

(“Norcros” or “the Group”)

Results for the half year ended 30 September 2008

Norcros, the home consumer products group with operations primarily in the UK and South Africa, is reporting results for the half year ended 30 September.

Financial Summary

	2008	2007	% change
Revenue	£78.6m	£84.3m	(7)
Trading profit	£4.7m	£9.2m	(49)
Profit before tax	£4.2m	£6.1m	(31)
Earnings per share	2.8p	2.1p	33
Net cash generated from operations	£4.1m	£10.8m	(62)
Dividend per share	nil	0.56p	n/a

Operational Summary

- Results reflect difficult trading conditions in our major markets and the adverse impact of £2.5m increase in energy costs.
- Decisive management action taken to reduce costs
- Ongoing investment in new product programmes, further strengthening leading market positions
- Restructuring and selective expansion of retail estate reinforce business position in South Africa
- Disposal of Indian business as part of debt reduction programme
- Interim dividend prudently passed reflecting current uncertainty over market conditions.

John Brown, Chairman, commented:

“The trading and economic environment remains difficult and the Board does not expect any improvement in the short term in business conditions. The recent decline in Sterling and the Rand against the US Dollar will adversely impact input costs and the fall-out from the credit crisis may further weaken demand for home products.

However, we are encouraged by the resilience of our businesses and the actions we have taken to reduce costs, offset input cost inflation, and reduce debt and finance charges will benefit performance in the second half of the year. “We should also benefit from the resolution of the production problems at our South African tile plant.

The passing of the Interim Dividend reflects the current uncertainty over market conditions but we remain confident that the Triton, Johnson, Tile Africa and Tile Adhesive brands and business models will retain and strengthen their well-established market positions and we would expect to capitalise on any improvement in conditions as and when they occur.”

20 November 2008

ENQUIRIES

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Chairman's statement

The Group is reporting results for the half year ended 30 September 2008 reflecting the difficult trading conditions in our major markets, the adverse impact of a £2.5m increase in energy costs and specific operating problems in our South African tile manufacturing unit.

In response, we have taken decisive action to reduce costs and continue to make significant investment in new product programmes to further strengthen the business and its leading market positions. The initial benefits of the various cost saving and investment initiatives are beginning to show through in an improving trend.

Results

Group revenue declined by 6.8% to £78.6m (2007: £84.3m) for the half year ended 30 September 2008. At constant exchange rates the revenue decline would have been 5.8%.

Group trading profits were 49% lower at £4.7m (2007: £9.2m) with margins at 6.0% (2007: 10.9%).

Group profit before tax and exceptional items was £3.8m (2007: £6.1m) reflecting the lower trading profits offset, in part, by a reduction in net finance costs from £3.3m to £0.5m. The benefit in net finance costs principally reflects the lower level of debt and the lower cost of finance for the whole six month period this year, following the listing of the Company's shares on 16 July 2007. The exceptional items relate to the £1.3m profit after costs and before tax on the disposal of the Group's investment in H & R Johnson (India) Limited (HRJ India) which was announced in July, less £0.9m costs charged in this period, relating to the cost restructuring programmes implemented across the Group's businesses.

Basic earnings per share before exceptional items were 2.6p (2007: 6.2p) and basic earnings per share as reported were 2.8p (2007: 2.1p).

Initiatives

To reinforce the Group's position in these challenging times, the Board's priorities continue to be improving return on investment; managing the Group's cost base in line with lower levels of demand; debt reduction; and, at the same time, investing selectively in the business for future growth, whilst tightly controlling discretionary spend and capital expenditure. Good progress has been made on all these fronts.

In addition to the disposal of the investment in HRJ India, which realised net cash proceeds after costs and tax of £3.7m, the Board has implemented a series of restructuring programmes across its businesses. These will result in an overall reduction in employee numbers against plan of approximately 240, around 12% of the Group's workforce, and are expected to produce annualised savings in the region of £2.5m to £2.8m at a one-off cash cost of approximately £1.4m.

Financial

Net cash generated from operations in the period was £4.1m (2007: £10.8m) and investment in capital expenditure and acquisitions was £2.5m (2007: £6.6m). In addition £4.0m (£3.7m net) was realised in cash from the disposal of the investment in HRJ India and a further £1.0m before taxes was generated principally from the sale of surplus freehold retail sites of our Tile Africa business. A final dividend of 2.66p (£4.0m) was approved at the Annual General Meeting and paid on 31 July 2008. Net borrowings at 30 September 2008 reduced to £45.2m from £46.5m at 31 March 2008.

Dividend

Against the backdrop of the challenging market conditions and the uncertain outlook, the Board, after careful consideration, believes it prudent that no interim dividend be paid (2007: 0.56p). The Board will continue to review its dividend policy and will return to paying a dividend as soon as it is prudent to do so.

Operating Review

Further details of the financial performance and market conditions in each of the Group's businesses are set out on the following pages.

Operating Review continued

UK

Total revenues in the UK businesses declined by 10.8% from £53.5m to £47.7m with a reduction in trading profits from £6.9m to £5.0m.

Triton, our market-leading domestic shower operation, delivered both a solid trading profit performance and significant cash generation, continuing to reflect the resilience of its business model, the flexibility of its operating structure and the strength of its brand and franchise. Triton has maintained its leading position in the electric shower market and continues to grow share in the mixer market.

Overall revenues were lower by 13.7% with UK revenues declining by 14.0% and by a similar level in Ireland, Triton's largest export market. Triton's UK revenues reflected the challenging conditions in the trade segment and very soft retail markets. The latter were accentuated by destocking at a number of retail customers. This level of destocking has persisted longer than we had anticipated, although a more balanced ordering pattern has been experienced in recent months. Revenues to the trade segment proved more resilient.

Trading profits were lower than the corresponding period but the impact of the volume decline was mitigated by management's strong focus on cost reduction. Employee numbers were reduced by approximately 60, more than 10% of the workforce and this action, combined with tight control of discretionary expenditure and selective price increases, ensured that overall trading profit margins were largely maintained. New product introductions continue to be a key element of Triton's strategy and further significant investment in new product development and in marketing and promotional programmes have been made. The launch of the Inscription range of stone and glass-fronted products and the Safeguard range of thermostatic showers have both received positive market feedback.

Johnson Tiles experienced very difficult trading conditions with a declining UK tile market and a near doubling in energy costs. Reflecting these factors and the initial benefits of management's cost reduction actions, the business broke even and was operating cash neutral.

Overall revenues were lower by 9.5%. UK revenues declined by 10.2%, reflecting particularly soft conditions, coupled with destocking in the DIY and general retail segments, partially offset by modest declines and a more resilient performance in the trade sector. Our success in the trade sector reflects strong positions in the social housing and the private sector contracts segments. The latter has been further strengthened since the opening of the Material Lab, our design studio in Central London, in 2006.

Export revenues declined by 5.6% largely reflecting modest growth in France and Germany, offset by lower sales to the Middle East.

To mitigate the impact of the lower revenue and the near doubling in energy costs, a comprehensive cost-reduction programme was implemented including approximately 50 redundancies, re-negotiation of input prices and tight control of discretionary spend. These actions are expected to generate annualised cost savings in the region of £1.2m with the second half of this financial year benefiting proportionally more than the first half. In addition, prices have been increased in all markets, which again will benefit the second half.

The business continues to emphasise product design and innovation and is the first company in the UK to have successfully installed the latest non-contact, photographic inkjet technology. The equipment enables us to produce marble and stone effect tiles which closely resemble natural products, but with all the benefits of a ceramic tile. Our first inkjet range was launched during October 2008. In addition we have launched our Absolute range, targeted at the designer and architect segment, to support our aim to grow share of the important contract specification market.

In our UK adhesives business, significant progress has been made in growing revenue and in achieving a sustainable profit. Revenues increased by 44.4% and the business generated a small trading profit in the period. Our investment in our own manufacturing facility, which we commissioned earlier in the year, has progressed satisfactorily and we have now successfully expanded its capabilities to produce cementitious grouts, liquid primers and flexible additives, together with high volume powder adhesives, based on in-house formulations.

Operating Review continued

South Africa

Our business in South Africa continues to be impacted by the increasingly uncertain local and global economic environments. Successive interest rate increases of 500 basis points have raised the bank prime lending rate to 15.5% and business confidence has been impacted by both the disruption in the supply of electricity earlier in the year and political uncertainty following the resignation from office of President Mbeki in September.

On a constant currency basis, the overall revenue of our South African business grew by 3.8% to £27.2m but a trading loss of £0.1m was reported, compared to a trading profit of £2.4m for the comparative period, largely driven by losses incurred in our tile manufacturing unit. Reported revenues declined by 1.4% reflecting the translation impact of the weakening in the South African Rand.

Our retail operation, Tile Africa, continued to make good progress with revenue growth on a constant currency basis of 2.8% and operated at a profit, although lower than the comparable period. During the period we have selectively expanded the retail estate and improved the existing store portfolio. We have opened new stores at Pinetown and Ballito, and are scheduled to open further new stores at Centurion and Modderfontein in the second half of the year. This expansion reflects commitments made in the last financial year. No additional new store commitments have been made pending a recovery in market conditions. We have made good progress with the six new stores that were added last year albeit most of these stores have yet to attain profitability. At the same time we have restructured the Pietermaritzburg and Somerset West stores, realising £1.0m gross proceeds from their disposal. In addition, through efficiency and productivity improvements we will have redeployed approximately 65 existing employees rather than engage planned new hires to support the store expansion programme.

TAL, our adhesive operation, outperformed the market and grew overall revenues, in constant currency, by 6.7%, reflecting strong growth in the tile adhesive and building construction segments. The overall performance continues to reflect the quality and innovation of the product range underpinned by strong know-how in installation technology, coupled with expertise in rapid-set, pressure sensitive and hot melt areas of application. We retained our market share in the tile adhesive segment, winning business in a number of new key accounts and retained our strong market position in the specialist areas of the industrial segment. Our largest opportunity is in further extending our rapid-set technology into the construction industry with new product offerings in areas such as rendering, to complement our already successful waterproofing and self-levelling screed products. Trading profits in absolute terms declined reflecting the impact of increases in input costs, particularly imported raw materials and substantial increases in distribution costs.

Johnson Tiles, our tile manufacturing business, which is highly operationally geared, was particularly affected by the difficult trading environment and suffered from specific operating problems. Despite increasing revenue by 4.2%, on a constant currency basis, the business recorded a trading loss of £1.3m in the period. This reflects the significant increase in energy costs and imported raw materials, exacerbated by increased distribution costs and plant inefficiencies arising from the introduction of new, higher quality, upmarket, designer and larger size tile ranges. Action has been taken to improve efficiencies, reduce costs and better balance inventory with demand. The closure of the inefficient wall tile facility, representing approximately 19% of our capacity, has been announced, effective from the final quarter resulting in a reduction in employees of approximately 60, around 17% of the total workforce. This will result in an exceptional charge of approximately £1m (cash element £0.3m) which will be recognised in the full year results and is expected to generate annualised savings in the region of £0.5m. Managerial changes at a senior level have also been made. The combination of these actions is starting to bear fruit.

Rest of the World

Johnson Tiles, our wholly-owned subsidiary in Australia, made steady progress in an increasingly difficult economic environment. Revenues on a constant currency basis were in line with last year but on a reported basis were 15.6% higher. The business recorded a trading loss of £0.2m, marginally higher than last year reflecting the investment in sales and marketing initiatives and significantly higher distribution costs. We have taken action to reduce overhead costs, closing the loss-making New Zealand branch and cutting head count by 16%. These actions are expected to deliver a return to profitability in the second half.

Outlook

The trading and economic environment remains difficult and the Board does not expect any improvement in the short term in business conditions. The recent decline in Sterling and the Rand against the US Dollar will adversely impact input costs and the fall-out from the credit crisis may further weaken demand for home products. However, we are encouraged by the resilience of our businesses and the actions we have taken to reduce costs, offset input cost inflation, and reduce debt and finance charges will benefit performance in the second half of the year. We should also benefit from the resolution of the production problems at our South African tile plant. The passing of the interim dividend reflects our current uncertainty over market conditions but we remain confident that the Triton, Johnson, Tile Africa and Tile Adhesive brands and business models will retain and strengthen their well-established market positions and we would expect to capitalise on any improvement in conditions as and when they occur.

J. E. Brown
Chairman
20 November 2008

Consolidated income statement
Six months ended 30 September 2008

		Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2007 (unaudited)	Year ended 31 March 2008 (audited)
	Notes	£m	£m	£m
Revenue		78.6	84.3	167.9
Operating profit		5.1	9.3	16.8
Trading profit*		4.7	9.2	16.0
Exceptional operating items	3	0.4	—	0.7
Other operating income		—	0.1	0.1
Operating profit		5.1	9.3	16.8
Finance costs	5	(1.9)	(4.9)	(6.9)
Exceptional interest costs	3	—	(3.8)	(3.8)
Total finance costs		(1.9)	(8.7)	(10.7)
Finance income	5	1.4	1.6	4.0
Share of post tax (loss)/profit of associates		(0.4)	0.1	(0.2)
Profit before taxation		4.2	2.3	9.9
Taxation		—	(0.4)	(0.4)
Profit for the period		4.2	1.9	9.5
Earnings per share				
Basic	4	2.8p	2.1p	7.9p
Diluted	4	2.8p	2.1p	7.9p

* Trading profit is defined as operating profit before exceptional operating items and other operating income.

Consolidated statement of recognised income and expense
Six months ended 30 September 2008

	Six months ended 30 September 2008 (unaudited) £m	Six months ended 30 September 2007 (unaudited) £m	Year ended 31 March 2008 (audited) £m
Profit for the period	4.2	1.9	9.5
Actuarial losses on retirement benefit obligations	(2.2)	(2.2)	(4.4)
Foreign currency translation adjustments	2.2	0.6	(1.9)
Total recognised income and expense for the period	4.2	0.3	3.2

Consolidated balance sheet
At 30 September 2008

	At 30 September 2008 (unaudited) £m	At 30 September 2007 (unaudited) £m	At 31 March 2008 (audited) £m
Notes			
Non-current assets			
Goodwill	22.6	22.2	22.3
Investment in associates	3.7	4.3	4.2
Financial assets	4.3	4.3	4.3
Trade investments	1.7	4.4	4.4
Property, plant and equipment	45.8	46.1	45.6
Investment properties	5.7	5.8	5.8
Deferred tax asset	1.4	1.1	0.9
	85.2	88.2	87.5
Current assets			
Inventories	39.1	33.8	32.7
Trade and other receivables	33.2	33.2	33.6
Derivative financial instruments	0.5	0.6	0.6
Pension scheme asset	0.7	—	0.7
Cash and cash equivalents	5.6	4.8	3.3
	79.1	72.4	70.9
Current liabilities			
Trade and other liabilities	(41.7)	(39.8)	(36.4)
Current tax liabilities	(0.8)	(0.6)	(0.6)

Financial liabilities – borrowings	6	(2.2)	(1.9)	(2.2)
		(44.7)	(42.3)	(39.2)
Net current assets		34.4	30.1	31.7
Total assets less current liabilities		119.6	118.3	119.2
Non-current liabilities				
Financial liabilities – borrowings	6	48.6	47.4	47.6
Other non-current liabilities		0.9	1.8	1.1
Provisions		10.8	12.3	11.4
		60.3	61.5	60.1
Financed by:				
Ordinary share capital	7	14.9	14.9	14.9
Share premium	8	63.4	63.4	63.4
Retained earnings and other reserves	8	(19.0)	(21.5)	(19.2)
Total shareholders' equity		59.3	56.8	59.1
Total equity and non-current liabilities		119.6	118.3	119.2

The notes on pages 9 to 18 form an integral part of this condensed consolidated interim financial information.

Consolidated cash flow statement Six months ended 30 September 2008

	Notes	Six months ended 30 September 2008 (unaudited) £m	Six months ended 30 September 2007 (unaudited) £m	Year ended 31 March 2008 (audited) £m
Cash generated from operations	9	4.1	10.8	13.7
Income taxes paid		(0.3)	(0.2)	(0.2)
Interest received		0.5	0.2	1.0
Interest paid		(1.3)	(3.7)	(5.3)
Net cash generated from operating activities		3.0	7.1	9.2
Cash flows from investing activities				
Acquisition of businesses		—	(0.2)	(0.6)
Dividends received from associates and trade investments		—	0.1	0.1
Disposal of trade investment		4.0	—	—
Purchase of property, plant and equipment		(2.5)	(6.4)	(10.4)
Proceeds from sale of property, plant and equipment		1.0	0.4	0.6
Net cash generated from/(used in) investing		2.5	(6.1)	(10.3)

activities			
Cash flows from financing activities			
Net proceeds from issue of ordinary shares*	—	72.2	72.2
Repayments of loans	—	(126.0)	(128.3)
Drawdown of new loans	0.8	53.6	57.2
Dividends paid to shareholders	(4.0)	—	(0.8)
Net cash (used)/generated in financing activities	(3.2)	(0.2)	0.3
Net increase/(decrease) in cash at bank and in hand and bank overdrafts			
	2.3	0.8	(0.8)
Cash at bank and in hand and bank overdrafts at beginning of the period	1.1	2.1	2.1
Exchange movements on cash and bank overdrafts	—	—	(0.2)
Cash at bank and in hand and bank overdrafts at the end of the period	3.4	2.9	1.1

* includes £72.0m generated from admission of the Company to the London Stock Exchange's main market and £0.2m from a previous sale of shares.

Notes to the accounts Six months ended 30 September 2008

1. Accounting policies

General Information

The Company is a limited liability company incorporated and domiciled in the UK. The Company is listed on the London Stock Exchange. This condensed consolidated interim financial information was approved for issue on 20 November 2008.

This condensed consolidated interim financial information has been neither audited nor reviewed.

Basis of preparation

This condensed consolidated financial information for the six months ended 30 September 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union.

The condensed consolidated financial report should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2008, which have been prepared in accordance with IFRS as adopted by the European Union. This Annual Report and Accounts was approved by the Board on 17 July 2008 and delivered to the registrar of Companies. The report of the auditors on the financial statements was unqualified and did not contain any statements under Section 237 of the Companies Act 1985.

The principal accounting policies applied in the preparation of this Interim Report are included in the financial report for the year ended 31 March 2008. These policies have been applied consistently to all periods presented, unless otherwise stated.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008:

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', this standard is not relevant to the Group;

IFRIC 12, 'Service concession arrangements', this standard is not relevant to the Group; and
IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'. This is not expected to alter the Group's existing accounting treatment of defined benefit pension schemes.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2008 and have not been early adopted:

IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail;

IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group;

IFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after 1 January 2009;

IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009;

IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009;

IAS 32 (amendment), 'Financial instruments: presentation' and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments; and

IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This is not relevant to the Group.

Notes to the accounts

Six months ended 30 September 2008

1. Accounting policies continued

Accounting estimates and judgements

The preparation of condensed consolidated financial information required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of income, expense, assets and liabilities. The significant estimates and judgements made by management were consistent with those applied to the consolidated financial statements for the year ended 31 March 2008.

2. Segmental reporting

	Six months ended 30 September 2008 (unaudited)			
		South	Rest of	
	UK	Africa	the World	Group
	£m	£m	£m	£m
Revenue	47.7	27.2	3.7	78.6
Trading profit	5.0	(0.1)	(0.2)	4.7
Exceptional operating items	0.6	—	(0.2)	0.4
Operating profit	5.6	(0.1)	(0.4)	5.1
Finance costs				(1.9)
Finance income				1.4
Share of profit of associates				(0.4)
Profit before taxation				4.2
Taxation				—
Profit from continuing operations				4.2
Segment assets	108.1	48.8	6.0	162.9
Unallocated assets*				1.4
Total assets				164.3
Segment liabilities	(35.9)	(15.9)	(1.6)	(53.4)
Unallocated liabilities**				(51.6)
Total liabilities				(105.0)
Capital expenditure	1.2	1.1	0.1	2.4
Depreciation	1.9	1.0	0.1	3.0

* Unallocated assets include deferred tax assets.

** Unallocated liabilities include borrowings and tax liabilities.

Notes to the accounts
Six months ended 30 September 2008

2. Segmental reporting continued

	Six months ended 30 September 2007 (unaudited)			
	UK	South Africa	Rest of the World	Group
	£m	£m	£m	£m
Revenue	53.5	27.6	3.2	84.3
Trading profit	6.9	2.4	(0.1)	9.2
Other operating income	—	—	0.1	0.1
Operating profit	6.9	2.4	—	9.3
Finance costs				(4.9)
Exceptional interest costs				(3.8)
Finance income				1.6
Share of profit of associates				0.1
Profit before taxation				2.3
Taxation				(0.4)
Profit from continuing operations				1.9
Segment assets	108.3	45.2	6.0	159.5
Unallocated assets *				1.1
Total assets				160.6
Segment liabilities	(40.2)	(12.4)	(1.3)	(53.9)
Unallocated liabilities**				(49.9)
Total liabilities				(103.8)
Capital expenditure	1.0	5.2	—	6.2
Depreciation	1.9	0.9	—	2.8

* Unallocated assets include deferred tax assets.

** Unallocated liabilities include borrowings and tax liabilities.

Notes to the accounts
Six months ended 30 September 2008

2. Segmental reporting continued

	Year ended 31 March 2008 (audited)			
	UK	South	Rest of	Group
	£m	Africa £m	the World £m	£m
Revenue	107.7	53.8	6.4	167.9
Trading profit	13.7	2.6	(0.3)	16.0
Exceptional operating items	—	0.7	—	0.7
Other operating income	—	—	0.1	0.1
Operating profit	13.7	3.3	(0.2)	16.8
Finance costs				(6.9)
Exceptional interest costs				(3.8)
Finance income				4.0
Share of profit of associates				(0.2)
Profit before taxation				9.9
Taxation				(0.4)
Profit from continuing operations				9.5
Segment assets	109.0	42.4	6.1	157.5
Unallocated assets*				0.9
Total assets				158.4
Segment liabilities	(38.0)	(9.8)	(1.1)	(48.9)
Unallocated liabilities**				(50.4)
Total liabilities				(99.3)
Capital expenditure	3.1	7.2	0.1	10.4
Depreciation	3.8	1.6	0.1	5.5

* Unallocated assets include deferred tax assets.

** Unallocated liabilities include borrowings and tax liabilities.

Notes to the accounts
Six months ended 30 September 2008

3. Exceptional items
Exceptional operating items

	Six months ended 30 September 2008 (unaudited) £m	Six months ended 30 September 2007 (unaudited) £m	Year ended 31 March 2008 (audited) £m
Pension curtailment credit ¹	—	—	0.7
Restructuring ²	(0.9)	—	—
Sale of investments ³	1.3	—	—
	0.4	—	0.7
Exceptional interest costs			
Write-off of capitalised financing costs ⁴	—	(3.8)	(3.8)

¹ Following the closure of the South African defined benefit pension schemes an asset of £0.7m has now been recognised by the Group. The surplus in these schemes had not been recognised in prior years.

² Redundancy costs in line with the Board's initiative to reduce operating costs.

³ Sale of HRJ India for £4.0m (before tax). The carrying value of the investment prior to the sale was £2.7m.

⁴ Following the refinancing of the Group's banking facilities £3.8m of costs relating to the previous banking arrangements were written off.

4. Earnings per share

	Six months ended 30 September 2008 (unaudited) £m	Six months ended 30 September 2007 (unaudited) £m	Year ended 31 March 2008 (audited) £m
Profit for the period	4.2	1.9	9.5
Exceptional items (net of tax)	(0.3)	3.8	3.3
Earnings before exceptional items	3.9	5.7	12.8

	Six months ended 30 September 2008 (unaudited) Number	Six months ended 30 September 2007 (unaudited) Number	Year ended 31 March 2008 (audited) Number
Weighted average number of shares for basic earnings per share	148,417,884	91,532,769	120,040,103
Exercise of share options	—	348,308	664
Weighted average number of shares for diluted earnings per share	148,417,884	91,881,077	120,040,767

Notes to the accounts

Six months ended 30 September 2008

4. Earnings per share continued

	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2007 (unaudited)	Year ended 31 March 2008 (audited)
Basic earnings per share	2.8p	2.1p	7.9p
Diluted earnings per share	2.8p	2.1p	7.9p
Basic earnings per share before exceptionals	2.6p	6.2p	10.7p
Diluted earnings per share before exceptionals	2.6p	6.2p	10.7p

5. Finance income and costs

	Six months ended 30 September 2008 (unaudited) £m	Six months ended 30 September 2007 (unaudited) £m	Year ended 31 March 2008 (audited) £m
Finance costs:			
Interest payable on bank borrowings	1.6	3.1	4.9
Interest payable on shareholder loans	—	1.1	1.1
Amortisation of costs of raising debt finance	—	0.4	0.4
Movement on fair value of derivative financial instruments	0.1	0.1	—
Discount on property lease provisions	0.2	0.2	0.5
Total finance costs	1.9	4.9	6.9
Finance income:			
Bank interest receivable	(0.2)	(0.2)	(0.5)
IAS 19 net finance income	(1.2)	(1.2)	(3.4)
Movement on fair value of derivative financial instruments	—	(0.2)	(0.1)
Total finance income	(1.4)	(1.6)	(4.0)
Finance costs – net	0.5	3.3	2.9

Notes to the accounts
Six months ended 30 September 2008

6. Borrowings

	At	At	At
	30 September	30 September	31 March
	2008	2007	2008
	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Non-current			
Bank borrowings (secured):			
– bank loans	49.0	47.9	48.0
– less: costs of raising finance	(0.4)	(0.5)	(0.4)
Total non-current	48.6	47.4	47.6
Current			
Bank borrowings (secured):			
– bank overdrafts	2.2	1.9	2.2
Total borrowings	50.8	49.3	49.8

The fair value of bank loans equals their carrying amount, as they bear interest at floating rates.

The repayment terms of borrowings are as follows:

	At	At	At
	30 September	30 September	31 March
	2008	2007	2008
	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Not later than one year	2.2	1.9	2.2
After more than one year:			
– later than two years and not later than five years	49.0	47.9	48.0
– costs of raising finance	(0.4)	(0.5)	(0.4)
	48.6	47.4	47.6
Total borrowings	50.8	49.3	49.8

Bank borrowings are secured by the Group's UK assets.

7. Ordinary called up share capital

	At 30 September 2008 (unaudited) £m	At 30 September 2007 (unaudited) £m	At 31 March 2008 (audited) £m
Authorised			
200,000,000 ordinary shares of 10p each	20.0	20.0	20.0
Issued and fully paid			
148,717,884 ordinary shares of 10p each	14.9	14.9	14.9

Notes to the accounts

Six months ended 30 September 2008

8. Shareholders' funds and statement of changes in shareholders' equity

Six months to 30 September 2008 (unaudited)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 31 March 2008	14.9	63.4	(5.5)	(13.7)	59.1
Actuarial loss on pension scheme	—	—	—	(2.2)	(2.2)
Profit for the period	—	—	—	4.2	4.2
Dividends	—	—	—	(4.0)	(4.0)
Exchange differences	—	—	2.2	—	2.2
At 30 September 2008	14.9	63.4	(3.3)	(15.7)	59.3

Six months to 30 September 2007 (unaudited)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 31 March 2007	0.1	5.5	(3.6)	(18.2)	(16.2)
Actuarial loss on pension scheme	—	—	—	(2.2)	(2.2)
Profit for the period	—	—	—	1.9	1.9
Shares issued	14.8	57.9	—	—	72.7
Exchange differences	—	—	0.6	—	0.6

At 30 September 2007	14.9	63.4	(3.0)	(18.5)	56.8
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Year ended 31 March 2008 (audited)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 31 March 2007	0.1	5.5	(3.6)	(18.2)	(16.2)
Actuarial loss on pension scheme	—	—	—	(4.4)	(4.4)
Profit for the period	—	—	—	9.5	9.5
Shares issued	14.8	57.9	—	—	72.7
Dividends	—	—	—	(0.8)	(0.8)
Share-based payments	—	—	—	0.2	0.2
Exchange differences	—	—	(1.9)	—	(1.9)
At 31 March 2008	14.9	63.4	(5.5)	(13.7)	59.1

Notes to the accounts

Six months ended 30 September 2008

9. Consolidated cash flow statements

(a) Cash generated from operations

	Six months ended 30 September 2008 (unaudited) £m	Six months ended 30 September 2007 (unaudited) £m	Year ended 31 March 2008 (audited) £m
Profit before taxation	4.2	2.3	9.9
Adjustments for:			
– exceptional items included in the above	(0.4)	3.8	3.1
– cash flows from exceptional items	(1.7)	(1.5)	(2.8)
– other operating income	—	(0.1)	(0.1)
– depreciation	3.0	2.8	5.5
– lump sum pension contributions	(1.0)	(1.0)	(1.0)
– profit on disposal of property, plant and equipment	(0.5)	(0.2)	(0.3)
– finance costs	1.9	4.9	6.9
– finance income	(1.4)	(1.6)	(4.0)

– share of post tax loss/(profit) of associates	0.4	(0.1)	0.2
– share-based payments	—	—	0.2
– exchange differences	—	—	(0.4)
Operating cash flows before movements in working capital	4.5	9.3	17.2
Changes in working capital:			
– increase in inventories	(5.4)	(3.0)	(2.7)
– decrease/(increase) in trade and other receivables	3.2	(1.2)	0.2
– increase/(decrease) in payables	1.8	5.7	(1.0)
Cash generated from operations	4.1	10.8	13.7

(b) Outflow from exceptional items

This includes expenditure charged to exceptional provisions relating to business rationalisation and restructuring including severance and other employee costs.

Notes to the accounts

Six months ended 30 September 2008

9. Consolidated cash flow statements continued

(c) Analysis of net debt

	Net cash £m	Net debt £m	Total £m
At 1 April 2007	2.1	(115.0)	(112.9)
Cash flow	(0.8)	71.1	70.3
Other non-cash movements	—	(4.8)	(4.8)
Exchange movement	(0.2)	1.1	0.9
At 31 March 2008	1.1	(47.6)	(46.5)
At 1 April 2007	2.1	(115.0)	(112.9)
Cash flow	0.8	72.4	73.2
Other non-cash movements	—	(4.8)	(4.8)
At 30 September 2007	2.9	(47.4)	(44.5)
At 1 April 2008	1.1	(47.6)	(46.5)
Cash flow	2.3	(0.8)	1.5
Exchange movement	—	(0.2)	(0.2)
At 30 September 2008	3.4	(48.6)	(45.2)

10. Principal subsidiaries and associated company

The principal Group subsidiaries and associates are disclosed below. Transactions between subsidiaries and between the Parent Company and its subsidiaries are eliminated on consolidation.

United Kingdom

Norcros Group (Holdings) Limited

Overseas

Johnson Tiles (Pty) Ltd.* (Incorporated in Australia)

Philkeram-Johnson SA* (Associated company – 50%, incorporated in Greece**)

Norcros SA (Pty) Ltd.* trading as Johnson Tiles (Pty) Ltd., TAL and TAF (Incorporated in South Africa)

* The Group interest is owned by Group companies other than Norcros plc.

** This investment is accounted for as an associate as the Directors do not exert control over the financial and operating activities.

Notes to the accounts

Six months ended 30 September 2008

10. Principal subsidiaries and associated company continued

Notes

Unless otherwise stated, all companies are 100% owned and all UK companies are incorporated and operate in Great Britain and are registered in England and Wales. Overseas companies operate in the countries in which they are incorporated.

Only those subsidiary undertakings and associated companies whose results principally affect the financial statements of the Group are included above.

Statement of Director's responsibilities

The Directors confirm that this condensed interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

an indication of important events that have occurred during the first six months and their impact on the condensed interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

material related-party transactions in the first six months and any changes in the related-party transactions disclosed in the last Annual Report.

The Directors of Norcros plc are listed in the Norcros plc Annual Report for the year ended 31 March 2008 and on page 20 of this Interim Report.

By order of the Board

J. Matthews

Group Chief Executive
20 November 2008

N. P. Kelsall

Group Finance Director
20 November 2008

Company information

Company directors

John brown

Chairman

Joe Matthews

Group Chief Executive

Nick Kelsall

Group Finance Director

David Hamilton

Director and Company Secretary

Les Tench

Non-executive Director

Jamie Stevenson

Non-executive Director

Company website

www.norcros.com

Listing details

Market	–	UK Listed
Reference	–	NXR
Index	–	FTSE SmallCap
Sector	–	Construction and materials

Registered office

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Tel: 01625 549010

Fax: 01625 549011

Registered number

3691883

Registered in England

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The Registry
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Auditors

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Financial calendar

Full year results	Announcement June 2009
Annual Report and Accounts Available to shareholders	July 2009
Annual General Meeting	July 2009