

norcross

Norcros plc
interim report 2009



corporate statement

Norcros is a group of companies dedicated to making where you live and places you visit better – everywhere from homes, shops and restaurants to hotels and airports.

We supply high quality and innovative showers, ceramic wall and floor tiles and related products. We have three complementary UK businesses: Triton Showers, the leading UK shower company; Johnson Tiles, a leading UK tile producer; and Norcros Adhesives, a complementary tile adhesive operation. Norcros has significant operations in South Africa and has interests in Australia and Greece.

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our operations

UK OPERATIONS

In the UK the Group operates through three complementary businesses which are involved in the manufacture of home consumer products:

- Triton Showers is the market leader in the manufacture and marketing of domestic showers in the UK, with a leading position in electric showers and an increasing presence in mixer showers. Triton also exports products to Ireland and other overseas markets;
- Johnson Tiles is a leading manufacturer and supplier of ceramic tiles in the UK; and
- Norcros Adhesives is a UK manufacturer and supplier of adhesives, grouts, surface preparation and aftercare products for fixing ceramic and porcelain tiles, mosaics, natural stone and marble.

REST OF THE WORLD OPERATIONS

The Group has a wholly-owned subsidiary in Australia selling tiles under the "Johnson" brand. Norcros also has an associate in Greece manufacturing tiles and adhesives, and an investment in a leading Australian tile distributor and retailer (R. J. Beaumont & Co. Pty Limited).

SOUTH AFRICAN OPERATIONS

Norcros South Africa is a vertically integrated operation which is a leading manufacturer and retailer of ceramic tiles and adhesives in South Africa under the "Johnson", "Tile Africa" and "TAL" brands, with a complementary sanitary ware offering:

- Johnson Tiles South Africa (JTSA) which manufactures ceramic and porcelain tiles for retail through Tile Africa (TAF) stores and other independent retailers, distributors and contractors;
- TAF which operates an integrated chain of retail stores and was acquired by Norcros South Africa in 2004. TAF sources products directly from JTSA but also sources a number of product ranges from overseas manufacturers and distributors; and
- TAL which manufactures industrial, building and tile adhesives, distributed through a range of channels, including TAF.

chairman's statement



The Board is pleased to announce the results for the six months ended 30 September 2009. The performance reflects the tough conditions in the markets in which we operate, the impact of which has been partly offset by the benefit of our ongoing cost reduction programmes and new product initiatives announced earlier in the year.

As previously reported, the Group agreed to revised terms on its banking facilities which, as a consequence of the difficult borrowing market and tight liquidity environment, are more onerous than those under the previous facilities. The Board believes that potential exists to restore the Group's performance to historical levels of profitability and growth. In order to create a stronger platform to provide both flexibility to capitalise on future opportunities and restore Group performance, on 12 November 2009, the Board announced a proposed capital raising by way of a firm placing and placing and open offer (the "Capital Raising") to raise gross proceeds of approximately £30.0m.

CAPITAL RAISING HIGHLIGHTS

- firm placing and placing and open offer to raise gross proceeds of approximately £30.0m (approximately £27.7m net of expenses);
- 428,571,428 new ordinary shares in the capital of the Company at the issue price of 7p per new ordinary share, representing a discount of approximately 13.9% to the closing price of the shares on 11 November 2009; and
- the New Ordinary Shares to be issued will represent approximately 74.2% of the enlarged share capital following the Capital Raising.

The net proceeds from the Capital Raising will be used to reduce the Group's debt. The Group will repay in its entirety the significantly more expensive Facility B to the amount of £20m, together with interest accrued thereon of approximately £0.5m, and the balance of the net proceeds will be used to reduce Facility A.

The Capital Raising will considerably strengthen the Group's financial position, both reducing the Group's borrowing and the Group's overall interest cost. As a result, the Board believes that the Group will be better positioned to capitalise on growth opportunities as market conditions recover.

Lifestyle Investments PVT Limited, the Company's largest shareholder, which owns 29.9% of the shares, is fully supportive of the Capital Raising and has irrevocably committed to participate in the Firm Placing and take up its Open Offer Entitlement in full to ensure that its percentage shareholding is maintained following the Capital Raising.

The Capital Raising is subject to approval by the Company's Shareholders at the General Meeting.

Rothschild is acting as financial adviser and sponsor and Oriel as broker, bookrunner and underwriter with respect to the Capital Raising.

A prospectus and circular to shareholders will be available on the Norcros website, www.norcros.com, in due course and will contain further details and the full terms and conditions of the Capital Raising.

An indicative timetable is shown below and may be subject to change:

Announcement of the Firm Placing and Placing and Open Offer	12 Nov 2009
Anticipated posting of the Prospectus, Form of Proxy and the Non-CREST Application Form	13 Nov 2009
Anticipated date of General Meeting	30 Nov 2009
Anticipated admission and commencement of dealings in the New Ordinary Shares	4 Dec 2009

BOARD APPOINTMENT

The Group has recently announced the appointment of Vijay Aggarwal to the Board as a Non-executive Director. Mr Aggarwal is the Managing Director of H & R Johnson (India) Limited, a company in India in which the Group previously had a direct interest. H & R Johnson (India) Limited is the parent of Lifestyle Investments PVT Limited, a major shareholder of Norcros plc.

RESULTS

Group revenue increased by 5.6% to £83.0m (2008: £78.6m) for the six months ended 30 September 2009. At constant exchange rates revenue declined by 0.4%, principally reflecting the relative strength of the South African Rand and Australian Dollar to Sterling exchange rates.

Group trading profits were 25.5% lower at £3.5m (2008: £4.7m) with margins at 4.2% (2008: 6.0%).

Group loss before tax and exceptional items was £1.7m (2008: profit of £3.8m), reflecting the lower trading profits, higher net finance costs which increased from £0.5m to £4.1m and a £0.8m increase in the post-tax loss from our associate business in Greece. The increase in net finance costs principally reflects an adverse non-cash movement in the IAS 19 pension net interest cost of £1.8m, an adverse non-cash fair value movement on derivative financial instruments (foreign currency contracts and interest rate swaps) of £0.5m, combined with the higher cost of finance as a consequence of the renegotiation of the Group's banking arrangements of £1.8m. The exceptional charge of £2.5m (2008: £0.4m income) principally reflects the estimated closure costs of four underperforming retail stores in TAF. The cash element of the exceptional charges is estimated to be approximately £2m and annualised savings are expected to be approximately £0.6m.

Basic losses per share before exceptional items were 1.1p (2008: earnings of 2.6p) and basic losses per share as reported were 2.8p (2008: earnings of 2.8p).

PENSION SCHEMES

The UK defined benefit pension scheme valuation calculated under IAS 19 reduced from a surplus of £1.3m at 31 March 2009 to a deficit of £7.9m at 30 September 2009. The reduction principally reflects the fall in the applicable discount rate from 6.9% to 5.7%, although this was partly offset by an increase in the scheme's asset values.

The triennial actuarial valuation at 1 April 2009 has recently been concluded and resulted in a deficit of approximately £36.0m. As a result a twelve-year recovery plan has been agreed between the Group and the trustee of the fund whereby the Group makes additional contribution

PENSION SCHEMES CONTINUED

to the scheme of £1.0m in each of the two years ending 31 March 2011 and 31 March 2012 followed by seven further additional contributions of £1.1m per annum from the year ending 31 March 2016 onwards.

INITIATIVES

The cost reduction actions implemented since 31 March 2008 are expected to generate annualised savings in the region of £5.0m, £2.2m of which benefited last year's results and a further £2.4m realised in the six months ended 30 September 2009. Employee numbers have reduced by approximately 350, around 20% of the Group's workforce compared to the position at 31 March 2008 as the cost base has been more closely aligned to the current requirements of the business.

The operational issues in our tile manufacturing business in South Africa have continued to impact performance in the period. After a poor initial response to management changes in the first half of this year, we have focused significant group resources on the plant over the past three months in order to improve local skills and return it to an efficient level of throughput. It is too early to be sure that these new measures have resolved the issues, but initial indications are encouraging with a significant step up in production volumes during October. This strengthens our confidence that the Group's South African manufacturing losses can be eliminated in 2010/11.

FINANCIAL

Net cash generated from operations in the period was £4.8m (2008: £4.1m) and investment in capital expenditure and acquisitions was £2.1m (2008: £2.5m). Net borrowings at 30 September 2009 reduced to £45.3m from £45.8m at 31 March 2009.

DIVIDEND

As reported previously, under the new banking terms the Company is prevented from paying dividends until the ratio of its net debt to its EBITDA is reduced to below 2.5x and Facility B has been repaid in full. Accordingly the Company does not intend to pay an interim dividend for the six months ended 30 September 2009. Subject to the successful Capital Raising and to trading and outlook, it is the Board's current intention to return to a progressive dividend policy within the restrictions of its banking terms.

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.

UK

In the six months ended 30 September 2009, total revenues in the UK businesses increased by 4.2% from £47.7m to £49.7m. Trading profits also increased by 18% from £5.0m to £5.9m.

Triton Showers, our market-leading domestic shower operation, delivered both a robust trading profit performance and significant cash generation, continuing to reflect the strength of its business model, brand awareness and strong customer service levels. Triton maintained its leading position in the electric shower market.

Overall revenues were lower by 0.8% reflecting an increase in UK revenues of 4.1%, offset by a decline in exports of 20.5%. Triton's UK revenues reflected a strong performance in the trade segment relative to the same period last year and a significant improvement in retail revenues, following a reduction in the rate of destocking at a number of major accounts. The decline in export revenue, representing approximately 16% of overall revenue, reflected continuing weak market conditions in Ireland, Triton's largest export market.

Trading profits were lower than the corresponding period in 2008 and reflected changes in product and customer mix, partly mitigated by the benefits of an increase in overall revenue volumes combined with tight control of discretionary expenditure. Trading profit margins were maintained broadly in line with prior year. New product introductions remain a key element of Triton's strategy and further significant investment in new product development and in marketing activity has been made. UK trade revenues in particular have benefited from the new range of Safeguard thermostatic showers and the new T80z electric shower.

Johnson Tiles has performed well against difficult trading conditions in both the UK and its main export markets. The Directors believe that the UK tile market has experienced an overall 10% decline with shortfalls across all sectors. In particular, within the private sector contract market, there has been an increasing number of new projects delayed or cancelled as a result of the current recessionary climate. Notwithstanding this, our business has shown resilience, reflecting strategic decisions taken

in the previous year including the investment in innovative new inkjet products, concentrated market sector focus and significant cost reduction actions necessary to align the cost base with demand.

Overall revenues in the six months ended 30 September 2009 exceeded last year by 9.6%. UK revenues increased by 11.4%, reflecting a particularly strong performance in the DIY and general retail segments, partly offset by a lower than expected decline in the trade sector. We have made steady progress in driving our specifications through the private sector contracts segments, utilising both our design studio (Material Lab) and the Absolute product range which was launched at the 100% Design exhibition last year.

Export revenues (14% of the total revenue) were in line with the prior year, largely reflecting higher sales to the Middle East offset by lower sales to Ireland, Eastern Europe and France.

The business reported a trading profit in the first six months of the current year, which compared to a small loss in the corresponding period last year. The turnaround in performance reflects the combination of the benefits of the cost reduction initiatives implemented earlier in the year, the increased revenues in the DIY sector and lower energy costs. The resounding success of the prior year investment in inkjet printing technology has supported further investment in this area, with a second machine installed and commissioned in August 2009.

In our UK adhesives business, overall revenues and trading profits exceeded those in the prior year despite the challenging market conditions. This has been driven by the success of new products launched towards the end of last year, combined with gaining new accounts and tight control of costs. Underlying margins have also improved, largely reflecting the fact that in-house manufactured products now represent approximately 82% of total revenues. Further modest investment in our manufacturing facility has been made to increase capacity on selected lines and further efficiency upgrades will be completed by the end of the third quarter. Overall, the business continues to make good progress.

SOUTH AFRICA

Our business in South Africa continues to be adversely impacted by the downturn in economic activity. GDP contracted by 6.4% and 3.0% respectively in both the first and second quarters of the current

calendar year. Recent year on year statistics for building plans approvals (down c. 28%) and cement sales (down c. 13%) for the period January 2009 to July 2009 also reflect the difficult market conditions in South Africa, despite significant governmental investment in infrastructure and the 500 basis points reduction in interest rates since December 2008.

On a constant currency basis, the overall revenue of our South African business declined by 6.9% to £29.5m in the six months ended 30 September 2009. A trading loss of £2.4m was reported, compared to a trading loss of £0.1m for the comparative period and a £1.6m trading loss in the second half of the year.

This was largely driven by lower sales volumes and increased overhead costs from committed investments in new and existing stores, combined with continued underperformance in our tile manufacturing unit. Reported revenues increased by 8.5%, reflecting the translation benefit of the strengthening in the South African Rand to Sterling exchange rate.

Revenues at our retail operation, TAF, declined by 5.2% on a constant currency basis and the business recorded a trading loss, compared to a trading profit in the comparable period. This largely reflected a decline in like-for-like retail sales of 12.4% and increased costs associated with new store openings. Notwithstanding these factors, we have made good progress in managing our costs, particularly distribution and payroll, and also in reducing working capital. We have closed four unprofitable stores which was announced at the end of September 2009. This has resulted in an exceptional charge of £2.4m and is expected to generate cost savings of approximately £0.3m in the second half of the year. No new store commitments are planned pending a recovery in market conditions.

TAL, our adhesive operation, was also impacted by the weak market conditions and, in constant currency, revenues declined by 9.3%. This reflected a decline in revenues in both the tile adhesive and, to a lesser extent, the building construction segments compared to the prior year. Our business continues to benefit from our superior technical expertise in rapid-set, pressure sensitive and hot melt areas of application. We have targeted and secured significant new account gains towards the end of the half year and, combined with the launch of our new 12 hour Porcelain Fix Adhesive, we anticipate a stronger performance in the second half of the year.

OPERATING REVIEW CONTINUED

SOUTH AFRICA CONTINUED

Trading profits in absolute terms were marginally lower than last year, reflecting the lower revenues, margin pressures and higher input costs.

Johnson Tiles, our tile manufacturing business, has continued to be impacted by both weak market conditions and lower than expected manufacturing throughput. Revenues were lower by 13.8% on a constant currency basis reflecting lower volumes and lower average prices. As a result the business recorded a trading loss of £1.7m in the period compared to a trading loss of £1.3m in the comparable period. This disappointing performance reflects the greater demand for entry-level product in the current market environment, clearance of discontinued product lines and a year on year decline of 4.1% in manufacturing volumes; the latter driven by poor historical plant maintenance and skills shortages. Action has been taken to address the major maintenance issues and the process of up-skilling resources is in progress with the objective of returning to historical levels of manufacturing throughput and efficiency.

A comprehensive new product development programme has been initiated to improve the existing offer, by replacing our ranges with more fashionable designs. In addition we plan to re-introduce the manufacture of wall tiles in the second half of the year using our more modern and efficient floor tile capacity. All these actions are geared towards improving productivity and restoring plant profitability.

REST OF THE WORLD

Our Australian business, Johnson Tiles, made good progress given the current economic environment. Revenues on a constant currency basis declined by 2.6% against last year but on a reported basis were 2.7% higher. The business recorded a break even position compared to £0.2m trading loss in the comparable period last year, reflecting improved margins and the benefit of the initiatives implemented last year to reduce operating costs. The business has also been successful in reducing inventory levels resulting in a positive operating cash performance in the period.

ASSOCIATE

The performance of Philkeram Johnson, our 50% owned Greek tile and adhesives associate, continues to be impacted by the prolonged downturn in local building activity levels.

On a constant currency basis, revenues in the tile business declined by 19.5% which, combined with the action taken to curtail production output as a result of the drive to reduce inventory levels and conserve cash, resulted in a higher operating loss than the comparable period. Action continues to be taken to reduce operating costs including manning levels in line with the maximum permissible under Greek labour laws.

The adhesives operation was also affected by the market conditions, with revenues 11.7% lower on a constant currency basis. Despite the volume shortfall, margins increased and together with tight control of costs the business recorded an operating profit marginally higher than the comparable period last year.

The Group equity accounts for its share of the results of the Greek associate and its share of the post tax loss was £1.2m (2008: £0.4m). Whilst the loss is a non-cash item, the Board in conjunction with our local partner is continuing to evaluate the options to realise value for this business.

OUTLOOK

The Board believes that the markets in which Norcros operates will continue to be adversely impacted by subdued economic activity. We will continue to focus on revenue generation and cash conservation and at the same time ensure our cost base remains aligned to market demand. On a successful completion of the Capital Raising, our leverage and interest costs will be significantly reduced and our financial position considerably strengthened. This combined with the ongoing benefits of the restructuring initiatives already in place, the success of our new product launches and our leading market positions will ensure that the Group is well positioned to benefit from the organic growth opportunities in its key markets as well as any market recovery when it occurs.



J. E. BROWN
CHAIRMAN
12 NOVEMBER 2009

consolidated income statement

six months ended 30 September 2009

	Notes	Six months ended 30 September 2009 (unaudited) £m	Six months ended 30 September 2008 (unaudited) £m	Year ended 31 March 2009 (audited) £m
CONTINUING OPERATIONS				
Revenue		83.0	78.6	154.2
OPERATING PROFIT/(LOSS)		1.1	5.1	(0.7)
Trading profit*		3.5	4.7	7.0
Exceptional operating items	3	(2.5)	0.4	(7.7)
Other operating income		0.1	–	–
Operating profit/(loss)		1.1	5.1	(0.7)
Finance costs	5	(4.3)	(1.9)	(4.5)
Finance income	5	0.2	1.4	2.9
Share of post-tax loss of associates		(1.2)	(0.4)	(2.5)
(LOSS)/PROFIT BEFORE TAXATION		(4.2)	4.2	(4.8)
Taxation		–	–	(1.5)
(LOSS)/PROFIT FOR THE PERIOD		(4.2)	4.2	(6.3)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY				
Basic (loss)/earnings per share	4	(2.8)p	2.8p	(4.2)p
Diluted (loss)/earnings per share	4	(2.8)p	2.8p	(4.2)p

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

consolidated statement of comprehensive income

six months ended 30 September 2009

	Six months ended 30 September 2009 (unaudited) £m	Six months ended 30 September 2008 (unaudited) £m	Year ended 31 March 2009 (audited) £m
(Loss)/profit for the period	(4.2)	4.2	(6.3)
Actuarial losses on retirement benefit obligations	(7.3)	(2.2)	(4.8)
Foreign currency translation adjustments	5.3	2.2	6.4
Total comprehensive income for the period	(6.2)	4.2	(4.7)

consolidated balance sheet

at 30 September 2009

	Notes	At 30 September 2009 (unaudited) £m	At 30 September 2008 (unaudited) £m	At 31 March 2009 (audited) £m
NON-CURRENT ASSETS				
Goodwill		23.5	22.6	22.9
Investment in associates		1.0	3.7	2.1
Financial assets		4.3	4.3	4.3
Trade investments		1.7	1.7	1.7
Property, plant and equipment		47.3	45.8	45.4
Investment properties		5.6	5.7	5.6
Deferred tax asset		–	1.4	–
		83.4	85.2	82.0
CURRENT ASSETS				
Inventories		36.6	39.1	36.5
Trade and other receivables		35.4	33.2	31.3
Derivative financial instruments		0.4	0.5	1.5
Pension scheme asset	9	0.6	0.7	0.5
Cash and cash equivalents		3.7	5.6	7.3
		76.7	79.1	77.1
CURRENT LIABILITIES				
Trade and other liabilities		(38.6)	(41.7)	(35.1)
Derivative financial instruments		(1.2)	–	(1.7)
Current tax liabilities		(0.7)	(0.8)	(0.6)
Financial liabilities – borrowings	6	(2.4)	(2.2)	(2.4)
		(42.9)	(44.7)	(39.8)
NET CURRENT ASSETS		33.8	34.4	37.3
TOTAL ASSETS LESS CURRENT LIABILITIES		117.2	119.6	119.3
NON-CURRENT LIABILITIES				
Financial liabilities – borrowings	6	(46.6)	(48.6)	(50.7)
Pension scheme liability	9	(7.9)	–	–
Other non-current liabilities		(1.3)	(0.9)	(1.1)
Provisions		(17.3)	(10.8)	(17.2)
		(73.1)	(60.3)	(69.0)
NET ASSETS		44.1	59.3	50.3
FINANCED BY:				
Ordinary share capital	7	14.9	14.9	14.9
Share premium		63.4	63.4	63.4
Retained earnings and other reserves		(34.2)	(19.0)	(28.0)
TOTAL EQUITY		44.1	59.3	50.3

The notes on pages 11 to 19 form an integral part of this condensed consolidated interim financial information.

consolidated cash flow statement

six months ended 30 September 2009

	Notes	Six months ended 30 September 2009 (unaudited) £m	Six months ended 30 September 2008 (unaudited) £m	Year ended 31 March 2009 (audited) £m
CASH GENERATED FROM OPERATIONS	8	4.8	4.1	6.8
Income taxes		0.1	(0.3)	(0.4)
Interest received		0.2	0.5	0.8
Interest paid		(2.1)	(1.3)	(3.4)
NET CASH GENERATED FROM OPERATING ACTIVITIES		3.0	3.0	3.8
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from associates and trade investments		0.1	–	–
Disposal of trade investment		–	4.0	4.0
Purchase of property, plant and equipment		(2.1)	(2.5)	(4.7)
Proceeds from sale of property, plant and equipment		–	1.0	2.0
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(2.0)	2.5	1.3
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of loans		(21.0)	–	–
Drawdown of new loans		16.5	0.8	2.8
Dividends paid to shareholders		–	(4.0)	(4.0)
NET CASH USED IN FINANCING ACTIVITIES		(4.5)	(3.2)	(1.2)
NET (DECREASE)/INCREASE IN CASH AT BANK AND IN HAND AND BANK OVERDRAFTS		(3.5)	2.3	3.9
Cash at bank and in hand and bank overdrafts at beginning of the period		4.9	1.1	1.1
Exchange movements on cash and bank overdrafts		(0.1)	–	(0.1)
CASH AT BANK AND IN HAND AND BANK OVERDRAFTS AT END OF THE PERIOD		1.3	3.4	4.9

statement of changes in equity

SIX MONTHS ENDED 30 SEPTEMBER 2009 (UNAUDITED)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 31 March 2009	14.9	63.4	0.9	(28.9)	50.3
Actuarial loss on pension scheme	–	–	–	(7.3)	(7.3)
Loss for the period	–	–	–	(4.2)	(4.2)
Exchange differences	–	–	5.3	–	5.3
AT 30 SEPTEMBER 2009	14.9	63.4	6.2	(40.4)	44.1

SIX MONTHS ENDED 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

YEAR ENDED 31 MARCH 2009 (AUDITED)

	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	–	–	–	(4.8)	(4.8)
Loss for the period	–	–	–	(6.3)	(6.3)
Dividends	–	–	–	(4.0)	(4.0)
Share-based payments	–	–	–	(0.1)	(0.1)
Exchange differences	–	–	6.4	–	6.4
At 31 March 2009	14.9	63.4	0.9	(28.9)	50.3

notes to the accounts

six months ended 30 September 2009

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 12 November 2009.

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 2009 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 2009, which have been prepared in accordance with IFRS as adopted by the European Union. The Annual Report and Accounts was approved by the Board on 31 July 2009 and delivered to the Registrar of Companies. The report of the auditors on the financial statements was unqualified.

The principal accounting policies applied in the preparation of this Interim Report are included in the financial report for the year ended 31 March 2009. These policies have been applied consistently to all periods presented, unless otherwise stated.

The following standards, amendments and interpretations to published standards were mandatory for the financial year beginning 1 April 2009:

- IAS 1 (revised), 'Presentation of financial statements'. The Group has elected to present two statements: an income statement and a statement of comprehensive income. Furthermore, adoption of the above standard has resulted in management including a statement of changes in equity within the primary statements of the Interim Report;
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. The standard defines operating segments as components of an entity about which separate financial information is available and is evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. It also sets out the required disclosures for operating segments. On adoption, there was no change to the Group's reportable segments; and
- IFRIC 14, '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 are mandatory for the first time for the financial year beginning 1 April 2009, but are not currently relevant for the Group or have no impact on the interim accounts:

- IFRIC 13, 'Customer loyalty programmes';
- IFRIC 15, 'Agreements for the construction of real estate';
- IFRIC 16, 'Hedges of a net investment in a foreign operation'; and
- IFRS 7 (amendment), 'Financial instruments; disclosures'.

notes to the accounts continued

six months ended 30 September 2009

1. ACCOUNTING POLICIES CONTINUED

BASIS OF PREPARATION CONTINUED

The following standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

- IAS 39 (amendment), 'Financial instruments: recognition and measurement';
- IFRS 3 (revised), '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';
- IFRIC 17, 'Distribution of non-cash assets to owners'; and
- IFRIC 18, 'Transfers of assets from customers'.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated financial information requires 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 2009.

2. SEGMENTAL REPORTING

Following the adoption of IFRS 8, 'Operating segments' the Group has identified its reportable segments upon which the Board regularly assesses performance and allocates resources. The reportable segments are the UK, South Africa and Rest of the World. Each reportable segment has similar economic characteristics, complementary products, distribution channels and regulatory environments.

	Six months ended 30 September 2009 (unaudited)			
	UK £m	South Africa £m	Rest of the World £m	Group £m
REVENUE	49.7	29.5	3.8	83.0
Trading profit/(loss)	5.9	(2.4)	–	3.5
Exceptional operating items	(0.1)	(2.4)	–	(2.5)
Other operating income	–	–	0.1	0.1
Operating profit/(loss)	5.8	(4.8)	0.1	1.1
Finance costs				(4.3)
Finance income				0.2
Share of loss of associates				(1.2)
Loss before taxation				(4.2)
Taxation				–
Loss from continuing operations				(4.2)
NET DEBT (SEE NOTE 8)				(45.3)

2. SEGMENTAL REPORTING CONTINUED

Six months ended 30 September 2008 (unaudited)

	UK £m	South Africa £m	Rest of the World £m	Group £m
REVENUE	47.7	27.2	3.7	78.6
Trading profit/(loss)	5.0	(0.1)	(0.2)	4.7
Exceptional operating items	0.6	–	(0.2)	0.4
Operating profit/(loss)	5.6	(0.1)	(0.4)	5.1
Finance costs				(1.9)
Finance income				1.4
Share of loss of associates				(0.4)
Profit before taxation				4.2
Taxation				–
Profit from continuing operations				4.2
NET DEBT (SEE NOTE 8)				(45.2)

Year ended 31 March 2009 (audited)

	UK £m	South Africa £m	Rest of the World £m	Group £m
REVENUE	94.6	52.6	7.0	154.2
Trading profit/(loss)	8.9	(1.7)	(0.2)	7.0
Exceptional operating items	(5.8)	(1.0)	(0.9)	(7.7)
Operating profit/(loss)	3.1	(2.7)	(1.1)	(0.7)
Finance costs				(4.5)
Finance income				2.9
Share of loss of associates				(2.5)
Loss before taxation				(4.8)
Taxation				(1.5)
Loss from continuing operations				(6.3)
NET DEBT (SEE NOTE 8)				(45.8)

notes to the accounts continued

six months ended 30 September 2009

3. EXCEPTIONAL ITEMS

EXCEPTIONAL OPERATING ITEMS

	Six months ended 30 September 2009 (unaudited) £m	Six months ended 30 September 2008 (unaudited) £m	Year ended 31 March 2009 (audited) £m
Past service pension credit ¹	–	–	1.5
Restructuring costs ²	(2.5)	(0.9)	(3.5)
Property provisions ³	–	–	(7.0)
Profit on disposal of investments ⁴	–	1.3	1.3
	(2.5)	0.4	(7.7)

¹ The pension credit relates to the impact of changes in pensioners' benefits in the UK defined benefit pension scheme.

² Restructuring costs resulting from the Board's initiative to reduce operating costs.

³ The provision to cover the Group's onerous leases was increased by £7.0m in the year ended 31 March 2009.

⁴ Sale of Shares in H & R Johnson (India) Limited for £4.0m (before tax). The carrying value of the investment prior to the sale was £2.7m.

4. EARNINGS PER SHARE

	Six months ended 30 September 2009 (unaudited) £m	Six months ended 30 September 2008 (unaudited) £m	Year ended 31 March 2009 (audited) £m
(Loss)/profit for the period	(4.2)	4.2	(6.3)
Exceptional items (net of tax)	2.5	(0.3)	7.8
(LOSS)/EARNINGS BEFORE EXCEPTIONAL ITEMS	(1.7)	3.9	1.5

	Six months ended 30 September 2009 (unaudited) Number	Six months ended 30 September 2008 (unaudited) Number	Year ended 31 March 2009 (audited) Number
Weighted average number of shares for basic earnings per share	148,454,484	148,417,884	148,417,884
Exercise of share options and warrants	–	–	–

WEIGHTED AVERAGE NUMBER OF SHARES FOR DILUTED EARNINGS PER SHARE

	Six months ended 30 September 2009 (unaudited)	Six months ended 30 September 2008 (unaudited)	Year ended 31 March 2009 (audited)
Basic earnings per share	(2.8)p	2.8p	(4.2)p
Diluted earnings per share	(2.8)p	2.8p	(4.2)p
Basic earnings per share before exceptionals	(1.1)p	2.6p	1.0p
Diluted earnings per share before exceptionals	(1.1)p	2.6p	1.0p

5. FINANCE INCOME AND COSTS

	Six months ended 30 September 2009 (unaudited) £m	Six months ended 30 September 2008 (unaudited) £m	Year ended 31 March 2009 (audited) £m
FINANCE COSTS			
Interest payable on bank borrowings	2.6	1.6	3.4
IAS 19 net finance charges	0.6	–	–
Amortisation of costs of raising debt finance	0.2	–	0.1
Movement on fair value of derivative financial instruments	0.6	0.1	0.5
Discount on property lease provisions	0.3	0.2	0.5
TOTAL FINANCE COSTS	4.3	1.9	4.5
FINANCE INCOME			
Bank interest receivable	(0.2)	(0.2)	(0.6)
IAS 19 net finance income	–	(1.2)	(2.3)
TOTAL FINANCE INCOME	(0.2)	(1.4)	(2.9)
FINANCE COSTS – NET	4.1	0.5	1.6

6. BORROWINGS

	At 30 September 2009 (unaudited) £m	At 30 September 2008 (unaudited) £m	At 31 March 2009 (audited) £m
NON-CURRENT			
Bank borrowings (secured):			
– bank loans	50.2	49.0	51.0
– less: costs of raising finance	(3.6)	(0.4)	(0.3)
TOTAL NON-CURRENT	46.6	48.6	50.7
CURRENT			
Bank borrowings (secured):			
– bank overdrafts	2.4	2.2	2.4
TOTAL BORROWINGS	49.0	50.8	53.1

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

notes to the accounts continued

six months ended 30 September 2009

6. BORROWINGS CONTINUED

The repayment terms of borrowings are as follows:

	At 30 September 2009 (unaudited) £m	At 30 September 2008 (unaudited) £m	At 31 March 2009 (audited) £m
Not later than one year	2.4	2.2	2.4
After more than one year:			
– later than two years and not later than five years	50.2	49.0	51.0
– costs of raising finance	(3.6)	(0.4)	(0.3)
	46.6	48.6	50.7
TOTAL BORROWINGS	49.0	50.8	53.1

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

7. ORDINARY CALLED UP SHARE CAPITAL

	At 30 September 2009 (unaudited) £m	At 30 September 2008 (unaudited) £m	At 31 March 2009 (audited) £m
AUTHORISED			
200,000,000 ordinary shares of 10p each	20.0	20.0	20.0
ISSUED AND FULLY PAID			
148,754,684 ordinary shares of 10p each	14.9	14.9	14.9

8. CONSOLIDATED CASH FLOW STATEMENTS**(A) CASH GENERATED FROM OPERATIONS**

	Six months ended 30 September 2009 (unaudited) £m	Six months ended 30 September 2008 (unaudited) £m	Year ended 31 March 2009 (audited) £m
(Loss)/profit before taxation	(4.2)	4.2	(4.8)
Adjustments for:			
- exceptional items included in the above	2.5	(0.4)	7.7
- cash flows from exceptional items	(2.3)	(1.7)	(4.3)
- other operating income	(0.1)	-	-
- depreciation	3.3	3.0	6.4
- lump sum pension contributions	-	(1.0)	(1.0)
- profit on disposal of property, plant and equipment	-	(0.5)	(0.6)
- finance costs	4.3	1.9	4.5
- finance income	(0.2)	(1.4)	(2.9)
- share of post-tax loss of associates	1.2	0.4	2.5
- share-based payments	-	-	(0.1)
- exchange differences	-	-	(0.1)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	4.5	4.5	7.3
Changes in working capital:			
- decrease/(increase) in inventories	2.9	(5.4)	(1.9)
- (increase)/decrease in trade and other receivables	(2.6)	3.2	4.0
- increase/(decrease) in payables	-	1.8	(2.6)
CASH GENERATED FROM OPERATIONS	4.8	4.1	6.8

(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 continued

six months ended 30 September 2009

8. CONSOLIDATED CASH FLOW STATEMENTS CONTINUED

(C) ANALYSIS OF NET DEBT

	Net cash £m	Net debt £m	Total £m
At 1 April 2008	1.1	(47.6)	(46.5)
Cash flow	3.9	(2.8)	1.1
Other non-cash movements	–	(0.1)	(0.1)
Exchange movement	(0.1)	(0.2)	(0.3)
At 31 March 2009	4.9	(50.7)	(45.8)
At 1 April 2008	1.1	(47.6)	(46.5)
Cash flow	2.3	(0.8)	1.5
Other non-cash movements	–	(0.2)	(0.2)
At 30 September 2008	3.4	(48.6)	(45.2)
At 1 April 2009	4.9	(50.7)	(45.8)
Cash flow	(3.5)	4.5	1.0
Other non-cash movements	–	(0.4)	(0.4)
Exchange movement	(0.1)	–	(0.1)
AT 30 SEPTEMBER 2009	1.3	(46.6)	(45.3)

9. RETIREMENT BENEFIT OBLIGATIONS

(A) PENSION COSTS

NORCROS SECURITY PLAN

The Norcros Security Plan, the principal UK pension scheme of Norcros plc subsidiaries, is funded by a separate trust fund. It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits. Norcros plc itself has no employees and so has no liabilities in respect of these pension schemes.

The valuation used for IAS 19 disclosures has been produced by Mercer Human Resource Consulting, a firm of qualified actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2009. Scheme assets are stated at their market value at 30 September 2009.

The actuarial valuation at 31 March 2009 has recently been concluded and resulted in a deficit of £36.1m. As a result a twelve-year recovery plan has been agreed between the Group and the trustee of the fund whereby the Group makes additional contributions to the scheme of £1.0m in each of the two years ending 31 March 2011 and 31 March 2012 followed by seven further additional contributions of £1.1m per annum in each year from the year ending 31 March 2016 onwards.

SOUTH AFRICA DEFINED BENEFIT SCHEMES

The Group previously operated two separate defined benefit schemes for the benefit of the Group's South African employees. These were the TAL Pension Fund and the Johnson Tiles Pension Fund. Both schemes were closed in 2007 and replaced by defined contribution schemes. Following the agreement of the allocation of surplus assets, a surplus of £0.6m has been recognised as an asset on the balance sheet as this amount is considered to be recoverable by the Group.

9. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(B) IAS 19, 'RETIREMENT BENEFIT OBLIGATIONS'

The principle assumptions used to calculate the scheme liabilities of the Norcros Security Plan under IAS 19 are:

	At 30 September 2009	At 31 March 2009
Discount rate	5.70%	6.90%
Inflation rate	3.10%	3.00%
Salary increases	3.35%	4.00%

The amounts recognised in the balance sheet are determined as follows:

	At 30 September 2009 £m	At 30 September 2009 £m	At 31 March 2009 £m	At 31 March 2009 £m
Total market value of scheme assets	0.6	339.6	0.5	299.7
Present value of scheme liabilities	–	(347.5)	–	(298.4)
Pension surplus/(deficit)	0.6	(7.9)	0.5	1.3
Amounts not recognised	–	–	–	(1.3)
Asset/(deficit) recognised	0.6	(7.9)	0.5	–

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) Limited* (incorporated in Australia)

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

→ Norcros SA (Pty) Limited* trading as Johnson Tiles (Pty) Limited, 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

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 directors' 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 2009 and on the inside back cover of this Interim Report.

By order of the Board



J. MATTHEWS
GROUP CHIEF EXECUTIVE
12 NOVEMBER 2009



N. P. KELSALL
GROUP FINANCE DIRECTOR
12 NOVEMBER 2009

advisors and company information

COMPANY DIRECTORS

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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

VIJAY AGGARWAL
Non-executive Director

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LISTING DETAILS

Market - UK Listed

Reference - NXR

Index - FTSE SmallCap

Sector - Construction
and materials

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financial calendar

Full year results

Announcement June 2010

Annual Report and Accounts

Available to shareholders July 2010

Annual General Meeting

July 2010

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