant Westfield Group's business model.

Section A: Accountants' Report on the Financial Information Table of the Grant Westfield Group

Grant Thornton UK LLP
11th Floor Landmark
St. Peter's Square
Manchester
M1 4BP
T +44 (0)161 953 6900

The Directors
Norcros plc
Ladyfield House
Station Road
WILMSLOW
SK9 1BU

12 May 2022

Dear Sir/Madam

Granfit Holdings Limited (The Target) and its Subsidiary Undertakings (Together, the Target Group) – Accountant's Report on Financial Information Table

We report on the Target Group financial information table set out in Section B of Part IV of Norcros plc's Class 1 circular dated 12 May 2022 (the **Circular**), for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 (the **Financial Information Table**).

Qualified Opinion

In our opinion, except for the matter described in the basis for qualified opinion section of our report, the Financial Information Table gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Target Group as at 31 December 2019, 31 December 2020 and 31 December 2021 and of its profits, cash flows, statement of comprehensive income and changes in equity for each of the years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with International Financial Reporting Standards adopted by the European Union as set out in note 2 to the Financial Information Table.

Responsibilities

The directors of Norcros Plc are responsible for preparing the Financial Information Table on the basis of preparation set out in note 2 to the Financial Information Table and in a form that is consistent with the accounting policies adopted in Norcros plc's latest annual financial statements.

It is our responsibility to form an opinion on the Financial Information Table and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to the inclusion in the Circular.

Basis of preparation

The Financial Information Table has been prepared for inclusion in the Circular on the basis of the accounting policies set out in note 3 to the Financial Information Table.

This report is required by Listing Rule 13.5.21 and is given for the purpose of complying with that regulation and for no other purpose.

Basis for qualified opinion

The Target Group's investment in Wallace Land Investment and Management Limited, a 50% owned company disposed of in the year ended 31 December 2021 and accounted for by the equity method, is carried at £2.6 million in a single investment line on the consolidated statement of financial position as at 31 December 2019 (2020: £2.9 million and 2021: £Nil), and the Target Group's share of Wallace Land Investment and Management's net income of £1.3 million in 2019 (2020: £0.9 million, 2021: £0.5 million) and gain on disposal of £6.9 million in 2021 is included in a single discontinued operations line in the Target Group's income statement for the years ended 31 December 2019, 31 December 2020 and 31 December 2021.

We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Target Group's investment in Wallace Land Investment and Management Limited as at 31 December 2019 and 31 December 2020 and the Target Group's share of Wallace Land Investment and Management Limited's net income and gain on disposal for the three years ended 31 December 2021 because we were unable to gain access to the financial information and management of Wallace Land Investment and Management Limited, as the Target Group had no equity interest in Wallace Land Investment and Management Limited as at 31 December 2021. The financial statements of Wallace Land Investment and Management Limited were also unaudited for the years ended 31 December 2019, 31 December 2020 and 31 December 2021. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council (the **FRC**) in the United Kingdom. We are independent of Norcros plc and the Target Group in accordance with relevant ethical requirements, which in the United Kingdom is the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information Table. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Financial Information Table and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information Table is free from material misstatement, whether caused by fraud or other irregularity or error, except for the matter described above.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Target Group's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Target

Group's ability to continue as a going concern for a period of at least twelve months from the date of the Circular for which the Financial Information Table and this report were prepared.

In forming our opinion on the Financial Information Table, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Information Table is appropriate.

Yours faithfully

GRANT THORNTON UK LLP

Section B: Granfit Holdings Limited Financial Information Table

CONSOLIDATED INCOME STATEMENT
For the years ended 31 December 2019, 2020 and 2021

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Continuing operations				
Revenue	4	34.2	32.3	42.2
Operating profit	5	**5.2**	**5.9**	**7.1**
Finance income	7	0.2	0.1	0.1
Finance costs	7	—	—	(0.1)
Profit before taxation		**5.4**	**6.0**	**7.1**
Taxation	8	(1.0)	(1.1)	(1.6)
Profit for the year from continuing operations		**4.4**	**4.9**	**5.5**
Profit from discontinued operation (attributable to equity holders)	30	1.3	0.9	7.4
Profit for the year		**5.7**	**5.8**	**12.9**
Earnings per share from continuing operations attributable to equity holders				
Basic and diluted earnings per share: From profit for the year (£)	9	90.4	100.7	113.0
Earnings per share from discontinued operations attributable to equity holders				
Basic and diluted earnings per share: From profit for the year (£)	9	26.7	18.4	152.0
Earnings per share attributable to equity holders				
Basic and diluted earnings per share: From profit for the year (£)	9	117.1	119.1	265.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2019, 2020 and 2021

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Profit for the financial year	**5.7**	**5.8**	**12.9**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Foreign currency translation of foreign operations	0.1	(0.1)	—
Total comprehensive income for the financial year	**5.8**	**5.7**	**12.9**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 1 January 2019, 31 December 2019, 2020 and 2021

	Note	1 Jan 2019 £m	31 Dec 2019 £m	31 Dec 2020 £m	31 Dec 2021 £m
Non-current assets					
Intangible assets	10	0.2	0.1	0.1	0.1
Property, plant and equipment	11	4.0	4.0	3.9	3.9
Right of use assets	12	0.3	1.1	1.8	2.1
Investment property	13	0.7	0.7	0.7	0.6
Investments accounted for using the equity method	14	2.5	2.6	2.9	—
		7.7	**8.5**	**9.4**	**6.7**
Current assets					
Inventories	15	3.5	2.8	3.0	4.2
Trade and other receivables	16	6.9	7.7	7.8	10.0
Current asset investments	17	4.5	9.5	9.8	2.5
Cash and cash equivalents	18	10.5	8.1	11.9	29.3
		25.4	**28.1**	**32.5**	**46.0**
Current liabilities					
Trade and other payables	20	4.4	5.1	6.3	8.8
Lease liabilities	19	0.2	0.2	0.3	0.4
Current tax liabilities		0.4	0.6	—	—
Provisions	21	—	0.1	—	—
		5.0	**6.0**	**6.6**	**9.2**
Net current assets		**20.4**	**22.1**	**25.9**	**36.8**
Total assets less current liabilities		**28.1**	**30.6**	**35.3**	**43.5**
Non-current liabilities					
Lease liabilities	19	—	0.8	1.4	1.6
Provisions	21	0.2	0.1	0.1	0.1
Deferred tax liability	22	0.1	0.1	—	0.1
		0.3	1.0	1.5	1.8
Net assets		**27.8**	**29.6**	**33.8**	**41.7**
Financed by:					
Share capital	25	—	—	—	—
Share premium	25	—	—	—	—
Foreign exchange reserve	25	—	0.1	—	—
Capital redemption reserve	25	0.1	0.1	0.1	0.1
Retained earnings	25	27.7	29.4	33.7	41.6
Total equity		**27.8**	**29.6**	**33.8**	**41.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2019, 2020 and 2021

	Called up share capital	Share premium account	Foreign exchange reserve	Capital redemption reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2019	—	—	—	**0.1**	**27.7**	**27.8**
Comprehensive income:						
Profit for the financial year	—	—	—	—	5.7	5.7
Foreign currency translation adjustments	—	—	0.1	—	—	**0.1**
Total other comprehensive income for the year	—	—	0.1	—	5.7	5.8
Transactions with owners:						
Dividends paid	—	—	—	—	(4.0)	**(4.0)**
Balance at 31 December 2019	—	—	**0.1**	**0.1**	**29.4**	**29.6**
Comprehensive income:						
Profit for the financial year	—	—	—	—	5.8	5.8
Foreign currency translation adjustments	—	—	(0.1)	—	—	**(0.1)**
Total other comprehensive income/(expense) for the year	—	—	(0.1)	—	5.8	5.7
Transactions with owners:						
Dividends paid	—	—	—	—	(1.5)	**(1.5)**
Balance at 31 December 2020	—	—	—	**0.1**	**33.7**	**33.8**
Comprehensive income:						
Profit for the financial year	—	—	—	—	12.9	**12.9**
Total other comprehensive income for the year	—	—	—	—	12.9	**12.9**
Transactions with owners:						
Dividends paid	—	—	—	—	(5.0)	**(5.0)**
Balance at 31 December 2021	—	—	—	**0.1**	**41.6**	**41.7**

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2019, 2020 and 2021

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Cash flows from operations				
Cash generated from operations	26	**6.8**	**7.4**	**7.0**
Income taxes paid		(1.1)	(1.9)	(1.5)
Net cash generated from operating activities		**5.7**	**5.5**	**5.5**
Cash flows from investing activities				
Purchases of property, plant and equipment		(0.3)	(0.4)	(0.4)
Sale of property, plant and equipment		—	0.2	0.1
New loans to joint ventures		—	—	(4.4)
Joint venture loans repaid		—	—	5.7
Sale of shares in joint ventures		—	—	8.9
Movement in current asset investments		(5.0)	(0.3)	7.3
Interest received		0.2	0.1	0.1
Dividend received from joint venture		1.2	0.6	—
Net cash flows from investing activities		**(3.9)**	**0.2**	**17.3**
Cash flows from financing activities				
Principal element of lease payments		(0.2)	(0.4)	(0.4)
Dividends paid		(4.0)	(1.5)	(5.0)
Net cash flows from financing activities		**(4.2)**	**(1.9)**	**(5.4)**
Net (decrease)/increase in cash and cash equivalents		**(2.4)**	**3.8**	**17.4**
Cash and cash equivalents at 1 January		10.5	8.1	11.9
Cash and cash equivalents at 31 December	18	**8.1**	**11.9**	**29.3**

NOTES TO THE FINANCIAL INFORMATION TABLE

1. GENERAL INFORMATION

Granfit Holdings Limited is a private company, limited by shares, registered in Scotland. The company's registered number is SC021183 and its registered office is 2 Coates Crescent, Edinburgh, EH3 7AL.

The principal activity of Granfit Holdings Limited is the manufacture and distribution of specialist waterproof panel products.

2. BASIS OF PREPARATION

This consolidated historical financial information presents the financial track record of Granfit Holdings Limited (the "Grant Westfield Group" or "Group") for the three years ended 31 December 2021 and is prepared for the purposes of this document and in accordance with the requirements of the Prospectus Rules, the Listing Rules, this basis of preparation, and with International Financial Reporting Standards ("IFRS") as set out below.

This basis of preparation describes how the consolidated historical financial information has been prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, with the interpretations issued by the IFRS Interpretations Committee (IFRS IC) of the IASB that are effective as of the reporting date and applied by Norcros plc. References to "IFRS'' hereafter should be construed as references to IFRS as adopted by the EU. The accounting policies applied and disclosed below are consistent with those used by Norcros in its annual financial statements for the year ended 31 March 2021 and these policies have been applied consistently to all periods presented.

The Historical Financial Information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

This consolidated historical financial information is prepared on a going concern basis in accordance with IFRS under the historical cost convention, as modified for the revaluation of certain financial instruments. The historical financial information is presented in millions of pounds sterling ("£m") except when otherwise indicated.

Going concern

The consolidated historical financial information has been prepared on a going concern basis. The business of the Grant Westfield Group is planned to continue to operate in the same fashion after acquisition, meeting its funding requirements through existing cash reserves and facilities provided by Norcros Plc.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this consolidated historical financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which Granfit Holdings Limited has control. Granfit Holdings Limited controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated historical financial information on the basis described in the Basis of preparation. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the Consolidated Statement of Financial Position. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in the Consolidated Income Statement. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The investment in the joint venture ceases to be accounted for using the equity method from the date of disposal. The difference between the carrying amount of the joint venture at the date of disposal and the net disposal proceeds, is recognised in profit and loss. See note 30.

Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Income Statement.

Pension arrangements

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Revenue recognition

Revenue solely relates to the sale of goods and arises from the sale of waterproof panel products.

To determine whether to recognise revenue, the Group follows the 5-step process as set out within IFRS 15:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised at a point in time as the Group satisfies performance obligations by transferring the promised goods to its customers as described below. Variable consideration, in the form of rebates, is also recognised at the point of transfer, however the estimate of variable consideration is constrained at this point and released once it is highly probable there will not be a significant reversal. The estimate of variable consideration is based on management's best estimate of the revenue with the customer for the year to determine the appropriate rebate percentage, this is then applied to actual revenue per customer at each reporting date.

Contracts with customers take the form of customer orders. There is one distinct performance obligation, being the distribution of products to the customer, for which the transaction price is clearly identified. Revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the promised goods to its customers, i.e. when control has passed from the Group to the customer, which tends to be on receipt by the customer.

Customer payments terms are generally within 90 days and hence there are no significant financing components.

Standard warranties are provided on all sales, however, these cannot be purchased separately and do not represent a separate performance obligation of the Group.

Segmental reporting

Operating Segments are defined as discrete components of the Group's operations whose results are regularly reviewed by the Chief Operating Decision Maker (being the Board of Directors) to allocate resources to those segments and to assess their performance. The Grant Westfield Group has two reportable segments, being the manufacture and distribution of specialist waterproof panel products and the promotion and sale of real estate through its joint venture, Wallace Land Investment and Management Limited, which is presented as a discontinued operation.

Intangible assets

Acquired intangible assets comprises computer software. They are valued at cost less accumulated amortisation, with amortisation being charged on a straight-line basis.

The estimated useful lives of Group assets are as follows:

Computer software	3 to 10 years

Impairment of long-life assets

Property, plant and equipment assets are reviewed on an annual basis to determine whether events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated as either the higher of the asset's net selling price or value in use; the resultant impairment (the amount by which the carrying amount of the asset exceeds its recoverable amount) is recognised as a charge in the Income Statement.

The value in use is calculated as the present value of the estimated future cash flows expected to result from the use of assets and their eventual disposal proceeds. In order to calculate the present value of estimated future cash flows the Group uses an appropriate discount rate adjusted for any associated risk. Estimated future cash flows used in the impairment calculation represent management's best view of likely future market conditions and current decisions on the use of each asset or asset group.

Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost comprises the purchase price (after deducting trade discounts and rebates) and any directly attributable costs. Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment in value. Impairment charges are recognised in the Income Statement when the carrying amount of an asset is greater than the estimated recoverable amount, calculated with reference to future discounted cash flows that the assets are expected to generate when considered as part of an income-generating unit. Land is not depreciated. Depreciation on other assets is provided on a straight-line basis to write down assets to their residual value evenly over the estimated useful lives of the assets from the date of acquisition by the Group.

The estimated useful lives of Group assets are as follows:

Buildings	25–50 years
Plant and equipment	3–15 years

In respect of land and buildings where the residual value is greater than the carrying value, there is no depreciable amount and therefore no depreciation is charged. Land and buildings have been stated at deemed cost of £3.2m at the date of transition to IFRS of 1 January 2019 and the historic cost model followed thereafter.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Investment property

Investment property comprises office buildings. Investment property has been stated at deemed cost of £0.7m at the date of transition to IFRS of 1 January 2019 and the historic cost model followed thereafter. Investment property is held at cost less depreciation on buildings (land is not depreciated). Where the residual value is greater than the carrying value, there is no depreciable amount and therefore no depreciation is charged.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and, where applicable, labour and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for slow-moving and obsolete items.

Taxation

Current tax, which comprises UK and overseas corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the Statement of Financial Position and the corresponding tax bases used in the computation of taxable profits and is accounted for using the Statement of Financial Position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised and is charged in the Income Statement, except where it relates to items charged or credited to equity via the Statement of Comprehensive Income, when the deferred tax is also dealt with in equity and is shown in the Statement of Comprehensive Income.

Financial assets and liabilities

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Group uses derivative financial instruments (solely foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

Derivative financial instruments are initially measured at fair value at the contract date and are remeasured to fair value at subsequent reporting dates. To date, hedge accounting has not been documented or applied. Changes in the fair value of derivative financial instruments are recognised immediately in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand and deposits held at call with banks with maturities of less than three months from inception.

Current asset investments

Current asset investments are made up of short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. These investments are presented as current asset investments when they have a maturity exceeding three months, and presented as cash and cash equivalents if they have a short maturity of three months or less.

Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional.

The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method, less appropriate allowances for estimated credit losses (provision for impairment). The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the length of time overdue. An estimate is made of the expected credit loss based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The maximum exposure at the end of the reporting period is the carrying amount of these receivables.

Loans to joint ventures

The Group's loans to the joint venture (presented in the statement of financial position as part of the 'Investments accounted for using the equity method') was measured initially at fair value and is subsequently measured at amortised cost through the income statement.

The Group has determined that the ECL for the loan to the joint venture should be based on lifetime ECLs at the reporting date and has determined that no provision is required in relation to this loan. Any associated loss allowance related to loans to joint ventures is recorded in the income statement.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date. The Group determines the fair value of its remaining financial instruments through the use of estimated discounted cash flows.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate to their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Research and development

Expenditure on research is charged against profits for the year in which it is incurred. Development costs are capitalised once the technical feasibility of a project has been established and a business plan, which demonstrates how the project will generate future economic benefits, has been approved. Development costs are amortised on a straight-line basis over their expected useful lives from the point at which the asset is capable of operating in the manner intended by management. To date, there have been no development costs meeting the criteria for capitalisation.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's historical financial information in the period in which the dividends are approved by the Company's shareholders, or when paid if earlier.

Foreign currency transactions

Functional currency

Items included in the historical financial information of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated historical financial information is presented in Sterling, which is the functional and presentational currency of the parent entity.

Transactions and balances

Monetary assets and liabilities expressed in currencies other than the functional currency are translated at rates applicable at the year end and trading results of overseas subsidiaries at average rates for the year. Exchange gains and losses of a trading nature are dealt with in arriving at operating profit.

Translation of overseas net assets

Exchange gains and losses arising on the retranslation of overseas net assets and results are taken directly to reserves. The Group has applied the exemption under IFRS 1 to set the cumulative foreign exchange reserve to nil at the date of transition to IFRS.

Share capital

Issued share capital is recorded in the Statement of Financial Position at nominal value with any premium at the date of issue being credited to the share premium account.

Government assistance

As a result of the COVID-19 pandemic, the Group has benefited from £0.4m in the year ended 31 December 2020, of government assistance programmes relating to employee job retention costs. Government assistance received related to employee job retention is presented net against the applicable staff costs within cost of sales and overheads in the Income Statement.

Leases

Recognition

At the date of commencement, the Group assesses whether a contract is or contains a lease by judging whether the contract is in relation to a specified asset and to what extent the Group obtains substantially all the economic benefits from, and has the right to direct the use of, that asset.

The Group recognises a right of use (ROU) asset and a lease liability at the commencement of the lease.

Short-term and low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of assets with a value less than £5,000. The payments for such leases are recognised in the Income Statement within cost of sales or administrative expenses on a straight-line basis over the lease term.

Non-lease components

Fees for components such as property taxes, maintenance, repairs and other services, which are either variable or transfer benefits separate to the Group's right to use the asset, are separated from lease components based on their relative stand-alone selling price. These components are expensed in the Income Statement as incurred.

Lease liabilities

Lease liabilities are initially measured at the present value of future lease payments at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, or where this cannot be readily determined, the lessee's incremental borrowing rate. Lease payments include the following payments due within the non-cancellable term of the lease, as well as the term of any extension options where these are considered reasonably certain to be exercised:

- fixed payments;
- variable payments that depend on an index or rate; and
- the exercise price of purchase or termination options if it is considered reasonably certain these will be exercised.

Subsequent to the commencement date, the lease liability is measured at the initial value, plus an interest charge determined using the incremental borrowing rate, less lease payments already made such as deposits. The interest expense is recorded in finance costs in the Income Statement. The liability is re-measured when future lease payments change, when the exercise of extension or termination options becomes reasonably certain, or when the lease is modified.

Right of use assets

The ROU asset is initially measured at cost, being the value of the lease liability, plus the value of any lease payments made at or before the commencement date, initial direct costs and the cost of any restoration obligations, less any incentives received. The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is adjusted for any remeasurement of the lease liability. The ROU asset is subject to testing for impairment where there are any impairment indicators.

New standards and amendments to standards or interpretations not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transaction

IFRS 16, 'COVID-19 related rent concessions'

The IASB published an amendment to IFRS 16, 'COVID-19 related rent concessions', amending the standard to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification, effective for annual reporting periods beginning on or after 1 June 2020. The Group has not received any COVID-19 related rent concessions.

Critical accounting estimates and judgements

The preparation of this Historical Financial Information requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies.

Accounting judgements

The directors consider that the gain on disposal of its joint venture ("JV") in 2021 will qualify for the substantial shareholding exemption ("SSE"). The JV had a cash balance of £1.8m at disposal which is considered by the directors to be an appropriate level of a working capital for a real estate business. This is a significant judgement and if the SSE is denied by the tax authorities then a capital gain of approximately £1.7m would arise.

Accounting estimates

There are no key sources of estimation uncertainty that could cause a significant adjustment to be required to the carrying amount of asset or liabilities within the next accounting period.

4. SEGMENTAL INFORMATION

As explained in note 2, the Group's activities comprise two operating segments. One segment was disposed of in 2021 and disclosures in respect of that segment are included in note 30 – Discontinued operations.

All revenue was recognised at a point in time.

As only one segment remained in 2021 no additional disclosures in respect of that segment have been included as it is represented by all the trading from continuing operations of the face of the primary statements.

Revenue

The analysis of revenue by geographical market was as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
United Kingdom	32.2	30.1	40.5
Rest of the world	2.0	2.2	1.7
	34.2	**32.3**	**42.2**

Information about major customers

The Grant Westfield Group generated revenue from an individual customer that accounted for greater than 10% of total revenue. Total revenue from this customer was £5.7m (2020: £3.9m; 2019: £7.1m) and was generated from 1 customer (2020: 1 customer; 2019: 1 customer).

Analysis of assets by geographical destination

All assets of the Grant Westfield Group reside in the UK with the exception of non-current assets of £Nil (2020: £Nil; 2019: £0.1m; 2018: £0.1m) held in Belgium and Germany.

5. OPERATING PROFIT

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

Activity by function

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Cost of sales	20.1	18.0	22.9
Administrative expenses	8.9	8.4	12.5
Other operating income	—	—	(0.3)
	29.0	**26.4**	**35.1**

5. OPERATING PROFIT (continued)

Costs by nature and material items of profit and loss

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Staff costs (see note 6)	6.0	5.9	6.1
One off non-recurring management bonus (note 6)	—	—	2.3
Amortisation of intangible assets (see note 10)	0.1	—	—
Depreciation of property, plant and equipment (see note 11)	0.3	0.3	0.3
Depreciation of right of use assets (see note 12)	0.2	0.3	0.4

6. EMPLOYEES AND DIRECTORS

(i) Employees

The average number of persons employed by the Grant Westfield Group, including directors, during the year is analysed below:

	Year ended 31 December 2019 no.	Year ended 31 December 2020 no.	Year ended 31 December 2021 no.
Office and management	59	65	40
Manufacturing and installation	72	78	97
Technical and sales	33	31	31
	164	**174**	**168**

The Grant Westfield Group employment costs for all employees, including executive directors, comprise:

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Wages and salaries	5.5	5.3	5.5
One off non-recurring management bonus	—	—	2.3
Social security costs	0.4	0.5	0.5
Defined contribution pension costs	0.1	0.1	0.1
	6.0	**5.9**	**8.4**

6. EMPLOYEES AND DIRECTORS (continued)

(ii) Key management personnel

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Wages and salaries	0.3	0.4	0.7
One off non-recurring management bonus	—	—	2.3
Social security costs	—	0.1	0.1
	0.3	**0.5**	**3.1**

The Directors are considered to be the key management personnel.

7. FINANCE INCOME / FINANCE COSTS

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Finance income			
Bank interest on deposits	0.2	0.1	0.1
	0.2	**0.1**	**0.1**
Finance costs			
Interest on lease liabilities	—	—	(0.1)
	—	**—**	**(0.1)**

8. TAXATION

(a) Tax expense included in the Income Statement comprises:

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Current tax	1.3	1.3	1.6
Adjustments to tax charge in respect of prior periods	—	—	(0.1)
Total current taxation	**1.3**	**1.3**	**1.5**
Deferred tax			
Origination and reversal of temporary differences	—	—	0.1
	—	**—**	**0.1**
Total tax charge	**1.3**	**1.3**	**1.6**
Income tax expense is attributable to:			
Profit from continuing operations	1.0	1.1	1.6
Profit from discontinued operations	0.3	0.2	—
	1.3	**1.3**	**1.6**

(b) Reconciliation of tax expense

The tax on profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Profit from continuing operations before income tax expense	5.4	6.0	7.1
Profit from discontinued operations before income tax expense	1.6	1.1	7.4
	7.0	7.1	14.5
Tax calculated at domestic tax rates applicable to profits in the respective countries	1.3	1.3	2.8
Adjustments to tax charge in respect of prior periods	—	—	(0.1)
Non-taxable gain on sale of investments	—	—	(1.1)
Tax charge for the year	**1.3**	**1.3**	**1.6**

Factors that may affect future tax charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020. The Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the reporting date have been measured using these substantively enacted tax rates and reflected in this consolidated historical financial information.

9. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue. There are no dilutive share awards in issue.

The calculation of basic earnings per share is based on the following data:

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021
Earnings (£'m)			
Earnings from continuing operations for the purposes of basic earnings per share being profit for the year attributable to equity shareholders	4.4	4.9	5.5
Earnings from discontinued operations for the purposes of basic earnings per share being profit for the year attributable to equity shareholders	1.3	0.9	7.4
Earnings for the purposes of basic earnings per share being profit for the year attributable to equity shareholders	5.7	5.8	12.9
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	48,683	48,683	48,683
Profit per ordinary share (£)			
Basic profit from continuing operations per ordinary share	90.4	100.7	113.0
Basic profit from discontinued operations per ordinary share	26.7	18.4	152.0
Basic profit per ordinary share	117.1	119.1	265.0

10. INTANGIBLE ASSETS

	Computer software £m	Total £m
Cost		
At 1 January 2019	0.5	0.5
At 31 December 2019	0.5	0.5
At 31 December 2020	0.5	0.5
At 31 December 2021	0.5	0.5
Accumulated amortisation		
At 1 January 2019	0.3	0.3
Amortisation charged in the year	0.1	0.1
At 31 December 2019	0.4	0.4
At 31 December 2020	0.4	0.4
At 31 December 2021	0.4	0.4
Carrying amount		
At 1 January 2019	0.2	0.2
At 31 December 2019	0.1	0.1
At 31 December 2020	0.1	0.1
At 31 December 2021	0.1	0.1

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2019	3.2	2.9	6.1
Additions	—	0.3	0.3
Disposals	—	(0.2)	(0.2)
At 31 December 2019	3.2	3.0	6.2
Additions	—	0.4	0.4
Disposals	—	(0.7)	(0.7)
At 31 December 2020	3.2	2.7	5.9
Additions	—	0.4	0.4
Disposals	—	(0.2)	(0.2)
At 31 December 2021	3.2	2.9	6.1
Depreciation			
At 1 January 2019	—	2.1	2.1
Depreciation charged in the year	—	0.3	0.3
Eliminated on disposal	—	(0.2)	(0.2)
At 31 December 2019	—	2.2	2.2
Depreciation charged in the year	—	0.3	0.3
Eliminated on disposal	—	(0.5)	(0.5)
At 31 December 2020	—	2.0	2.0
Depreciation charged in the year	—	0.3	0.3
Eliminated on disposal	—	(0.1)	(0.1)
At 31 December 2021	—	2.2	2.2
Carrying amount			
At 1 January 2019	3.2	0.8	4.0
At 31 December 2019	3.2	0.8	4.0
At 31 December 2020	3.2	0.7	3.9
At 31 December 2021	3.2	0.7	3.9

Plant and equipment include office furniture and equipment, fixtures and fittings, and motor vehicles.

12. RIGHT-OF-USE ASSETS

	Property £m	Equipment £m	Vehicles £m	Total £m
At 1 January 2019	0.2	—	0.1	0.3
New leases recognised in the year	0.8	—	0.2	1.0
Depreciation charge for the year	(0.1)	—	(0.1)	(0.2)
At 31 December 2019	**0.9**	**—**	**0.2**	**1.1**
New leases recognised in the year	0.9	—	0.1	1.0
Depreciation charge for the year	(0.2)	—	(0.1)	(0.3)
At 31 December 2020	**1.6**	**—**	**0.2**	**1.8**
New leases recognised in the year	0.4	0.2	0.1	0.7
Depreciation charge for the year	(0.3)	—	(0.1)	(0.4)
At 31 December 2021	**1.7**	**0.2**	**0.2**	**2.1**

The lease liabilities associated with the above right-of-use assets are disclosed in note 19.

13. INVESTMENT PROPERTY

	Investment property £m	Total £m
Cost		
At 1 January 2019	0.7	0.7
At 31 December 2019	**0.7**	**0.7**
At 31 December 2020	**0.7**	**0.7**
Impairment	(0.1)	(0.1)
At 31 December 2021	**0.6**	**0.6**

The investment property valuation was treated as deemed cost at the date of transition to IFRS. The fair value of the investment property was £620,000 (2020: £740,000; 2019: £740,000).

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Loans to joint ventures £m	Investments in joint ventures £m	Total £m
At 1 January 2019	1.3	1.2	2.5
Share of profit	—	1.3	1.3
Dividends	—	(1.2)	(1.2)
At 31 December 2019	**1.3**	**1.3**	**2.6**
Share of profit	—	0.9	0.9
Dividends	—	(0.6)	(0.6)
At 31 December 2020	**1.3**	**1.6**	**2.9**
New loans to joint ventures	4.4	—	4.4
Joint venture loans repaid	(5.7)	—	(5.7)
Share of profit	—	0.4	0.4
Disposals	—	(2.0)	(2.0)
At 31 December 2021	**—**	**—**	**—**

Subsidiary undertakings

The following were subsidiary undertakings of Granfit Holdings Limited:

Name	Principal activity	Class of shares	Holding
Grant Westfield Limited	Building interiors	Ordinary	100%
Ocean Interiors BV	Building interiors	Ordinary	100%
Ocean Interiors GmbH	Building interiors	Ordinary	100%

Grant Westfield Limited is a company registered in Scotland. Ocean Interiors BV and Ocean Interiors GmbH are companies incorporated in The Netherlands and Germany respectively. Granfit Holdings Limited's investment in Ocean Interiors BV and Ocean Interiors GmbH are held indirectly by Grant Westfield Limited.

As shown in note 30, Grant Westfield Limited disposed of their shares in EMF Manufacturing Limited on 31 March 2020. This disposal did not meet the definition of a disposal under IFRS 5 and therefore has not been presented as discontinued operations.

Joint ventures

The following were joint ventures of Granfit Holdings Limited:

Name	Principal activity	Holding
Wallace Land Investment and Management Limited	Real Estate	50%

Wallace Land Investment and Management Limited has share capital consisting solely of ordinary shares, which are held directly by Granfit Holdings Limited. It is incorporated in Scotland which is also the principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held. The equity accounting method has been applied and as the joint venture is a private company with no quoted price available, the fair value has not been disclosed. The principal activities were that of the promotion and sale of real estate, and represented a separate operating segment (see note 4). As shown in note 30, this investment was sold on 18 May 2021. The tables below provide summarised financial information for this joint venture and reflects the amount presented in the financial records of Wallace Land Investment and Management Limited and not Granfit Holdings Limited's share of those amounts.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Summarised balance sheet

	Wallace Land Investment and Management Limited		
	At 31 December 2019 £m	**At 31 December 2020 £m**	**At 31 December 2021 £m**
Cash and cash equivalents	1.5	1.8	n/a
Other current assets	2.8	3.0	n/a
Non-current assets	—	—	n/a
Current liabilities	(0.5)	(0.5)	n/a
Non-current liabilities	(1.4)	(1.4)	n/a
Net assets	**2.4**	**2.9**	n/a

Reconciliation to carrying amounts:

	Wallace Land Investment and Management Limited		
	At 31 December 2019 £m	**At 31 December 2020 £m**	**At 31 December 2021 £m**
Opening net assets 1 January	2.4	2.6	3.2
Profit for the period	2.6	1.8	0.8
Other comprehensive income	—	—	—
Dividends paid	(2.4)	(1.2)	
Closing net assets	2.6	3.2	4.0
Group's share in %	50.0%	50.0%	n/a
Group's share in £m	1.3	1.6	2.0
Carrying amount of net assets sold (see note 30)	—	—	(2.0)
Carrying amount	1.3	1.6	—

Summarised statement of comprehensive income

	Wallace Land Investment and Management Limited		
	Year ended 31 December 2019 £m	**Year ended 31 December 2020 £m**	**Year ended 31 December 2021 £m**
Revenue	5.5	4.0	n/a
Interest income	—	—	n/a
Depreciation and amortisation	—	—	n/a
Interest expense	—	—	n/a
Income tax expense	(0.6)	(0.4)	n/a
Profit from continuing operations	2.6	1.8	n/a
Profit from discontinued operations	—	—	n/a
Profit for the period	2.6	1.8	n/a
Other comprehensive income	—	—	n/a
Total comprehensive income	2.6	1.8	n/a

15. INVENTORIES

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Raw materials and consumables	1.2	1.1	0.7	1.7
Finished goods and goods for resale	2.3	1.7	2.3	2.5
	3.5	**2.8**	**3.0**	**4.2**

Provisions held against inventories totalled £0.1m (2020: £0.3m; 2019: £0.1m).

The cost of inventories recognised as an expense within cost of sales in the Income Statement totalled £16.9m (2020: £13.9m; 2019: £15.2m).

The cost of inventory write-downs charged as an expense within cost of sales in the Income Statement totalled £0.3m (2020: £0.4m; 2019: £0.6m).

16. TRADE AND OTHER RECEIVABLES

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Trade receivables	6.7	7.3	7.6	9.0
Less: provision for expected credit losses	(0.1)	(0.1)	(0.1)	(0.2)
Trade receivables – net	6.6	7.2	7.5	8.8
Other receivables	0.1	0.2	0.1	1.0
Prepayments and accrued income	0.2	0.3	0.2	0.2
	6.9	7.7	7.8	10.0

All trade and other receivables are current. The net carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Sterling	6.8	7.6	7.6	9.9
Euro	0.1	0.1	0.2	0.1
	6.9	7.7	7.8	10.0

16. TRADE AND OTHER RECEIVABLES (continued)

Impairment of trade receivables

1 January 2019	Not yet due £m	0-1 month overdue £m	1-2 month overdue £m	2-3 month overdue £m	>3 month overdue £m	Total £m
Expected credit loss rate (%)	—	—	—	—	14	1.5
Gross trade receivables	5.2	0.4	0.2	0.2	0.7	6.7
Loss allowance	—	—	—	—	(0.1)	(0.1)

31 December 2019	Not yet due £m	0-1 month overdue £m	1-2 month overdue £m	2-3 month overdue £m	>3 month overdue £m	Total £m
Expected credit loss rate (%)	—	—	—	—	100	0
Gross trade receivables	2.4	3.2	1.4	0.2	0.1	7.3
Loss allowance	—	—	—	—	(0.1)	(0.1)

31 December 2020	Not yet due £m	0-1 month overdue £m	1-2 month overdue £m	2-3 month overdue £m	>3 month overdue £m	Total £m
Expected credit loss rate (%)	—	—	—	—	33	—
Gross trade receivables	2.5	3.2	1.4	0.2	0.3	7.6
Loss allowance	—	—	—	—	(0.1)	(0.1)

31 December 2021	Not yet due £m	0-1 month overdue £m	1-2 month overdue £m	2-3 month overdue £m	>3 month overdue £m	Total £m
Expected credit loss rate (%)	—	—	—	—	100	—
Gross trade receivables	8.3	0.3	0.1	0.1	0.2	9.0
Loss allowance	—	—	—	—	(0.2)	(0.2)

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

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
At the beginning of the year	(0.1)	(0.1)	(0.1)
Provision for receivables impairment	—	—	(0.1)
Receivables written off during the year as uncollectable	—	—	—
At the end of the year	(0.1)	(0.1)	(0.2)

17. CURRENT ASSET INVESTMENTS

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Fixed term deposits	4.5	9.5	9.8	2.5

18. CASH AND CASH EQUIVALENTS

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Cash at bank and in hand	10.5	8.1	11.9	29.3

Credit risk on cash and cash equivalents is limited as the counterparties are banks with strong credit ratings assigned by international credit rating agencies.

The carrying value of cash and cash equivalents is denominated in the following currencies:

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Sterling	10.2	7.9	11.5	28.9
US Dollar	0.3	0.2	0.3	0.3
Euro	—	—	0.1	0.1
	10.5	8.1	11.9	29.3

19. LEASE LIABILITIES

Lease liabilities recognised on the adoption of IFRS 16. The Group leases property, equipment, and vehicles. Rental contracts are typically made for fixed periods of 3 to 10 years. There are no judgements over the length of the lease term for any of the Group's leases. There are no variable lease payments in any of the Group's leases.

	Property £m	Equipment £m	Vehicles £m	Total £m
At 1 January 2019	0.1	—	0.1	0.2
Additions	0.8	—	0.2	1.0
Gross lease payments	(0.1)	—	(0.1)	(0.2)
At 31 December 2019	**0.8**	**—**	**0.2**	**1.0**
Additions	0.9	—	0.1	1.0
Gross lease payments	(0.2)	—	(0.1)	(0.3)
At 31 December 2020	**1.5**	**—**	**0.2**	**1.7**
Additions	0.4	0.2	0.1	0.7
Gross lease payments	(0.2)	(0.1)	(0.1)	(0.4)
At 31 December 2021	**1.7**	**0.1**	**0.2**	**2.0**

19. LEASE LIABILITIES (continued)

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Maturity analysis – contractual undiscounted cash flows				
Less than one year	0.2	0.2	0.3	0.4
More than one year, less than two years	—	0.2	0.3	0.4
More than two years, less than three years	—	0.1	0.2	0.3
More than three years, less than four years	—	0.1	0.2	0.3
More than four years, less than five years	—	0.1	0.2	0.2
More than five years	—	0.3	0.7	0.5
Total undiscounted lease liabilities at year end	0.2	1.0	1.9	2.1
Finance costs	—	—	(0.2)	(0.1)
Total discounted lease liabilities at year end	**0.2**	**1.0**	**1.7**	**2.0**
Lease liabilities included in the statement of financial position				
Less than one year	0.2	0.2	0.3	0.4
More than one year	—	0.8	1.4	1.6
	0.2	**1.0**	**1.7**	**2.0**

The right-of-use assets associated with the above lease liabilities are disclosed in note 12.

The maturity profile of the lease liabilities is also disclosed in note 27.

Total cash outflows in respect of the lease liabilities were £0.5m (2020: £0.4m ; 2019: £0.2m).

20. TRADE AND OTHER PAYABLES

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Trade payables	2.1	2.0	2.5	2.1
Other tax and social security payables	0.6	0.9	0.7	0.7
Other payables	—	—	—	0.7
Accruals and deferred income	1.7	2.2	3.1	5.3
	4.4	**5.1**	**6.3**	**8.8**

The fair value of trade payables does not differ materially from the book value.

21. PROVISIONS

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Less than one year	—	0.1	—	—
More than one year	0.2	0.1	0.1	0.1
	0.2	**0.2**	**0.1**	**0.1**

The Grant Westfield Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to restore the asset to its original condition. These costs have been capitalised as part of the right of use asset and are depreciated over the term of the lease.

22. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Opening balance	0.1	0.1	—
Movement in the year	—	(0.1)	0.1
Closing balance	**0.1**	**—**	**0.1**

The analysis of the deferred tax liability is as follows:

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
Fixed asset timing differences	0.1	0.1	—	0.1

The deferred tax liability principally relates to timing differences between the tax and accounting bases of property, plant and equipment and intangible assets.

	As at 1 January 2019 £m	As at 31 December 2019 £m	As at 31 December 2020 £m	As at 31 December 2021 £m
More than one year	0.1	0.1	—	0.1
	0.1	**0.1**	**—**	**0.1**

There are no unrecognised deferred tax assets.

23. PENSION AND OTHER SCHEMES

The Grant Westfield Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Grant Westfield Group to the scheme and amounted to £0.1m (2020: £0.1m; 2019: £0.1m).

Contributions totalling £38,000 (2020: £34,000; 2019: £29,000) were payable to the scheme at the end of the year and are included in creditors.

24. CAPITAL COMMITMENTS

There are no capital commitments that have been contracted for but not accounted for within the historical financial information.

25. CALLED UP SHARE CAPITAL

Issued and fully paid	As at 1 January 2019 £	As at 31 December 2019 £	As at 31 December 2020 £	As at 31 December 2021 £
24,341 "A" ordinary shares of £1 each	24,341	24,341	24,341	24,341
24,342 "B" ordinary shares of £1 each	24,342	24,342	24,342	24,342
	48,683	48,683	48,683	48,683

Number of shares in issue	As at 1 January 2019 no.	As at 31 December 2019 no.	As at 31 December 2020 no.	As at 31 December 2021 no.
24,341 "A" ordinary shares of £1 each	24,341	24,341	24,341	24,341
24,342 "B" ordinary shares of £1 each	24,342	24,342	24,342	24,342
	48,683	48,683	48,683	48,683

The A Ordinary shares have full voting rights, entitle the holder to participate in any dividends declared or paid and entitle the holder, on any winding up or reduction of capital, to payment of any remaining assets of the company after payment of its liability.

The B Ordinary shares have no voting rights, entitle the holder to participate in any dividends declared or paid and do not entitle the holder to any return of capital.

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs. Share Premium of £10,369 has been recorded on the issue of the above shares.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Foreign exchange reserve

This reserve records the translation differences arising on consolidation of the subsidiaries. The Group has applied the exemption under IFRS 1 to set the cumulative foreign exchange reserve to nil at the date of transition to IFRS.

25. CALLED UP SHARE CAPITAL (continued)

Retained earnings

This reserve includes all current and prior periods retained profits and losses net of dividends paid.

26. CASH FLOWS FROM OPERATING ACTIVITIES

The analysis of cash generated from operations is given below:

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Profit before income tax from:			
Continuing operations	5.4	6.0	7.1
Discontinued operations	1.6	1.1	7.4
Profit before income tax including discontinued operations	**7.0**	**7.1**	**14.5**
Adjustments for:			
Amortisation of intangible assets	0.1	—	—
Depreciation of property, plant and equipment	0.5	0.6	0.7
Finance income	(0.2)	(0.1)	(0.1)
Finance costs	—	—	0.1
Share of operating profit in joint ventures	(1.3)	(0.9)	(0.5)
Gain on disposal of share in joint venture	—	—	(6.9)
Operating cash flows before movement in working capital	**6.1**	**6.7**	**7.8**
Changes in working capital:			
– (Increase)/decrease in inventories	0.7	(0.2)	(1.2)
– (Increase)/decrease in debtors	(0.8)	(0.1)	(2.2)
– Increase/(decrease) in creditors	0.8	1.0	2.6
Cash generated from operations	**6.8**	**7.4**	**7.0**

Analysis of underlying net cash/(debt)

	Cash £m	Lease liabilities £m	Net debt £m
At 1 January 2019	10.5	(0.2)	10.3
Cash flow	(2.4)	(0.2)	(2.6)
Other non-cash movements	—	(0.6)	(0.6)
At 31 December 2019	**8.1**	**(1.0)**	**7.1**
Cash flow	3.8	(0.4)	3.4
Other non-cash movements	—	(0.3)	(0.3)
At 31 December 2020	**11.9**	**(1.7)**	**10.2**
Cash flow	17.4	(0.5)	16.9
Other non-cash movements	—	0.2	0.2
At 31 December 2021	**29.3**	**(2.0)**	**27.3**

27. FINANCIAL INSTRUMENTS

During the year the Grant Westfield Group held financial instruments relating to the risks of its operations.

Capital risk management

Capital is mainly made up of accumulated retained earnings, as set out in the Statement of Changes in Equity, with the details of the issued share capital in note 25.

Capital management policies and procedures

The Grant Westfield Group's capital management objectives are:

- To ensure the ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing commensurately with the level of risk.

This is achieved through close management of working capital and regular reviews of pricing. Decisions on whether to raise funding using debt or equity are made by the board based on the requirements of the business.

Financial risk management

The Grant Westfield Group's operations expose it to market risk (including currency risk) and credit risk. The Grant Westfield Group actively seeks to limit the adverse effects of these risks on the financial performance of the Grant Westfield Group.

Liquidity risk

The Group manages liquidity risk by holding high levels of cash (see note 18) and hence liquidity risk is negligible. A maturity analysis of the Group's financial liabilities is presented below.

Currency risk

The Grant Westfield Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily the Euro and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. A sensitivity analysis has been performed at the end of this note to identify the impact that a 5% swing in foreign exchange rates would have had.

Foreign exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The foreign currency risk associated with anticipated sales and purchase transactions is monitored up to 12 months in advance. The gross value of foreign currency forward contracts outstanding at 31 December 2021 was £0.8m (2020: £1.1m; 2019: £0.9m).

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. Each entity is responsible for managing and analysing the credit risk of potential customers prior to offering credit terms and on an ongoing basis and uses independent ratings agencies, past trading experience and other factors in order to assess the credit quality of the customer. The quantitative analysis of the ageing of Trade Receivables is presented within note 16 and the unprovided trade receivables balance as at 31 December 2021 was £8.8m (2020: £7.5m; 2019: £7.2m). For banks and financial institutions only independently rated parties with a strong rating are accepted.

Financial instruments

The Grant Westfield Group's financial instruments comprise cash, trade receivables and payables and forward exchange contracts. Based on the hierarchy defined in IFRS 7, the Grant Westfield Group's financial instruments are classified as level 2 instruments.

27. FINANCIAL INSTRUMENTS (continued)

Consequently, fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Financial liabilities

The table below analyses the value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. This illustrates the liquidity risk the group is exposed to.

As at 31 December 2019	Not later than a year £m	Later than one year but not later than two years £m	Later than two years but not later than five years £m	Later than five years £m	Total £m
Lease liabilities[1]	0.2	0.2	0.3	0.3	1.0
Trade and other payables	5.1	—	—	—	5.1

As at 31 December 2020	Not later than a year £m	Later than one year but not later than two years £m	Later than two years but not later than five years £m	Later than five years £m	Total £m
Lease liabilities[1]	0.3	0.3	0.6	0.7	1.9
Trade and other payables	6.3	—	—	—	6.3

As at 31 December 2021	Not later than a year £m	Later than one year but not later than two years £m	Later than two years but not later than five years £m	Later than five years £m	Total £m
Lease liabilities[1]	0.4	0.4	0.8	0.5	2.1
Trade and other payables	8.8	—	—	—	8.8

1 Lease liabilities are on an undiscounted basis

Derivative foreign currency contracts

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

	Not later than a year £m	Later than one year but not later than two years £m	Later than two years but not later than five years £m	Later than five years £m
As at 1 January 2019	—	—	—	—
As at 31 December 2019	0.9	—	—	—
As at 31 December 2020	1.1	—	—	—
As at 31 December 2021	0.8	—	—	—

The fair value of these contracts, which all fall due in not later than one year, is less than £0.1m and therefore rounds down to £nil in each period.

27. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Grant Westfield's profit and loss and equity of reasonably possible fluctuations in market rates. To demonstrate these, reasonably possible variations of 1% increase or decrease in market interest rates and 5% strengthening or weakening in major currencies have been chosen.

(a) 1% increase or decrease on market interest rates for most of the coming year

As the Group has no external borrowings, the effect of a 1% change in market interest rates would result in no change in the net finance costs.

(b) 5% strengthening or weakening in major currencies

A number of the Grant Westfield Group's assets are held overseas and as such variations in foreign currencies will affect the carrying value of these assets. A 5% strengthening or weakening of Sterling across all currencies would lead to a circa £0.1m decrease or increase in net assets respectively (2020: £0.1m; 2019: £0.1m).

28. RELATED PARTY DISCLOSURES

During the year, a rent recharge of £Nil (2020: £7,185; 2019: £7,185) was made by the Grant Westfield Group to Wallace Land Investment and Management Limited. At the year end, Wallace Land Investment and Management Limited owed the Grant Westfield Group £Nil (2020: £1,371,629; 2019: £1,338,261) in respect of a loan. Interest, at 2.5% over base, amounting to £Nil (2020: £33,368; 2019: £33,368) was paid during the year to the Grant Westfield Group. Wallace Land Investment and Management Limited is a joint venture undertaking of the Grant Westfield Group and has been shown as a discontinued operation given its sale in May 2021.

At the year end, Calmeg Limited owed the Grant Westfield Group £895 (2020: £895; 2019: £19,312) in respect of a loan. The loan is interest free. Calmeg Limited is a Company owned by RI MacDonald.

During the year, a rent charge of £900 (2020: £1,000; 2019: £nil) was made by the Grant Westfield Group to RI MacDonald.

Control

The Grant Westfield Group, as defined in the Basis of preparation, has been under the control of RI MacDonald throughout the period of the consolidated historical financial information, by virtue of their controlling interest in the share capital of Grantfit Holdings Limited.

Compensation of key management personnel

Key management personnel comprise the directors of Grant Holdings Limited. Details of their remuneration is provided in note 6.

29. SUBSEQUENT EVENTS

The Directors are satisfied that there were no significant events or transactions that have occurred since 31 December 2021.

30. DISCONTINUED OPERATIONS

i) Wallace Land and Investment Management Limited

On 18 May 2021, the Grant Westfield Group's 50% shareholding in Wallace Land and Investment Management Limited was sold. This has been presented as a discontinued operation across the entire track record period and the performance of the joint venture is as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Discontinued operations			
Operating profit	**1.6**	**1.1**	**0.5**
Profit before taxation	**1.6**	**1.1**	**0.5**
Taxation	(0.3)	(0.2)	—
Profit for the year from discontinued operations	**1.3**	**0.9**	**0.5**
Gain on sale of the joint venture after income tax	—	—	6.9
Profit from discontinued operations	**1.3**	**0.9**	**7.4**
There was no other comprehensive income arising from discontinued operations			
Net cash flow from investing activities (2021 includes an inflow of £8.9m from the sale of the joint venture)	1.2	0.6	8.9
Net (decrease)/increase in cash generated by the joint venture	1.2	0.6	8.9
Details of the sale of the joint venture			
Consideration received			
Total disposal consideration	—	—	8.9
Carrying amount of net assets sold	—	—	(2.0)
Gain on sale before income tax	**—**	**—**	6.9
Income tax on gain	—	—	—
Gain on sale after income tax	**—**	**—**	**6.9**

ii) EMF Manufacturing Limited

On 31 March 2020, the Grant Westfield Group's disposed of its 100% shareholding in EMF Manufacturing Limited. This disposal did not meet the definition of a disposal under IFRS 5, however certain profit and loss information has been presented in order to assess the impact on results over the track record period as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Revenue	1.1	0.2	—
Operating profit	(0.3)	(0.2)	—
Profit before taxation	(0.3)	(0.2)	—
Profit for the year from operations	(0.3)	(0.2)	—

31. EXPLANATION OF TRANSITION TO IFRS

From 1 January 2019 the Group has adopted IFRS in the preparation of the consolidated historical financial information. The main items contributing to the change in financial information compared with that reported under UK GAAP as at the transition date are shown below. There were no other accounting policy changes other than the impact of the below items.

IFRS 16 – Leases

As explained in accounting policies (note 3) the Company has adopted IFRS 16. This has resulted in the recognition of a right of use asset and liability on the Statement of Financial Position. The statement of comprehensive income has been adjusted to remove the rent expense and replace it with depreciation charged on the right of use asset and interest accrued on the right of use liability.

IAS 12 – Income taxes

In accordance with IAS 12 deferred tax assets are disclosed as non-current.

IFRS 1

The Grant Westfield Group has taken advantage of the following exemptions available under IFRS 1 "First Time Adoption of the International Financial Reporting Standards":

- To use the revaluation amount of an item of property, plant and equipment and investment property at the date of transition as deemed cost; and
- To set its translation reserve at nil at the date of transition and to separately track cumulative translation differences within reserves, as required by IAS 21 "The effects of changes in foreign exchange rates" from the date of transition to IFRS.

Other adjustments

As part of the transition to IFRS, the figures presented have also been reclassified in line with the accounting policies of Norcros plc.

The Grant Westfield Group has also represented the joint venture as discontinued throughout the track record period in order to reflect the fact that it was discontinued in 2021.

The Grant Westfield Group historically presented property, plant and equipment at valuation and revalued by £1.6m in the year ended 31 December 2021. On transition to IFRS these assets are now held at deemed cost and hence this revaluation has been reversed.

Correction of accounting error

The Grant Westfield Group previously presented short-term deposits with expirations of greater than three months within cash and cash equivalents. This has been corrected to be presented as current asset investments in each year of the track record period. In addition, at 31 December 2021, the Grant Westfield Group presented the fair value of open forward foreign exchange contracts of £0.8m as an other debtor and a trade creditor balance, and this has been reversed. The fair values of these derivative instruments are not material under IFRS and have not been adjusted for.

STATEMENT OF CASH FLOWS

As a result of IFRS 16 lease payments, which were previously recorded in the statement of comprehensive income as a rent expense, are now shown on the statement of cash flows as depreciation and finance costs within net cash from operations, and lease payments within net cash used in financing activities.

There are no other material differences between the cashflow statement presented under IFRS and that presented under UK GAAP.

31. EXPLANATION OF TRANSITION TO IFRS (continued)

STATEMENT OF COMPREHENSIVE INCOME RECONCILIATIONS

	As previously reported for the year ended 31 December 2019 £m	Presentation of joint venture results as discontinued operations £m	IFRS 16 £m	Under IFRS for the year ended 31 December 2019 £m
Continuing operations				
Revenue	34.2	—	—	34.2
Operating profit	**5.0**	**—**	**0.2**	**5.2**
Share of profit from joint venture	1.6	(1.6)	—	**—**
Finance income	0.2	—	—	0.2
Finance costs	—	—	—	—
Profit before taxation	**6.8**	**(1.6)**	**0.2**	**5.4**
Taxation	(1.3)	0.3	—	(1.0)
Profit for the year from continuing operations	**5.5**	**(1.3)**	**0.2**	**4.4**
Profit from discontinued operation (attributable to equity holders)	**—**	1.3	**—**	1.3
Profit for the year	**5.5**	**—**	**0.2**	**5.7**

	As previously reported for the year ended 31 December 2020 £m	Presentation of joint venture results as discontinued operations £m	IFRS 16 £m	Under IFRS for the year ended 31 December 2020 £m
Continuing operations				
Revenue	32.3	—	—	32.3
Operating profit	**5.7**	**—**	**0.2**	**5.9**
Share of profit from joint venture	1.1	(1.1)	—	—
Finance income	0.1	—	—	0.1
Finance costs	—	—	—	—
Profit before taxation	**6.9**	**(1.1)**	**0.2**	**6.0**
Taxation	(1.3)	0.2	—	(1.1)
Profit for the year from continuing operations	**5.6**	**(0.9)**	**0.2**	**4.9**
Profit from discontinued operation (attributable to equity holders)	—	0.9	**—**	0.9
Profit for the year	**5.6**	**—**	**0.2**	**5.8**

31. EXPLANATION OF TRANSITION TO IFRS (continued)

	As previously reported for the year ended 31 December 2021 £m	Reversal of revaluation and impairment of investment property £m	Presentation of joint venture results as discontinued operations £m	IFRS 16 £m	Under IFRS for the year ended 31 December 2021 £m
Continuing operations					
Revenue	42.2	—	—	—	42.2
Operating profit	7.4	(0.1)	—	(0.2)	7.1
Share of profit from joint venture	0.5	—	(0.5)	—	—
Gain on sale of joint venture undertaking	6.9	—	(6.9)	—	—
Finance income	0.1	—	—	—	0.1
Finance costs	—	—	—	(0.1)	(0.1)
Profit before taxation	14.9	(0.1)	(7.4)	(0.3)	7.1
Taxation	(1.6)	—	—	—	(1.6)
Profit for the year from continuing operations	13.3	(0.1)	(7.4)	(0.3)	5.5
Profit from discontinued operation (attributable to equity holders)	—	—	7.4	—	7.4
Profit for the year	13.3	(0.1)	—	(0.3)	12.9

31. EXPLANATION OF TRANSITION TO IFRS (continued)

STATEMENT OF FINANCIAL POSITION RECONCILIATIONS

	As previously reported as at 1 January 2019 £m	Freezing of foreign exchange and revaluation reserve £m	IFRS 16 £m	Correction of accounting error £m	Under IFRS as at 1 January 2019 £m
Non-current assets					
Intangible assets	0.2	—	—	—	0.2
Property, plant and equipment	4.0	—	—	—	4.0
Right of use assets	—	—	0.3	—	0.3
Investment property	0.7	—	—	—	0.7
Investments accounted for using the equity method	2.5	—	—	—	2.5
	7.4	**—**	**0.3**	**—**	**7.7**
Current assets					
Inventories	3.5	—	—	—	3.5
Trade and other receivables	7.0	—	(0.1)	—	6.9
Current asset investments	—	—	—	4.5	4.5
Cash and cash equivalents	15.0	—	—	(4.5)	10.5
	25.5	**—**	**(0.1)**	**—**	**25.4**
Current liabilities					
Trade and other payables	4.4	—	—	—	4.4
Lease liabilities	—	—	0.2	—	0.2
Current tax liabilities	0.4	—	—	—	0.4
	4.8	**—**	**0.2**	**—**	**5.0**
Net current assets	**20.7**	**—**	**(0.3)**	**—**	**20.4**
Total assets less current liabilities	**28.1**	**—**	**—**	**—**	**28.1**
Non-current liabilities					
Provisions	—	—	0.2	—	0.2
Deferred tax liability	0.1	—	—	—	0.1
	0.1	—	0.2	—	0.3
Net assets	**28.0**	**—**	**(0.2)**	**—**	**27.8**
Financed by:					
Share capital	—	—	—	—	—
Share premium	—	—	—	—	—
Revaluation reserve	1.9	(1.9)	—	—	—
Foreign exchange reserve	(0.1)	0.1	—	—	—
Capital redemption reserve	0.1	—	—	—	0.1
Retained earnings	26.1	1.8	(0.2)	—	27.7
Total equity	**28.0**	**—**	**(0.2)**	**—**	**27.8**

31. EXPLANATION OF TRANSITION TO IFRS (continued)

	As previously reported as at 31 December 2019 £m	Freezing of foreign exchange and revaluation reserve £m	IFRS 16 £m	Correction of accounting error £m	Under IFRS as at 31 December 2019 £m
Non-current assets					
Intangible assets	0.1	—	—	—	0.1
Property, plant and equipment	4.0	—	—	—	4.0
Right of use assets	—	—	1.1	—	1.1
Investment property	0.7	—	—	—	0.7
Investments accounted for using the equity method	2.6	—	—	—	2.6
	7.4	**—**	**1.1**	**—**	**8.5**
Current assets					
Inventories	2.8	—	—	—	2.8
Trade and other receivables	7.7	—	—	—	7.7
Current asset investments	—	—	—	9.5	9.5
Cash and cash equivalents	17.6	—	—	(9.5)	8.1
	28.1	**—**	**—**	**—**	**28.1**
Current liabilities					
Trade and other payables	5.2	—	(0.1)	—	5.1
Lease liabilities	—	—	0.2	—	0.2
Current tax liabilities	0.6	—	—	—	0.6
Provisions	—	—	0.1	—	0.1
	5.8	**—**	**0.2**	**—**	**6.0**
Net current assets	**22.3**	**—**	**(0.2)**	**—**	**22.1**
Total assets less current liabilities	**29.7**	**—**	**0.9**	**—**	**30.6**
Non-current liabilities					
Lease liabilities	—	—	0.8	—	0.8
Provisions	—	—	0.1	—	0.1
Deferred tax liability	0.1	—	—	—	0.1
	0.1	—	0.9	—	1.0
Net assets	**29.6**	**—**	**—**	**—**	**29.6**
Financed by:					
Share capital	—	—	—	—	—
Share premium	—	—	—	—	—
Revaluation reserve	1.9	(1.9)	—	—	—
Foreign exchange reserve	—	0.1	—	—	0.1
Capital redemption reserve	0.1	—	—	—	0.1
Retained earnings	27.6	1.8	—	—	29.4
Total equity	**29.6**	**—**	**—**	**—**	**29.6**

31. EXPLANATION OF TRANSITION TO IFRS (continued)

	As previously reported as at 31 December 2020 £m	Freezing of foreign exchange and revaluation reserve £m	IFRS 16 £m	Correction of accounting error £m	Under IFRS as at 31 December 2020 £m
Non-current assets					
Intangible assets	0.1	—	—	—	0.1
Property, plant and equipment	3.9	—	—	—	3.9
Right of use assets	—	—	1.8	—	1.8
Investment property	0.7	—	—	—	0.7
Investments accounted for using the equity method	2.9	—	—	—	2.9
	7.6	**—**	**1.8**	**—**	**9.4**
Current assets					
Inventories	3.0	—	—	—	3.0
Trade and other receivables	7.8	—	—	—	7.8
Current asset investments	—	—	—	9.8	9.8
Cash and cash equivalents	21.7	—	—	(9.8)	11.9
	32.5	**—**	**—**	**—**	**32.5**
Current liabilities					
Trade and other payables	6.5	—	(0.2)	—	6.3
Lease liabilities	—	—	0.3	—	0.3
	6.5	**—**	**0.1**	**—**	**6.6**
Net current assets	**26.0**	**—**	**(0.1)**	**—**	**25.9**
Total assets less current liabilities	**33.6**	**—**	**1.7**	**—**	**35.3**
Non-current liabilities					
Lease liabilities	—	—	1.4	—	1.4
Provisions	—	—	0.1	—	0.1
	—	—	1.5	—	1.5
Net assets	**33.6**	**—**	**0.2**	**—**	**33.8**
Financed by:					
Share capital	—	—	—	—	—
Share premium	—	—	—	—	—
Revaluation reserve	1.9	(1.9)	—	—	—
Foreign exchange reserve	(0.1)	0.1	—	—	—
Capital redemption reserve	0.1	—	—	—	0.1
Retained earnings	31.7	1.8	0.2	—	33.7
Total equity	**33.6**	**—**	**0.2**	—	**33.8**

31. EXPLANATION OF TRANSITION TO IFRS (continued)

	As previously reported as at 31 December 2021 £m	Freezing of foreign exchange and revaluation reserve £m	Reversal of revaluation £m	IFRS 16 £m	Correction of accounting error £m	Under IFRS as at 31 December 2021 £m
Non-current assets						
Intangible assets	0.1	—	—	—	—	0.1
Property, plant and equipment	5.5	—	(1.6)	—	—	3.9
Right of use assets	—	—	—	2.1	—	2.1
Investment property	0.6	—	—	—	—	0.6
	6.2	—	**(1.6)**	**2.1**	—	**6.7**
Current assets						
Inventories	4.2	—	—	—	—	4.2
Trade and other receivables	10.9	—	—	(0.1)	(0.8)	10.0
Current asset investments	—	—	—	—	2.5	2.5
Cash and cash equivalents	31.8	—	—	—	(2.5)	29.3
	46.9	—	**—**	**(0.1)**	**(0.8)**	**46.0**
Current liabilities						
Trade and other payables	9.6	—	—	—	(0.8)	8.8
Lease liabilities	—	—	—	0.4	—	0.4
	9.6	—	**—**	**0.4**	**(0.8)**	**9.2**
Net current assets	**37.3**	—	**—**	**(0.5)**	—	**36.8**
Total assets less current liabilities	**43.5**	—	**(1.6)**	**1.6**	—	**43.5**
Non-current liabilities						
Lease liabilities	—	—	—	1.6	—	1.6
Provisions	—	—	—	0.1	—	0.1
Deferred tax liability	0.3	—	(0.2)	—	—	0.1
	0.3	—	(0.2)	1.7	—	1.8
Net assets	**43.2**	**—**	**(1.4)**	**(0.1)**	**—**	**41.7**
Financed by:						
Share capital	—	—	—	—	—	—
Share premium	—	—	—	—	—	—
Revaluation reserve	3.2	(1.9)	(1.3)	—	—	—
Foreign exchange reserve	(0.1)	0.1	—	—	—	—
Capital redemption reserve	0.1	—	—	—	—	0.1
Retained earnings	40.0	1.8	(0.1)	(0.1)	—	41.6
Total equity	**43.2**	**—**	**(1.4)**	**(0.1)**	**—**	**41.7**

Section A: Accountant's Report on the Unaudited Pro Forma Financial Information

Grant Thornton UK LLP
11th Floor Landmark
St. Peter's Square
Manchester
M1 4BP
T +44 (0)161 953 6900

The Directors
Norcros plc
Ladyfield House
Station Road
WILMSLOW
SK9 1BU

12 May 2022

Dear Sir/Madam

Norcros plc (the Company) and its Subsidiary Undertakings (Together the Group) – Report On Unaudited Pro Forma Financial Information

We report on the unaudited *pro forma* financial information (the ***Pro Forma* Financial Information**) set out in Section B of Part V of the Company's Class 1 circular dated 12 May 2022 (the **Circular**).

1. Opinion

In our opinion:

a the *Pro Forma* Financial Information has been properly compiled on the basis stated; and

a such basis is consistent with the accounting policies of the Company.

2. Responsibilities

It is the responsibility of the directors of the Company (the **Directors**) to prepare the *Pro Forma* Financial Information in accordance with Annex 20 of the United Kingdom version of Regulation number 2019/980 of the European Commission, which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (the **PR Regulation**) as applied by LR 13.3.3R of the Listing Rules of the Financial Conduct Authority (the **Listing Rules**).

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 to the PR Regulation as applied by LR 13.3.3R of the Listing Rules, as to the proper compilation of the *Pro Forma* Financial Information and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *Pro Forma* Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

3. Basis of Preparation

The *Pro Forma* Financial Information has been prepared on the basis set out in the notes within Section B, for illustrative purposes only, to provide information about how the Placing and the Acquisition might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the Group consolidated financial statements for the period ended 31 March 2022.

This report is required by Section 3 of Annex 20 of the PR Regulation as applied by LR 13.3.3R of the Listing Rules, and is given for the purpose of complying with that requirement and for no other purpose.

4. Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council (**FRC**) in the United Kingdom. We are independent of Norcros plc and Granfit Holdings Limited in accordance with relevant ethical requirements, which in the United Kingdom is the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *Pro Forma* Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *Pro Forma* Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully

GRANT THORNTON UK LLP

Section B: Unaudited *Pro Forma* Financial Information

The unaudited *pro forma* net assets statement below has been prepared on the basis set out in the notes below to illustrate the effect of the Placing and the Acquisition on the consolidated net assets of the Group as at 30 September 2021 as if they had taken place on 30 September 2021.

The unaudited *pro forma* income statement below has been prepared on the basis set out in the notes below to illustrate the effect of the Placing and the Acquisition on the consolidated income statement of the Group for the 12 months ended 31 March 2021 as if they had taken place at the beginning of that financial year.

The unaudited *pro forma* income statement and unaudited *pro forma* net assets statement (together the "**Unaudited *Pro Forma* Financial Information**") have been prepared in a manner consistent with the accounting policies adopted by the Group for the year ending 31 March 2022 and in accordance with Annex 20 of the PR Regulation.

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

The Unaudited *Pro Forma* Financial Information does not constitute financial statements within the meaning of Section 434 of the Act. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part V. Grant Thornton UK LLP's report on the Unaudited *Pro Forma* Financial Information is set out in Section A of this Part V.

Unaudited *pro forma* income statement

			Adjustments				
	Norcros 31 March 2021 £m *Note 1*	**Grant Westfield 31 December 2021 £m** *Note 2*	**Discontinued operations £m** *Note 3*	**Property excluded from the Acquisition £m** *Note 4*	**Facilities interest £m** *Note 5*	**Acquisition adjustments £m** *Note 6*	***Pro forma* consolidated net income £m** *Note 7*
Revenue	**324.2**	**42.2**	**—**	**—**	—	—	**366.4**
Underlying operating profit	33.8	7.1	-	—	—	—	40.9
IAS 19R administration expenses	(1.4)	—	—	—	—	—	(1.4)
Acquisition related costs	(3.7)	—	—	—	—	(2.2)	(5.9)
Exceptional operating items	(3.8)	-	-	1.6	—	—	(2.2)
Operating profit	**24.9**	**7.1**	**—**	**1.6**	**—**	**(2.2)**	**31.4**
Finance costs	(5.4)	(0.1)	—	—	(1.6)	—	(7.1)
Finance income	—	0.1	-	—	—	—	0.1
IAS 19R finance cost	(1.0)	-	-	—	—	—	(1.0)
Profit before taxation	**18.5**	**7.1**	**—**	**1.6**	**(1.6)**	**(2.2)**	**23.4**
Taxation	(3.5)	(1.6)	—	(0.2)	0.3	—	(5.0)
Profit for the year from continuing operations	**15.0**	**5.5**	**—**	**1.4**	**(1.3)**	**(2.2)**	**18.4**
Profit from discontinued operations	**—**	**7.4**	**(7.4)**	—	—	—	—
Profit for the year	**15.0**	**12.9**	**(7.4)**	**1.4**	**(1.3)**	**(2.2)**	**18.4**

Note 1

The financial information relating to Norcros has been extracted without adjustment from the audited financial statements of Norcros for the year ended 31 March 2021 which were published on 10 June 2021 and have been incorporated by reference within this document.

Note 2

The financial information relating to the Grant Westfield Group for the year ended 31 December 2021 has been extracted without adjustment from the historical financial information on the Grant Westfield Group contained in section B of Part IV of this document.

Note 3

The profit from discontinued operations of £7.4m has been adjusted from the Grant Westfield Group profit due to the discontinued operations not being part of the acquisition.

Note 4

The pre-acquisition sale of property, plant & equipment and investment property for a value of £5.4m resulted in a gain on disposal of £1.6m, with an associated tax charge of £0.2m.

Note 5

The adjustment to interest represents finance costs estimated at £1.6m arising from the additional drawdown of the existing banking facility in respect of part of the cash consideration to be paid in connection with the Acquisition. A £0.3m adjustment has also been made to reflect the estimated corporation tax impact of this adjustment.

Note 6

As a result of the acquisition it is expected that £3.5m of transaction costs, inclusive of VAT, will be incurred. Of these costs, £2.2m of acquisition costs are expected to be expensed through the income statement and £1.3m of fundraising costs deducted from share premium on the balance sheet. No material tax impact is expected from the transaction fees. No adjustment has been included for an amortisation charge relating to potential acquired intangible assets as the exercise to identify and value such assets will only be undertaken after completion as explained further at Note 14.

Note 7

This column represents the sum of the preceding columns and represents the *pro forma* net income of the Group.

Note 8

In preparing the unaudited *pro forma* income statement, no account has been taken of the trading or transactions of the Grant Westfield Group since 31 December 2021 or the trading or transactions of Norcros since 31 March 2021.

Unaudited *pro forma* net assets statement

			Adjustments					
	Norcros 30 September 2021 £m *Note 9*	Grant Westfield 31 December 2021 £m *Note 10*	Property excluded from the Acquisition £m *Note 11*	Placing proceeds £m *Note 12*	Additional facility drawdown £m *Note 13*	Acquisition adjustments £m *Note 14*	Repayment of additional facility drawdown £m *Note 15*	*Pro forma* consolidated net assets £m *Note 16*
Non-current assets								
Goodwill and other intangible assets	91.7	0.1	—	—	—	82.1	—	173.9
Property, plant and equipment	27.6	3.9	(3.2)	—	—	—	—	28.3
Right of use assets	19.4	2.1	—	—	—	—	—	21.5
Investment property	—	0.6	(0.6)	—	—	—	—	—
	138.7	**6.7**	**(3.8)**	**—**	**—**	**82.1**	**—**	**223.7**
Current assets								
Inventories	94.6	4.2	—	—	—	—	—	98.8
Trade and other receivables	73.6	10.0	—	—	—	—	—	83.6
Derivative financial instruments	0.8	—	—	—	—	—	—	0.8
Current asset investments	—	2.5	—	—	—	(2.5)	—	—
Cash and cash equivalents	26.8	29.3	5.4	17.3	96.7	(108.5)	(31.8)	35.2
	195.8	**46.0**	**5.4**	**17.3**	**96.7**	**(111.0)**	**(31.8)**	**218.4**
Current liabilities								
Financial liabilities – borrowings	—	—	—	—	(31.8)	(3.0)	31.8	(3.0)
Trade and other payables	(102.0)	(8.8)	—	—	—	—	—	(110.8)
Lease liabilities	(5.4)	(0.4)	—	—	—	—	—	(5.8)
Current tax liabilities	(2.8)	—	(0.2)	—	—	—	—	(3.0)
	(110.2)	**(9.2)**	**(0.2)**	**—**	**(31.8)**	**(3.0)**	**31.8**	**(122.6)**
Net current assets	**85.6**	**36.8**	**5.2**	**17.3**	**64.9**	**(114.0)**	**—**	**95.8**
Total assets less current liabilities	**224.3**	**43.5**	**1.4**	**17.3**	**64.9**	**(31.9)**	**—**	**319.5**
Non-current liabilities								
Financial liabilities – borrowings	(25.8)	—	—	—	(64.9)	—	—	(90.7)
Pension scheme liability	(6.1)	—	—	—	—	—	—	(6.1)
Lease liabilities	(18.3)	(1.6)	—	—	—	—	—	(19.9)
Other non-current liabilities	(0.3)	—	—	—	—	(12.0)	—	(12.3)
Deferred tax liability	(3.0)	(0.1)	—	—	—	—	—	(3.1)
Provisions	(3.5)	(0.1)	—	—	—	—	—	(3.6)
	(57.0)	**(1.8)**	**—**	**—**	**(64.9)**	**(12.0)**	**—**	**(135.7)**
Net assets	**167.3**	**41.7**	**1.4**	**17.3**	**—**	**(43.9)**	**—**	**183.8**

Note 9

The financial information relating to Norcros has been extracted without adjustment from the consolidated unaudited interim financial information of Norcros for the six months ended 30 September 2021 which was published on 11 November 2021 and has been incorporated by reference within this document.

Note 10

The financial information relating to the Grant Westfield Group has been extracted without adjustment from the statement of financial position of the Grant Westfield Group as at 31 December 2021 as set out in section B of Part IV of this document.

Note 11

The net assets of the Grant Westfield Group have been adjusted for the pre-acquisition sale of property, plant & equipment and investment property for a value of £5.4m. This resulted in a gain on disposal of £1.6m and an associated tax charge of £0.2m.

Note 12

The adjustment to cash represents the proceeds from the issue of new ordinary shares under the placing net of £1.3m of fundraising costs deducted from share premium. As disclosed in note 6 there are £2.2m of acquisition costs expected to be expensed through the income statement.

Note 13

This adjustment to cash represents the additional drawdown of the Group's existing banking facility which, together with the proceeds of the placing will fund the Acquisition.

Note 14

As a result of the Acquisition, consolidation adjustments are required.

The adjustment allocated to goodwill and other intangible assets is calculated as follows:

Upfront cash consideration	77.0
Add: Financial net funds	31.8
Total upfront cash consideration	108.8
Deferred and earnout elements of consideration	15.0
Enterprise value	123.8
Less net assets	(41.7)
Proforma adjustment Goodwill and other intangible assets	82.1
Total upfront cash consideration	108.8
Add: Fees	2.2
Net cash outflow	111.0

The aggregate consideration is £123.8m with £108.8m payable in upfront cash at completion, £3.0m retained by Norcros and subject to a completion account mechanism, and £12.0m comprising deferred consideration including an element for earnout based on certain performance criteria and payable in 2024 and 2025. For the purposes of this unaudited *pro forma* financial information the deferred and earnout considerations are treated for accounting purposes under IFRS 3 as consideration that is fair valued at the aggregate maximum payable of £15.0m.

Also included within the terms of the sale and purchase agreement is a working capital and cash free adjustment under which the vendors will either receive a cash sum for additional working capital and the net free cash in the business measured at completion. The financial net funds adjustment of £31.8m, which represents £29.3m of cash and cash equivalents and £2.5m of current asset investments, shown above is the Directors' best assessment based on the information at the time of this document. Therefore, the actual sum for the financial net funds adjustment at completion may be different from that shown above.

For the purposes of this unaudited *pro forma* financial information, no adjustment has been made to the separate assets and liabilities of the Grant Westfield Group to reflect their fair value. The difference between the net assets of the Grant Westfield Group as stated at their book value at 31 December 2021 and the consideration has therefore been presented as a single value in "Goodwill and other intangible assets". The net assets of the Grant Westfield Group will be subject to a fair value restatement as at the effective date of the transaction. Actual intangible assets and deferred tax liabilities to be included in the next published financial statements of Norcros plc subsequent to the Acquisition may therefore be materially different from that included in the *pro forma* statement of net assets. Intangible assets other than goodwill will be subject to amortisation which will be charged to the income statement and therefore the amortisation charge may be materially different from that shown in the *pro forma* income statement in section B of this Part V.

Note 15

This adjustment to cash represents the repayment of the excess cash element of the additional drawdown of the Group's existing banking facility.

Note 16

This column represents the sum of the preceding columns and represents the *pro forma* net assets of the Group.

Note 17

In preparing the unaudited *pro forma* net assets statement no account has been taken of the trading, capital expenditure or transactions of the Grant Westfield Group since 31 December 2021 or the trading, capital expenditure or transactions of Norcos since 30 September 2021.

PART VI – ADDITIONAL INFORMATION

1 Incorporation and status of the Company

(i) The Company was incorporated and registered in England and Wales on 5 January 1999 under the Companies Act 1985 as a private company limited by shares with registered number 3691883 with the name Stormgrange Limited. On 7 February 2000, the Company changed its name to Norcros (Holdings) Limited. On 15 June 2007, the Company was re- registered as a public company limited by shares and changed its name to Norcros plc.

(ii) The principal law and legislation under which the Company operates is the Companies Act.

(iii) The Company's legal and commercial name is Norcros plc. The Company's LEI is 213800EIMJZZA1GBIE18.

(iv) The registered office of the Company is at Ladyfield House, Station Road, Wilmslow, Cheshire SK9 1BU. The telephone number of the Company's registered office is +44 (0)1625 549010.

(v) The Company is domiciled in the United Kingdom.

2 Interests in Ordinary Shares

2.1 Directors' and senior management's interests

As at the Latest Practicable Date and as expected to be immediately following Admission, the interests (all of which are beneficial) of the Directors and members of the senior management and their immediate families (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of section 252 to 255 of the Companies Act) in the Company's issued ordinary share capital are or are expected to be as follows:

Name:	Number of Ordinary Shares:	Percentage of Ordinary Shares:	Number of Ordinary Shares after Admission(1):	Percentage of Ordinary Shares after Admission(1):
Gary Kennedy	43,121	0.05%	43,121	0.05%
Nicholas Kelsall	1,697,594	2.09%	1,697,594	1.90%
James Eyre	51,007	0.06%	51,007	0.06%
David McKeith	17,941	0.02%	17,941	0.02%
Alison Littley	0	0%	0	0%

Notes:

1 Assuming that (i) all of the Placing Shares in relation to the Placing are issued and (ii) no further Ordinary Shares are issued as a result of the exercise of any options over Ordinary Shares between the Latest Practicable Date and Admission.

The following table sets out details of the share awards under the Plans held by the Directors and members of the senior management as at the close of business on the Latest Practicable Date:

Director/senior manager	Description	Awards outstanding as at the Latest Practicable Date
Nicholas Kelsall	DBP	117,751
	APSP	505,534
	SAYE	10,975
James Eyre	DBP	0
	APSP	171,793
	SAYE	10,975

2.2 Significant Shareholders

As at the Latest Practicable Date, the Company is aware of the following persons (other than any Director or member of senior management) who (i) are or will be interested, directly or indirectly, in Ordinary Shares representing three per cent. or more of the Company's voting rights and (ii) intend to subscribe in the Placing:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares	Number of Placing Shares(1)	Number of Ordinary Shares immediately following Admission(1)	Percentage of Ordinary Shares immediately following Admission(2)
Premier Miton Group	8,089,830	9.98%	800,000	8,889,830	9.97%
Cannaccord Genuity Group Inc	7,890,000	9.73%	925,500	8,815,500	9.89%
J O Hambro Capital Management Ltd	7,867,085	9.70%	808,870	8,675,955	9.73%
FIL Ltd	6,068,854	7.49%	722,426	6,791,280	7.62%
Allianz SE	4,068,700	5.02%	600,000	4,668,700	5.24%
SVM	4,006,126	4.94%	475,000	4,481,126	5.03%
M&G	3,865,857	4.77%	384,021	4,249,878	4.77%

1 Assuming that (i) all of the Placing Shares in relation to the Placing are issued and (ii) these Shareholders participate in the Placing to the extent known to the Company.

2 Assuming that (i) all of the Placing Shares in relation to the Placing are issued, (ii) no further Ordinary Shares are issued as a result of the exercise of any options over Ordinary Shares between the Latest Practicable Date and Admission and (iii) these Shareholders participate in the Placing to the extent known to the Company.

3 Directors' and senior management's service agreements

3.1 Set out below are summary details of the service agreements of each of the executive directors:

(A) Under his service agreement with the Company, Nicholas Kelsall (Group Chief Executive Officer) is entitled to receive an annual salary of £476,000 per annum. Mr Kelsall's employment is terminable by 12 months' notice given by either party. The Company may, at its discretion, terminate Mr Kelsall's employment immediately by making a payment to him in lieu of his basic salary and other contractual benefits (excluding benefits under incentive plans). Mr Kelsall may be invited to participate in an annual discretionary bonus scheme, a long term incentive plan, a SAYE plan, and a deferred bonus scheme. He is also entitled to a pension payment equal to 15 per cent. of basic salary, an annual car allowance of £15,000, life assurance, permanent health insurance, private medical insurance, and personal accident insurance. His service agreement includes standard summary termination provisions and post termination restrictive covenants which apply for a period of 12 months following the termination of his employment. If there is a change in control of the Company, Mr Kelsall is entitled to terminate his employment on 7 days' notice and to receive a payment from the Company equal to his basic salary and other contractual benefits (excluding benefits under incentive plans) for 12 months (or the remainder of his contractual notice period if notice of termination has already been served); and

(B) Under his service agreement with the Company, James Eyre (Group Chief Financial Officer) is entitled to receive an annual salary of £290,000 per annum. Mr Eyre's employment is terminable by 12 months' notice given by either party. The Company may, at its discretion, terminate Mr Eyre's employment immediately by making a payment to him in lieu of his basic salary and other contractual benefits (excluding benefits under incentive plans). Mr Eyre may be invited to participate in an annual discretionary bonus scheme, a long term incentive plan, a SAYE plan, and a deferred bonus scheme. He is also entitled to employer pension contributions equal to 8 per cent. of basic salary, an annual car allowance of £12,000, life assurance, permanent health insurance, private medical insurance, and personal accident insurance. His service agreement includes standard summary termination provisions and post termination restrictive covenants which apply for a period of 12 months following the termination of his employment.

3.2 Set out below are summary details of the terms of appointment of each of the Non-Executive Directors:

(A) Gary Kennedy (Non-executive Chair of the Board) was appointed to the board with effect from 8 December 2021 for an initial term of three years, contingent on his re-election at subsequent annual general meetings. Mr Kennedy was appointed as Non-Executive Chair of the Board and Chair of the Nomination Committee with effect from 8 December 2021. The annual fee payable to Mr Kennedy is £145,000. The number of days Mr Kennedy will be required to spend on Company business is 2 days per month. The notice period for either the Company or Mr Kennedy to terminate the appointment is one month;

(B) David McKeith (Non-executive Director) was appointed to the board with effect from 24 July 2013 for an initial term of three years, contingent on his re-election at subsequent annual general meetings. The annual fee payable to Mr McKeith is £59,000. The number of days Mr McKeith will be required to spend on Company business is between 1 and 1.5 days per month. The notice period for either the Company or Mr McKeith to terminate the appointment is one month; and

(C) Alison Littley (Non-executive Director) was appointed to the board with effect from 1 May 2019 for an initial term of three years, contingent on her re-election at subsequent annual general meetings. The annual fee payable to Ms Littley is £56,000. The number of days Ms Littley will be required to spend on Company business is between 1 and 1.5 days per month. The notice period for either the Company or Ms Littley to terminate the appointment is one month.

4 Material contracts

Norcros Group

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

4.1 Acquisition Agreement and ancillary documents

A description of the principal terms of the Acquisition Agreement and ancillary documents is set out in Part II (*Summary of Key Terms and Conditions of the Acquisition*) of this document.

4.2 Sponsor and Placing Agreement

The Company entered into the Sponsor and Placing Agreement with Numis on 11 May 2022 pursuant to which Numis agreed (subject to, amongst other things, the conditions as set out below) to use its reasonable endeavours, as agent of the Company, to procure Placees for all of the Placing Shares to be issued pursuant to the Placing.

Under the Sponsor and Placing Agreement, subject to Admission occurring, the Company will pay to Numis a sponsor fee of £400,000 and a commission of 3 per cent. of the aggregate gross value of the Placing Shares at the Offer Price. The Company will also pay other costs and expenses of, or incidental to, amongst other things, the issue of the Placing Shares, including Numis' legal, accountancy and other professional fees and expenses, and all related VAT, if applicable.

The primary obligations of Numis under the Sponsor and Placing Agreement are conditional upon, amongst other things:

(A) the Company having complied with those of its obligations under the Sponsor and Placing Agreement which fall to be performed on or prior to Admission;

(B) the Acquisition Agreement having been duly executed by all of the parties thereto, and not having been terminated or rescinded prior to Admission; and

(C) the Facilities Agreement not having been terminated or rescinded prior to Admission;

(D) not less than £102.8 million being available for draw-down under the Facilities Agreement upon delivery of a drawdown notice (subject only to the Company not becoming aware, and the Facility Agent (as defined in the Facilities Agreement) not notifying the Company, that a Default (as defined in the Facilities Agreement) is continuing or would result from the proposed loan at any time before the Facility Agent (as defined in the Facilities Agreement) sends the relevant monies to the relevant account);

(E) the FCA agreeing to admit the Placing Shares to the Official List and the London Stock Exchange agreeing to admit the Placing Shares to trading on the Main Market (both subject only to the allotment of the Placing Shares); and

(F) Admission occurring on or before 8.00 a.m. on 16 May 2022 (or such later time, not later than 8.00 a.m. on 30 May 2022, as Numis and the Company may agree in writing).

If any of the conditions are not satisfied prior to the relevant date or time (or waived by Numis in the case of certain conditions), then the Sponsor and Placing Agreement (except for certain surviving clauses) shall have no further effect, without prejudice to any liability for any prior breach of the agreement.

The Sponsor and Placing Agreement contains certain warranties and indemnities given by the Company in favour of Numis, in each case customary for an agreement of this type. The Sponsor and Placing Agreement also contains provisions allowing Numis to terminate the Sponsor and Placing Agreement in certain circumstances prior to Admission, including where:

(A) there has been a breach of any of the warranties given by the Company in the Sponsor and Placing Agreement which, in the opinion of Numis, acting reasonably and in good faith, is material in the context of the Group taken as a whole or the Placing;

(B) in the opinion of Numis, acting in good faith, there shall have been a material adverse change in the condition, earnings, management, business affairs, solvency, credit rating or prospects of the Company, the Group (taken as a whole) or the Grant Westfield Group (taken as a whole) since the date of the Sponsor and Placing Agreement; and

(C) certain force majeure events have or, in the good faith opinion of Numis, are reasonably likely to occur.

The Company has given certain undertakings to Numis, including an undertaking that it will not, subject to certain exceptions, without the prior written consent of Numis (such consent not to be unreasonably withheld or delayed) issue shares or options over shares or securities convertible or exchangeable into shares during the 90 day period commencing on the date of Admission.

4.3 **Banking agreements**

Facility Agreement

On 7 March 2022, the Company entered into a £130 million investment grade senior multicurrency revolving facility agreement with a £70 million accordion option between, amongst others, the Company, National Westminster Bank plc, HSBC UK Bank plc, the Governor and Company of the Bank of Ireland and Lloyds Bank plc as lenders (the "**Lenders**") and Lloyds Bank plc as agent (the "**Agent**") (the "**RCF**"). The Lenders provided revolving credit facilities of £130 million (the "**RC Facilities**") and additional accordion facilities of up to £70 million (the "**Accordion Facility**").

The Company's subsidiaries (Norcros Group (Holdings) Limited, Norcros Industry (International) Limited, Norcros Estates Limited, Norcros Developments Limited and H&R Johnson Tiles Limited) also entered into the RCF (together the "**Companies**") as obligors and each provided (together with the Company and Merlyn Industries Limited) a continuing guarantee of the performance of all of the borrowers' obligations under the RCF. Additionally, subsidiaries of the Company are required (to the extent possible from a regulatory perspective) to accede to the RCF where the existing guarantors don't represent 85 per cent. of EBITDA or gross assets (excluding South African subsidiaries which are not already guarantors) of the Group. If and where a South African subsidiary represents 60 per cent. (reducing to 50 per cent. depending on the Leverage Ratio) or more of EBITDA or gross assets of the Group, then the Agent may notify the Company that they require the South African incorporated material companies to accede to the RCF as a guarantor and guarantee these obligations. All guarantees provided are on a joint and several basis. Each acceding subsidiary is required to provide a guarantee in accordance with the agreed guarantee principles.

Each loan has an interest rate comprised of the aggregate of the applicable:

(A) JIBAR if made in SA rand;

(B) EURIBOR if made in Euros; or

(C) the relevant compounded reference rate for that day if made in either Sterling or US dollars, or, if any day during an interest period for such a loan is either a Saturday or Sunday (or a day on which the relevant exchange is not open) the rate applicable to the immediately preceding banking day, for the relevant drawing and a margin of between 1.90-2.90 per cent. per annum (depending on the leverage ratio range). This margin payable is subject to a margin ratchet pursuant to which the level may adjust, both up and down, as the Group's "Leverage Ratio" (that is, the Group's net indebtedness at a particular covenant test date divided by the consolidated adjusted EBITDA of the Group for the twelve month period ending on that covenant test date) increases or decreases.

The RCF terminates on the date falling three years and seven months from the first utilisation date, unless extended by a maximum of twenty four months. Each loan shall be repaid on the last day of its interest period. Mandatory prepayment provisions may also apply to require earlier prepayment, for example, as a result of a change of control or illegality. Voluntary prepayments may be made by the borrowers provided minimum thresholds for amounts and notice periods have been met.

A number of standard representations and warranties were given under the terms of the RCF, many of which will be repeated on the date of each utilisation request, on the first day of each interest period and, in the case of an additional obligor, the day on which the company becomes (or it is proposed that the company becomes) an additional obligor. Customary materiality tests, carve-outs and grace periods also apply. The RCF requires that the borrowers and guarantors comply with, and, in appropriate cases, require that the borrowers ensure the compliance of the Group with, a number of customary undertakings. The terms of the RCF also contain two financial covenants, one requiring that the Group's "Leverage Ratio" cannot exceed a particular level as at any test date and the other stating that the ratio of EBITDA of the Group for the twelve month period ending on a particular covenant test date to the consolidated net finance charges for the Group for that same twelve month period cannot be less than a particular level as at any such test date. These two financial covenants are tested semi-annually by reference to the Group's consolidated financial statements as at the Group's half year and audited and consolidated financial statements as at the Group's year end (as applicable).

The events of default under the RCF are usual for facilities and transactions of this type. Upon the occurrence of an event of default which is not remedied or waived, the Agent may or shall acting on the instructions of the majority of lenders (the holders of 66.66 per cent. of the total commitments) cancel the available RC Facilities and Accordion Facility, may declare all outstanding payments to be immediately due and payable and may exercise all or any of its rights under the finance documents.

The borrowers had drawn £20.0 million of the RC Facilities (as at 31 March 2022).

Grant Westfield Group

There are no contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Grant Westfield Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Grant Westfield Group and which contain any provision under which any member of the Grant Westfield Group has any obligation or entitlement which is, or may be, material to the Grant Westfield Group as at the date of this document:

5 Related party transactions

Other than those matters referred to in the Group's annual reports for the three full years ended 31 March 2021, incorporated by reference in Part VIII (*Documents incorporated by reference*), during the period commencing on 1 April 2019 and terminating on the date of this document, the Company has not entered into any related party transactions.

6 Working capital

The Company is of the opinion that, taking into account the net proceeds of the Placing and the RC Facilities, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

7 Litigation

7.1 The Group

There are no governmental, legal or arbitration proceedings (including such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past, a significant effect on the Company's and or the Group's financial position or profitability.

7.2 The Grant Westfield Group

There are no governmental, legal or arbitration proceedings (including such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past, a significant effect on the Grant Westfield Group's financial position or profitability.

8 No significant change

8.1 The Group

There has been no significant change in the financial position or financial performance of the Group since 30 September 2021, being the latest date to which financial information for the Group has been published.

8.2 The Grant Westfield Group

There has been no significant change in the financial position or financial performance of the Grant Westfield Group since 31 December 2021, being the latest date to which the historical financial information in Section B of Part IV (*Historical Financial Information of the Grant Westfield Group*) was prepared.

9 Third-party information

Certain information has been obtained from external publications and is sourced in this document where the information is included. The Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published to third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

10 Consents

Grant Thornton has given and has not withdrawn its written consent to the inclusion in this document of its reports in Section A of Part IV (*Historical Financial Information of the Grant Westfield Group*) and Section A of Part V (*Unaudited Pro Forma Financial Information for the Enlarged Group*) in the form and context in which they appear and to the issue of this document with the inclusion of references to those reports in the form and context in which they appear.

11 Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of the Company at Ladyfield House, Station Road, Wilmslow, Cheshire, SK9 1BU and, except for the Acquisition Agreement, on the Company's website at www.norcros.com/investor-centre from the date of this document to the date of the General Meeting:

(A) the memorandum of association of the Company and the Articles;

(B) the Acquisition Agreement;

(C) the historical financial information relating to the Grant Westfield Group – in respect of the three full financial years ended 31 December 2021, together with the related report from Grant Thornton which is set out in Part IV (*Historical Financial Information of the Grant Westfield Group*) of this document;

(D) the report prepared by Grant Thornton on the unaudited *pro forma* financial information set out in Part V (*Unaudited Pro Forma Financial Information for the Enlarged Group*) of this document;

(E) the letters of consent referred to in paragraph 10 above; and

(F) this document.

In addition, copies of this document are available through the National Storage Mechanism (the "**NSM**") website located at www.morningstar.co.uk/uk/nsm.

Dated: 12 May 2022

PART VII – DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this document:

Information incorporated by reference	*Page number in document*
Annual Report and Accounts of Norcros for the year ended 31 March 2021, including: (https://www.norcros.com/files/5316/2393/1221/Norcros_plc_Annual_Report_and_Accounts_2021.pdf)	
Independent auditor's report	83
Consolidated income statement	89
Consolidated statement of comprehensive income	90
Consolidated balance sheet	91
Consolidated cash flow statement	92
Consolidated statement of changes in equity	93
Notes to the group accounts	94
Annual Report and Accounts of Norcros for the year ended 31 March 2020, including: (https://www.norcros.com/files/8815/9376/5985/Norcros_plc_Annual_Report_and_Accounts_2020.pdf)	
Independent auditor's report	78
Consolidated income statement	84
Consolidated statement of comprehensive income	85
Consolidated balance sheet	86
Consolidated cash flow statement	87
Consolidated statement of changes in equity	88
Notes to the group accounts	89
Annual Report and Accounts of Norcros for the year ended 31 March 2019, including: (https://www.norcros.com/files/1415/6095/1917/Norcros_plc_Annual_report_and_accounts_2019.pdf)	
Independent auditor's report	68
Consolidated income statement	74
Consolidated statement of comprehensive income	75
Consolidated balance sheet	76
Consolidated cash flow statement	77
Consolidated statement of changes in equity	78
Notes to the group accounts	79

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

These documents are also available on the Company's website at www.norcros.com. Except as set out above, no other portion of these documents is incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for the Shareholders or the relevant information is included elsewhere in this document.

PART VIII – DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"**Accordion Facility**"	the meaning given to it in paragraph 4.3 of Part VI (*Additional Information*) of this document
"**Acquisition**"	the proposed acquisition of the entire issued share capital of Grant Westfield pursuant to the Acquisition Agreement
"**Acquisition Agreement**"	the agreement dated 11 May 2022 between the Sellers, the Purchaser and the Company pursuant to which the Purchaser conditionally agreed to acquire the entire issued share capital of Grant Westfield, a summary of which is contained in Part II (*Summary of Key Terms and Conditions of the Acquisition*) of this document
"**Admission**"	the admission of the Placing Shares by the FCA to listing on the premium segment of the Official List and by the London Stock Exchange to trading on the Main Market
"**APSP**"	the Norcros plc Approved Performance Share Plan
"**Articles**" or "**Articles of Association**"	the articles of association of the Company from time to time
"**Board**"	the board of directors of the Company for the time being
"**Business Day**"	a day other than a Saturday or Sunday on which banks are generally open for non-automated business in the City of London
"**certificated**" or "**in certificated form**"	a share or other security (as appropriate) not in uncertificated form (that is, not in CREST)
"**Closing Price**"	the closing middle market quotation of an Existing Ordinary Share as derived from SEDOL
"**Companies Act**" or "**Act**"	the Companies Act 2006, as amended
"**Company**" or "**Norcros**"	Norcros plc
"**Completion**"	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
"**CREST**"	the relevant system (as defined in the CREST Regulations) for paperless settlement of sales and purchases of securities and the holding of shares in uncertificated form in respect of which Euroclear is the operator (as defined in the CREST Regulations)
"**CREST Manual**"	the rules governing the operation of CREST as published by Euroclear
"**CREST member**"	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations)
"**CREST personal member**"	a CREST member admitted to CREST as a personal member
"**CREST Proxy Instruction**"	has the meaning ascribed to it in the notes to the Notice of General Meeting
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as applicable), as amended from time to time
"**DBP**"	the Norcros plc 2020 Deferred Bonus Plan
"**Directors**"	the directors of the Company or the directors for the time being of the Company, as the context requires, and "**Director**" shall be construed accordingly
"**Disclosure Requirements**"	Articles 17, 18 and 19 of the Market Abuse Regulation

"**document**" or "**Circular**"	this circular
"**EEA**"	the EU, Iceland, Norway and Liechtenstein
"**EIP**"	the executive incentive plan whereby certain senior employees of the Grant Westfield Group may receive up to £3 million in aggregate based on the financial performance of the Grant Westfield Group during the period of 36 months ending on 31 March 2025 within five Business Days of the agreement or determination of the amount of the earnout as set out in the executive incentive plan
"**Enlarged Group**"	the Group as enlarged by the Acquisition and the proceeds of the Placing (following Completion and Admission, as applicable)
"**Enlarged Share Capital**"	the Ordinary Shares in issue in the capital of the Company immediately after Admission
"**EU**"	the economic and political union of Member States which are located primarily in Europe
"**Euroclear**"	Euroclear UK & International Limited
"**EUWA**"	the European Union (Withdrawal) Act 2018, as amended from time to time
"**Existing Ordinary Shares**"	the 81,063,752 Ordinary Shares in issue at the date of this document
"**Facilities Agreement**"	the agreement relating to the facilities referred to in paragraph 4.3 of Part VI (*Additional Information*) of this document
"**FCA**"	the UK Financial Conduct Authority
"**Form of Proxy**"	the form of proxy enclosed with this document for use in connection with the General Meeting
"**FSMA**"	the Financial Services and Markets Act 2000, as amended
"**General Meeting**"	the general meeting of the Company proposed to be held at the offices of Eversheds Sutherland (International) LLP, Two New Bailey, 6 Stanley Street, Manchester, M3 5GX at 10.00 a.m. on 30 May 2022 to approve the Resolution, the notice of which is set out at the end of this document
"**Grant Thornton**"	Grant Thornton UK LLP of 11th Floor Landmark, St. Peter's Square, Manchester, M1 4BP
"**Grant Westfield**"	Granfit Holdings Limited, incorporated in Scotland with registration number SC021183
"**Grant Westfield Group**"	Grant Westfield and its subsidiaries and subsidiary undertakings, and, where the context requires, its associated undertakings
"**Group**"	the Company and its subsidiaries and its subsidiary undertakings and, when the context requires, its associated undertakings from time to time
"**IFRS**"	International Financial Reporting Standards, as adopted by the EU
"**Irish SAYE**"	the Norcros plc Irish Savings-Related Share Option Scheme 2018 and the Norcros plc International Savings-Related Share Option Scheme 2020
"**Latest Practicable Date**"	11 May 2022
"**LEI**"	legal entity identifier
"**Link Group**"	a trading name of Link Market Services Limited

"**Listing Rules**"	the rules of the FCA relating to the admission to the Official List made by the FCA under section 73A(2) of FSMA
"**London Stock Exchange**"	London Stock Exchange plc or its successor(s)
"**Main Market**"	the London Stock Exchange's main market for listed securities
"**Market Abuse Regulation**"	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and its implementing legislation, as it forms part of the law of England and Wales by virtue of the EUWA, as amended by UK legislation from time to time
"**Member State**"	member state of the EEA
"**Nomination Committee**"	the nomination committee of the Board
"**Notice of General Meeting**"	the notice convening the General Meeting which is set out at the end of this document
"**Numis**"	Numis Securities Limited of 45 Gresham Street, London, EC2V 7BF
"**Offer Price**"	230 pence per Placing Share
"**Official List**"	the Official List of the FCA
"**Ordinary Shares**"	the ordinary shares of £0.10 in the capital of the Company from time to time
"**Panel on Takeovers and Mergers**"	the UK Panel on Takeovers and Mergers
"**Placee**"	any person who has agreed to subscribe for Placing Shares pursuant to the Placing
"**Placing**"	the placing of the Placing Shares at the Offer Price to Placees by Numis in accordance with the terms of the Sponsor and Placing Agreement
"**Placing Shares**"	the 8,088,700 new Ordinary Shares which are to be issued pursuant to the Placing
"**Plans**"	the APSP, the DBP, the SAYE and the Irish SAYE
"**Pound Sterling**" or "**£**"	the lawful currency of the United Kingdom
"**PR Regulation**"	Commission Delegated Regulation (EU) 2019/980, as it forms part of the law of England and Wales by virtue of the EUWA, as amended by UK legislation from time to time
"**Purchaser**"	Norcros Group (Holdings) Limited, a wholly-owned subsidiary of the Company
"**RC Facilities**"	the meaning given to it in paragraph 4.3 of Part VI (*Additional Information*) of this document
"**Registrar**" or "**Link**"	Link Group, Central Square, 10th Floor, 29 Wellington Street, Leeds, LS1 4DL
"**regulatory authority**"	any central bank, ministry, governmental, quasi-governmental (including the EU), supranational, statutory, regulatory or investigative body or authority (including any national or supranational anti-trust or merger control authority), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body or any other person or body

	whatsoever in any relevant jurisdiction, including for the avoidance of doubt, the Panel on Takeovers and Mergers, the FCA and the London Stock Exchange
"**Regulatory Information Service**"	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information from listed companies
"**Resolution**"	the resolution set out in the Notice of General Meeting
"**SAYE**"	the Norcros plc Savings-Related Share Option Scheme 2017 and the Norcros plc Savings-Related Share Option Scheme 2007
"**SEDOL**"	the London Stock Exchange Daily Official List
"**Sellers**"	Iain MacDonald and Calmeg Limited
"**senior management**"	certain members of the Group's management team
"**Shareholder**"	a holder of Ordinary Shares for the time being
"**Sponsor and Placing Agreement**"	the sponsor and placing agreement dated 11 May 2022 between the Company and Numis, details of which are set out in paragraph 4.2 of Part VI (*Additional Information*) of this document
"**subsidiary**"	the meaning given to it in the Companies Act
"**subsidiary undertaking**"	the meaning given to it in the Companies Act
"**Transparency Rules**"	the rules made under section 73A(6) of FSMA, which relate to major shareholdings and the notification and dissemination of information by issuers of transferable securities, and which are set out in chapters 4, 5 and 6 of the FCA's Disclosure Guidance and Transparency Rules sourcebook
"**uncertificated**" or "**in uncertificated form**"	in relation to a share or other security, title to which is recorded in the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred through CREST
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland
"**United States**" or "**US**"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"**US Securities Act**"	Securities Act of 1933, as amended
"**USD**", "**US Dollar**" or "**$**"	the lawful currency of the United States
"**VAT**"	UK value added tax
"**wholly-owned subsidiary**"	the meaning given to it in the Companies Act

The rule known as the ejusdem generis rule will not apply and accordingly the meaning of general words introduced by the word "other" or a similar word or expression will not be restricted by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things.

NOTICE OF GENERAL MEETING

NORCROS PLC

(incorporated in England and Wales with registered number 3691883)

NOTICE IS HEREBY GIVEN that a general meeting of Norcros plc (the "**Company**") will be held at 10.00 a.m. on 30 May 2022 at the offices of Eversheds Sutherland (International) LLP, Two New Bailey, 6 Stanley Street, Manchester, M3 5GX for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution.

Ordinary Resolution

THAT the proposed acquisition of Granfit Holdings Limited substantially on the terms and subject to the conditions contained in the conditional share purchase agreement dated 11 May 2022 between (1) Iain MacDonald and Calmeg Limited, (2) Norcros Group (Holdings) Limited and (3) the Company (the "**Acquisition Agreement**") as described in Part II of the document containing the notice convening this meeting, and all other agreements and ancillary arrangements contemplated by the Acquisition Agreement, be and are hereby approved and that the directors of the Company (the "**Directors**") (or any duly constituted committee of the Directors) be and are hereby authorised to take all such steps, and to execute all documents and deeds, as they may consider necessary, expedient or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (provided such modifications, variations or amendments are not of a material nature) as they shall deem necessary, expedient or desirable.

By order of the Board of Directors of Norcros plc

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

RICHARD COLLINS

Company Secretary

12 May 2022

NOTES:

1 A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.

2 The right of a member of the Company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by the close of business on 26 May 2022 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.

3 A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with section 323 of the Companies Act 2006. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this notice of meeting. To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Link Group at PXS 1, Central Square, 10th Floor, 29 Wellington Street, Leeds, LS1 4DL so as to be received by 10.00 a.m. on 26 May 2022. Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.signalshares.com. To be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by the same time. Members who hold their shares in uncertificated form may also use "the CREST voting service" to appoint a proxy electronically, as explained below. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.

4 Any person to whom this notice is sent who is currently nominated by a member of the Company to enjoy information rights under section 146 of the Companies Act 2006 (a "**nominated person**") may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.

5 As at 11 May 2022 (the latest practicable date prior to the printing of this document), (i) the Company's issued share capital consisted of 81,063,752 ordinary shares of £0.10 each, carrying one vote each, and (ii) the total voting rights in the Company were 81,063,752.

6 Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.norcros.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

7 CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in "the CREST voting service" section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & International Limited ("**Euroclear**"), and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Link Group (ID RA10), as the Company's "issuer's agent", by 10.00 a.m. on 26 May 2022. After this time any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer's agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST Proxy Instruction as invalid.