# Dedicated to making where you live and places you visit better

norcros

Interim report 2011




## Norcros supplies high quality and innovative showers, ceramic wall and floor tiles and related products. We have three complementary UK businesses: Triton Showers, Johnson Tiles and Norcros Adhesives and three complementary South African businesses: Tile Africa, Johnson Tiles South Africa and TAL, as well as operations in Australia.

Our businesses have a long, successful track record of serving consumers, architects, designers, retailers and wholesalers. Our emphasis is on innovation, quality and service combined with a strong understanding of our customers' needs. We invest significantly and continuously in our people and processes. We are a substantial group with consistent, high quality standards and considerable resources. We aim to use our strong brands, our innovative products and our leading market positions to drive investment returns and shareholder value.

**Corporate review**

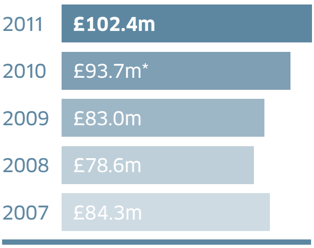


**Corporate accounts**

# Highlights

## Revenue

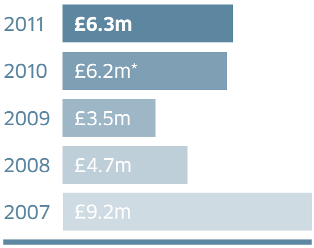
**£102.4m**




* Restated on a 26 week basis.

## Trading profit**

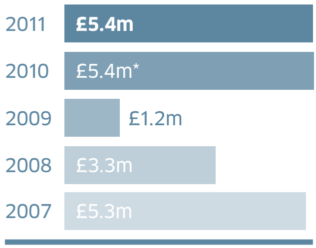
**£6.3m**




** Trading profit is defined as operating profit before exceptional operating items.

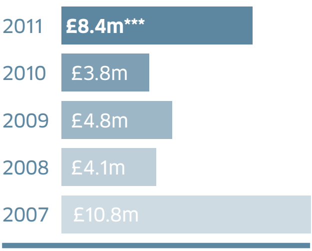
## Benchmark profit before taxation

**£5.4m**




## Cash generated from operations

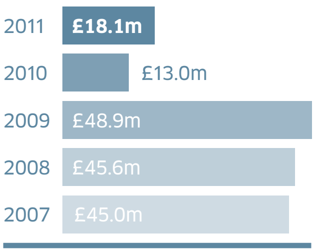
**£8.4m*****




*** Stated before £7.8m buy-out of onerous lease provision.

## Net debt (before prepaid finance costs)

**£18.1m**



# Chairman's statement

## Significant revenue growth was achieved across the Group's businesses, driven by management's commitment to invest in new product development programmes and to focus on sales and marketing initiatives.

**John Brown** Chairman

## Summary

- Revenue increased by 8.6% on a constant currency like for like number of weeks basis
- Trading profit of £6.4m represents 2.2% improvement
- Buy-out of significant onerous property lease achieved
- New £51m bank facility through to Oct 2015
- 17% increase in interim dividend

The Board is pleased to announce a solid set of results for the six months ended 30 September 2011. Significant revenue growth was achieved across the Group's businesses, driven by management's commitment to invest in new product development programmes and to focus on sales and marketing initiatives. Combined with its strength of service offering this commitment enabled Norcros to outperform its competition and gain further market share.

Whilst profitability has remained strong, the Group has not been immune from energy and commodity price increases. In response to these challenges, actions have been implemented to further restructure the cost base, recover input cost increases through selective selling price increases and improve operational performance.

The success of our sales and marketing programmes, the low net debt position and good cash generation leaves the Group in a strong position to make further progress provided conditions in our key markets do not deteriorate any further.

## Results

The period under review covers a 26 week period whereas the comparable period last year covered 27 weeks.

Group revenue increased by 5.3% to £102.4m (2010: £97.3m) for the six months ended 30 September 2011 and by 8.6% on a constant currency like for like number of weeks basis.

Group trading profit was £6.3m (2010: £6.4m), which represents a 2.2% improvement on a like for like number of weeks basis.

Group benchmark profit before taxation was £5.4m (2010: £5.6m) and is in line with last year on a like for like number of weeks basis.

Group profit before taxation was £4.3m (2010: £6.8m) with the 2010 result benefiting from an exceptional gain of £2.7m arising on the sale of our 25% investment in R. J. Beaumont & Co Pty Ltd.

Basic benchmark earnings per share was 0.9p (2010: 0.9p).

## Financial

Net cash generated from operations in the period was £0.6m (2010: £3.8m). This included the previously announced £7.8m buy-out of the onerous property lease at Springwood Drive and also a saving of £1.1m from ongoing lease costs on the site. Investment in capital expenditure returned to levels similar to our depreciation charge at £3.1m (2010: £2.0m). Net debt before prepaid finance costs at 30 September 2011 increased to £18.1m from £12.4m at 31 March 2011, the increase principally reflecting the buy-out of the lease at Springwood Drive.

On 31 August 2011 the Group announced that it had entered into an agreement with WM Morrison Supermarkets plc to sell part of its surplus freehold land holding subject to an acceptable planning consent being granted for the site, which is being progressed.

On 22 September 2011 the Group secured a new committed £51m revolving credit facility through to October 2015. The terms of this new facility provide the Group with increased flexibility and a lower cost of borrowing, reflecting its strong financial position. The annualised reduction in bank interest as a result of these improved terms is anticipated to be approximately £0.5m per annum.

An exceptional non-cash interest charge of £1.2m has been recognised in these results arising from the write-off of unamortised fees related to the previous refinancing. Fees of approximately £0.8m have been incurred in securing the new facility and will be amortised over its term.

The position of our UK defined benefit pension scheme as calculated under IAS 19 has been updated and shows an increased deficit from £7.0m at 31 March 2011 to £14.6m at 30 September 2011. The increased deficit at 30 September 2011 reflects a combination of a fall in the applicable discount and inflation rates and a lower market value of the scheme assets, but still represents a 96% funding level on this basis.

## Dividend

As a result of the Group's strong financial position and the solid trading performance in the first half, the Board is declaring an interim dividend of 0.14p per share (2010: 0.12p). The dividend is payable on 6 January 2012 to shareholders on the register on 9 December 2011. The shares will be quoted ex-dividend on 7 December 2011.

## Operating review

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

### UK

For the six months ended 30 September 2011 total revenues in our UK businesses increased by 6.2% to £58.4m and by 10.3% on a like for like number of weeks basis. Trading profits at £6.5m were 11.9% ahead of last year and on a like for like number of weeks basis were up 16.2%.

# Chairman's statement continued

## Management is committed to continuing to drive market share gains with our strength of service and highly regarded products.

Revenue

**£102.4m**
+5.3%
2010: £97.3m

### Operating review continued

Triton Showers, our market leading UK shower operation, delivered a strong trading performance, excellent cash generation and increased overall market share of the domestic shower market despite a backdrop of ongoing strong commodity prices. This demonstrates the strength of its business model, consumer brand awareness and high customer service levels.

The shower market has declined by 3% over the last year but has been relatively static over the last six months. Within that, the electric shower segment is performing better than the mixer segment driven by the strength of replacement activity.

Overall revenue was 1.6% lower, but 2.2% higher on a like for like number of weeks basis. On a like for like number of weeks basis UK revenues were 1.5% higher with a stronger performance in the retail sector compared to the trade. Export sales were ahead by 6.4% on a like for like number of weeks basis representing a robust performance given the continued very subdued market conditions in Ireland, our largest export market. However, across the whole business our strong commitment to product development has continued and significant investment is being made in new product introductions with the launch of the T80Z family range and the new Aspirante range helping first half performance.

Trading profits and margins were higher than last year as a result of an ongoing programme of cost reduction initiatives and tight cost control.

Johnson Tiles, a leading UK ceramic tile manufacturer, performed well, especially in its domestic market where it has continued to gain share. Overall revenue in the six months ended 30 September 2011 was 13.0% higher, or 17.4% on a like for like number of weeks basis. UK revenues exceeded the prior year by 21.2% on a like for like number of weeks basis with growth in the DIY multiple channel significantly ahead of that in trade. This has been achieved against the backdrop of an estimated 5% decline in the UK tile market over the last year, with all sectors experiencing lower levels of activity. The social housing market sector has been particularly badly affected by the impact of the public sector cuts. Market share was gained from new product listings won as a result of the demise of a key UK competitor in June last year. Innovative ink jet products and our architect and designer-focused ranges have driven performance with revenues benefitting from noteworthy projects at the Olympic Village, New Scotland Yard and Marks & Spencer in the period.

Supply issues have constrained export revenues, leaving them 5.6% lower than prior year on a like for like number of weeks basis. However, we are confident of overcoming these issues and project activity in the important Middle East market remains strong and this will benefit revenues in the second half.

Notwithstanding the strong sales performance, trading profits were lower in the first six months reflecting higher energy and commodity prices and lower than expected manufacturing output following installation of the new kiln. We are confident that these inefficiencies are temporary and are working towards securing the full benefit of the increase in capacity. Energy costs increased by 37% on last year but, as part of its energy hedging policy, the business has covered forward a substantial proportion of its forecast consumption in the remainder of the year and does not therefore anticipate any significant additional energy cost risk in the second half.

Management has taken action to mitigate input cost increases by undertaking a cost reduction programme and by implementing selective selling price increases. The benefits of these actions will largely be reflected in the second half. Johnson Tiles' strategy remains focused on product leadership, excellent service and strong customer relationships.

Revenue in our UK adhesive business continued to grow rapidly and trading profit was maintained in the first half of the year. Our new ready mix adhesive manufacturing facility installed in February 2011 is working well and allows us to offer a fully integrated manufactured product range. As a result of our strategy of continuing to invest in sales and marketing, growth has been generated through gaining a number of significant national contract specifications. This has helped to develop stronger relationships with the major fixing contractors and created additional opportunities to target open tender specifications. Furthermore, the national specifications for Barratts and David Wilson Homes have been gained towards the end of the period, which will contribute to revenue growth in the second half.

**South Africa**

For the six months ended 30 September 2011 total revenues in our South African businesses increased by 5.2% to £39.2m and by 9.0% on a constant currency

# Chairman's statement continued

## Operating review continued

### South Africa continued

like for like number of weeks basis. A trading loss of £0.3m was recorded compared to a trading profit of £0.5m in the prior year. This was principally driven by an increased loss in Johnson Tiles, our tile manufacturing operation.

Revenues at our retail operation, TAF, increased by 0.6% on a constant currency basis and by 4.5% on a constant currency like for like number of weeks basis. Retail sales grew by 6.8% on a like for like number of weeks and stores basis, reflecting an improved product offering and refinement of our store operating model. The performance helped deliver a small trading profit in the period versus a small trading loss in the comparable period last year.

During the period one further store was upgraded bringing the number of upgrades to 20 out of our 31 stores. A further store will be upgraded in the second half and it remains our target to convert all stores by 2014. Additional growth will come from opening up franchises in outlying or rural areas, where economic activity is expected to increase, and from targeting opportunities in sub-Saharan Africa.

Johnson Tiles, our tiles manufacturing business, has made strong progress in growing revenues as part of its turnaround strategy, albeit it has made slower than expected progress on the manufacturing objectives.

Revenues in the independent sector have grown by 37.8% on a constant currency basis and by 43.1% on a constant currency like for like number of weeks basis. This significant increase has resulted from targeting dedicated sales resource on the independent merchant and sub-Saharan African export markets. This success is particularly noteworthy given the increase in importing activity driven by the strong Rand. Future growth will also be achieved by broadening the product offer through increasing the number of complementary high quality imported tiles we offer to the independent sector.

We have implemented a programme to accelerate improvements in the manufacturing process. A new buffer system was installed in May 2011 which necessitated an interruption to production. Commissioning of this equipment took longer than expected and impacted overall plant efficiency in the first half. We have also restructured the senior manufacturing management team and have recently announced a number of key management appointments. These factors have led to an increased trading loss versus the comparable period last year. The key focus of the new team is to further improve plant stability, increase output and reduce unit manufacturing costs.

TAL, our market leading adhesive operation, continues to benefit from our strategy of strengthening the product range and expanding into sub-Saharan Africa to deliver 5.6% higher revenues in constant currency terms or 9.7% on a constant currency like for like number of weeks basis, achieving good growth particularly in tile adhesives.

A new satellite tile adhesive manufacturing facility was opened in Durban in September. This will realise savings in distribution costs and yield operating efficiencies at the main tile adhesive manufacturing operation at Olifantsfontein.

Investment in sales and marketing initiatives and set-up costs associated with the new Durban plant left trading profits slightly lower in the first half and leaves the business well positioned to make further progress.

### Rest of the world

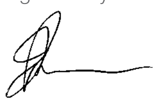
Revenues at our Australian operation, Johnson Tiles were 13.0% lower on a constant currency basis and 9.6% lower on a constant currency like for like number of weeks basis reflecting weak consumer confidence and uncertainty over Government spending policies. Despite lower sales the business operated at a trading profit, which represents an improvement over last year, driven by stronger gross margins and tight overhead cost control.

## Summary and outlook

The Group has delivered a solid trading performance in the first half and at the same time, as part of its ongoing self-help programme, has successfully addressed a significant element of the legacy property issues. The Group has also recently secured a new £51m committed bank facility through to October 2015 and remains in a strong financial position. This is reflected in the Board's decision to declare an increased interim dividend.

Market conditions both in the UK and South Africa remain extremely challenging and therefore we are appropriately cautious about the prospects for the rest of the year. Nevertheless, management is committed to continuing to drive market share gains with our strength of service and highly regarded products, to seek new growth opportunities, improve manufacturing performance and exert tight cost control.

The Board believes that management's self-help actions to reduce costs, improve manufacturing efficiencies and implement selective price increases in the second half leaves the Group well positioned to make further progress and improve margins provided conditions in our markets do not deteriorate significantly from current levels.



**J. E. Brown**
Chairman
17 November 2011

# Condensed consolidated income statement
## 26 weeks ended 30 September 2011

| | Notes | 26 weeks ended 30 September 2011 (unaudited) £m | 27 weeks ended 30 September 2010 (unaudited) £m | 53 weeks ended 31 March 2011 (audited) £m |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | | 102.4 | 97.3 | 196.1 |
| **Operating profit** | | 6.3 | 9.1 | 10.6 |
| Trading profit* | | 6.3 | 6.4 | 11.7 |
| Exceptional operating items | 3 | — | 2.7 | (1.1) |
| **Operating profit** | | 6.3 | 9.1 | 10.6 |
| Finance costs | 6 | (1.7) | (2.1) | (3.4) |
| Exceptional finance costs | 3 | (1.2) | — | — |
| Total finance costs | | (2.9) | (2.1) | (3.4) |
| Finance income | 6 | 0.2 | — | 0.2 |
| IAS 19 finance income/(costs) | | 0.7 | (0.2) | 0.1 |
| **Profit before taxation** | | 4.3 | 6.8 | 7.5 |
| Taxation | | (0.5) | (0.2) | (0.8) |
| **Profit for the period** | | 3.8 | 6.6 | 6.7 |
| **Earnings per share attributable to the owners of the Company** | | | | |
| Basic earnings per share | 5 | 0.7p | 1.1p | 1.2p |
| Diluted earnings per share | 5 | 0.7p | 1.1p | 1.2p |
| Weighted average number of shares for basic earnings per share (millions) | | 577.0 | 577.0 | 577.0 |
| **Non-GAAP measures:** | | | | |
| Benchmark profit before taxation** (£m) | 4 | 5.4 | 5.6 | 10.2 |
| Benchmark earnings*** (£m) | 4 | 5.1 | 5.4 | 9.4 |
| Basic benchmark earnings per share | 5 | 0.9p | 0.9p | 1.6p |
| Diluted benchmark earnings per share | 5 | 0.9p | 0.9p | 1.6p |

* Trading profit is defined as operating profit before exceptional operating items.

** Benchmark profit before taxation is defined as profit before exceptional items, amortisation of costs of raising debt finance, movement on fair value of derivative financial instruments, discounting of property lease provisions and finance costs relating to pension schemes.

*** Benchmark earnings are defined at benchmark profit before taxation less attributable taxation.

# Condensed consolidated statement of comprehensive income
## 26 weeks ended 30 September 2011

| | **26 weeks ended 30 September 2011 (unaudited) £m** | 27 weeks ended 30 September 2010 (unaudited) £m | 53 weeks ended 31 March 2011 (audited) £m |
|---|---|---|---|
| Profit for the period | **3.8** | 6.6 | 6.7 |
| Other comprehensive income: | | | |
| Actuarial (losses)/gains on retirement benefit obligations | **(6.4)** | (11.8) | 0.7 |
| Foreign currency translation adjustments | **(6.2)** | 0.5 | 1.4 |
| Other comprehensive (expense)/income for the period | **(12.6)** | (11.3) | 2.1 |
| Total comprehensive (expense)/income for the period | **(8.8)** | (4.7) | 8.8 |

Items in the statement are disclosed net of tax.

# Condensed consolidated balance sheet
## At 30 September 2011

| | Notes | At 30 September 2011 (unaudited) £m | At 30 September 2010 (unaudited) £m | At 31 March 2011 (audited) £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | | **23.3** | 23.9 | 23.9 |
| Property, plant and equipment | | **44.8** | 46.6 | 49.1 |
| Investment properties | | **5.5** | 5.5 | 5.5 |
| Deferred tax assets | | **4.2** | 7.1 | 2.2 |
| | | **77.8** | 83.1 | 80.7 |
| **Current assets** | | | | |
| Inventories | | **41.8** | 43.7 | 42.3 |
| Trade and other receivables | | **39.1** | 36.8 | 42.6 |
| Derivative financial instruments | | **0.5** | — | 0.4 |
| Pension scheme asset | 11 | **1.0** | 1.2 | 1.4 |
| Cash and cash equivalents | | **10.7** | 4.0 | 7.7 |
| | | **93.1** | 85.7 | 94.4 |
| **Current liabilities** | | | | |
| Trade and other liabilities | | **(48.2)** | (44.8) | (50.6) |
| Derivative financial instruments | | **(1.7)** | (1.9) | (1.8) |
| Current tax liabilities | | **(1.2)** | (0.9) | (0.9) |
| Financial liabilities – borrowings | 7 | **(2.8)** | (3.0) | (3.1) |
| | | **(53.9)** | (50.6) | (56.4) |
| **Net current assets** | | **39.2** | 35.1 | 38.0 |
| **Total assets less current liabilities** | | **117.0** | 118.2 | 118.7 |
| **Non-current liabilities** | | | | |
| Financial liabilities – borrowings | 7 | **(25.2)** | (11.6) | (15.2) |
| Pension scheme liability | 11 | **(14.6)** | (25.3) | (7.0) |
| Other non-current liabilities | | **(1.7)** | (1.6) | (1.8) |
| Provisions | | **(6.2)** | (13.1) | (15.3) |
| | | **(47.7)** | (51.6) | (39.3) |
| **Net assets** | | **69.3** | 66.6 | 79.4 |
| Financed by: | | | | |
| Ordinary share capital | 8 | **5.8** | 19.2 | 19.2 |
| Share premium | | **—** | 86.8 | 86.8 |
| Retained earnings and other reserves | | **63.5** | (39.4) | (26.6) |
| **Total equity** | | **69.3** | 66.6 | 79.4 |

The notes on pages 14 to 22 form an integral part of this condensed consolidated interim financial information.

# Condensed consolidated statement of cash flows
## 26 weeks ended 30 September 2011

| | Notes | **26 weeks ended 30 September 2011 (unaudited) £m** | 27 weeks ended 30 September 2010 (unaudited) £m | 53 weeks ended 31 March 2011 (audited) £m |
|---|---|---|---|---|
| Cash generated from operations | 9 | **0.6** | 3.8 | 10.8 |
| Income taxes | | **—** | — | (0.6) |
| Interest received | | **—** | 0.5 | 0.7 |
| Interest paid | | **(0.7)** | (0.8) | (1.7) |
| Net cash (used in)/generated from operating activities | | **(0.1)** | 3.5 | 9.2 |
| Cash flows from investing activities | | | | |
| Disposal of trade investment | | **—** | 4.4 | 4.4 |
| Purchase of property, plant and equipment | | **(3.1)** | (2.0) | (6.3) |
| Net cash (used in)/generated from investing activities | | **(3.1)** | 2.4 | (1.9) |
| Cash flows from financing activities | | | | |
| Repayments of borrowings | | **(17.0)** | (6.0) | (3.0) |
| Capitalised finance costs | | **(0.8)** | — | — |
| Drawdown of new borrowings | | **26.0** | — | — |
| Dividends paid to equity shareholders | | **(1.4)** | — | (0.7) |
| Net cash generated from/(used in) financing activities | | **6.8** | (6.0) | (3.7) |
| Net increase/(decrease) in cash at bank and in hand and bank overdrafts | | **3.6** | (0.1) | 3.6 |
| Cash at bank and in hand and bank overdrafts at beginning of the period | | **4.6** | 1.1 | 1.1 |
| Exchange movements on cash and bank overdrafts | | **(0.3)** | — | (0.1) |
| Cash at bank and in hand and bank overdrafts at end of the period | | **7.9** | 1.0 | 4.6 |

# Condensed consolidated statements of changes in equity

## 26 weeks ended 30 September 2011 (unaudited)

| | Ordinary share capital £m | Capital redemption reserve £m | Share premium £m | Translation reserve £m | Retained (losses)/ earnings £m | Total £m |
|---|---|---|---|---|---|---|
| At 31 March 2011 | 19.2 | — | 86.8 | 11.1 | (37.7) | 79.4 |
| Comprehensive income: | | | | | | |
| Profit for the period | — | — | — | — | 3.8 | 3.8 |
| Other comprehensive income: | | | | | | |
| Actuarial loss on retirement benefit obligations | — | — | — | — | (6.4) | (6.4) |
| Foreign currency translation adjustments | — | — | — | (6.2) | — | (6.2) |
| Total other comprehensive income | — | — | — | (6.2) | (6.4) | (12.6) |
| Transactions with owners: | | | | | | |
| Purchase of own shares | (13.4) | 13.4 | — | — | — | — |
| Capital reorganisation | — | (13.4) | (86.8) | — | 100.2 | — |
| Dividends paid | — | — | — | — | (1.4) | (1.4) |
| Employee share schemes and warrants | — | — | — | — | 0.1 | 0.1 |
| **At 30 September 2011** | **5.8** | — | **—** | **4.9** | **58.6** | **69.3** |

During the period the Company repurchased 148,754,684 deferred shares of 9p each for a nominal value. Following this the Company cancelled its capital redemption reserve and its share premium account.

## 27 weeks ended 30 September 2010 (unaudited)

| | Ordinary share capital £m | Share premium £m | Translation reserve £m | Retained losses £m | Total £m |
|---|---|---|---|---|---|
| At 31 March 2010 | 19.2 | 86.8 | 9.7 | (44.5) | 71.2 |
| Comprehensive income: | | | | | |
| Profit for the period | — | — | — | 6.6 | 6.6 |
| Other comprehensive income: | | | | | |
| Actuarial loss on retirement benefit obligations | — | — | — | (11.8) | (11.8) |
| Foreign currency translation adjustments | — | — | 0.5 | — | 0.5 |
| Total other comprehensive income | — | — | 0.5 | (11.8) | (11.3) |
| Transactions with owners: | | | | | |
| Employee share schemes and warrants | — | — | — | 0.1 | 0.1 |
| At 30 September 2010 | 19.2 | 86.8 | 10.2 | (49.6) | 66.6 |

## 53 weeks ended 31 March 2011 (audited)

| | Ordinary share capital £m | Share premium £m | Translation reserve £m | Retained losses £m | Total £m |
|---|---|---|---|---|---|
| At 31 March 2010 | 19.2 | 86.8 | 9.7 | (44.5) | 71.2 |
| Comprehensive income: | | | | | |
| Profit for the year | — | — | — | 6.7 | 6.7 |
| Other comprehensive income: | | | | | |
| Actuarial gain on retirement benefit obligations | — | — | — | 0.7 | 0.7 |
| Foreign currency translation adjustments | — | — | 1.4 | — | 1.4 |
| Total other comprehensive income | — | — | 1.4 | 0.7 | 2.1 |
| Transactions with owners: | | | | | |
| Dividends paid | — | — | — | (0.7) | (0.7) |
| Employee share schemes and warrants | — | — | — | 0.1 | 0.1 |
| At 31 March 2011 | 19.2 | 86.8 | 11.1 | (37.7) | 79.4 |

# Notes to the accounts
26 weeks ended 30 September 2011

## 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 17 November 2011. This condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

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

### Basis of preparation

This condensed consolidated financial information for the 26 weeks ended 30 September 2011 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 2011, which has been prepared in accordance with IFRS as adopted by the European Union. The Annual Report and Accounts was approved by the Board on 23 June 2011 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 2011. These policies have been applied consistently to all periods presented, unless otherwise stated.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profits or losses.

### New standards, amendments to standards or interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2011.

The Group has adopted the following new standards, amendments and interpretations now applicable. None of these standards and interpretations has had any material effect on the Group's results or net assets.

| Standard or interpretation | Content | Applicable for financial years beginning on or after |
|---|---|---|
| Amendment: IFRS 1 | 'Additional exemptions for first time adopters' | 1 April 2011 |
| Amendment: IFRIC 14 | 'Minimum funding contributions to a defined benefit pension scheme' | 1 April 2011 |
| Annual improvements to IFRS (2010) | Various | 1 April 2011 |
| Amendment: IAS 24 | 'Related party transactions' | 1 April 2011 |
| IFRIC 19 | 'Extinguishing financial liabilities with equity instruments' | 1 April 2011 |

## 1. Accounting policies continued

### Basis of preparation continued

### New standards, amendments to standards or interpretations continued

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group:

| Standard or interpretation | Content | Applicable for financial years beginning on or after |
|---|---|---|
| Amendment: IFRS 1* | 'Additional exemptions for first time adopters' | 1 April 2013 |
| Amendment: IFRS 7* | 'Off balance sheet activities' | 1 April 2013 |
| IFRS 9 | 'Financial instruments' | 1 April 2013 |
| IFRS 10 | 'Consolidated financial statements' | 1 April 2013 |
| IFRS 11* | 'Joint arrangements' | 1 April 2013 |
| IFRS 12* | 'Disclosures of interests in other entities' | 1 April 2013 |
| IFRS 13* | 'Fair value measurement' | 1 April 2013 |
| Amendment: IAS 19 | 'Employee benefits' | 1 April 2014 |
| Amendment: IAS 27 | 'Consolidated financial statements' | 1 April 2014 |
| Amendment: IAS 28 | 'Associates and joint ventures' | 1 April 2014 |

* These standards are not expected to have a material impact on the Group.

### 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 2011.

## 2. Segmental reporting

The Group operates in three main geographical areas: UK, South Africa and Rest of the World. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker assesses performance and allocates resources based on geography as each segment has similar economic characteristics, complementary products, distribution channels and regulatory environments.

| | Notes | 26 weeks ended 30 September 2011 (unaudited) | | | |
|---|---|---|---|---|---|
| | | UK £m | South Africa £m | Rest of the World £m | Group £m |
| Revenue | | 58.4 | 39.2 | 4.8 | 102.4 |
| Trading profit/(loss) | | 6.5 | (0.3) | 0.1 | 6.3 |
| Exceptional operating items | | — | — | — | — |
| Operating profit/(loss) | | 6.5 | (0.3) | 0.1 | 6.3 |
| Finance costs | | | | | (2.9) |
| Finance income | | | | | 0.2 |
| IAS 19 finance income | | | | | 0.7 |
| Profit before taxation | | | | | 4.3 |
| Taxation | | | | | (0.5) |
| Profit from continuing operations | | | | | 3.8 |
| Net debt | 9 | | | | (17.3) |

# Notes to the accounts continued
# 26 weeks ended 30 September 2011

## 2. Segmental reporting continued

| | Notes | UK £m | South Africa £m | Rest of the World £m | Group £m |
|---|---|---|---|---|---|
| | | 27 weeks ended 30 September 2010 (unaudited) | | | |
| Revenue | | 55.0 | 37.3 | 5.0 | 97.3 |
| Trading profit | | 5.9 | 0.5 | — | 6.4 |
| Exceptional operating items | | — | — | 2.7 | 2.7 |
| Operating profit | | 5.9 | 0.5 | 2.7 | 9.1 |
| Finance costs | | | | | (2.1) |
| IAS 19 finance cost | | | | | (0.2) |
| Profit before taxation | | | | | 6.8 |
| Taxation | | | | | (0.2) |
| Profit from continuing operations | | | | | 6.6 |
| Net debt | 9 | | | | (10.6) |

| | Notes | UK £m | South Africa £m | Rest of the World £m | Group £m |
|---|---|---|---|---|---|
| | | 53 weeks ended 31 March 2011 (audited) | | | |
| Revenue | | 114.0 | 72.4 | 9.7 | 196.1 |
| Trading profit/(loss) | | 11.6 | 0.2 | (0.1) | 11.7 |
| Exceptional operating items | | (3.8) | — | 2.7 | (1.1) |
| Operating profit | | 7.8 | 0.2 | 2.6 | 10.6 |
| Finance costs | | | | | (3.4) |
| Finance income | | | | | 0.2 |
| IAS 19 finance income | | | | | 0.1 |
| Profit before taxation | | | | | 7.5 |
| Taxation | | | | | (0.8) |
| Profit from continuing operations | | | | | 6.7 |
| Net debt | 9 | | | | (10.6) |

## 3. Exceptional items

| | **26 weeks ended 30 September 2011 (unaudited) £m** | 27 weeks ended 30 September 2010 (unaudited) £m | 53 weeks ended 31 March 2011 (audited) £m |
|---|---|---|---|
| **Exceptional operating items** | | | |
| Past service pension credit[1] | **—** | — | 0.4 |
| Property provisions[2] | **—** | — | (4.2) |
| Profit on disposal of investments[3] | **—** | 2.7 | 2.7 |
| | **—** | 2.7 | (1.1) |
| **Exceptional finance costs** | | | |
| Amortisation of costs of raising debt finance[4] | **(1.2)** | — | — |

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

2 The provision to cover the Group's onerous leases was increased by £4.2m last year, of which £2.0m related to the Springwood Drive property and £2.2m to the remaining three UK onerous property leases.

3 Profit on disposal of the Group's 25% investment in R. J. Beaumont & Co Pty Ltd.

4 Following the refinancing of the Group's banking facilities, £1.2m of unamortised costs relating to previous banking arrangements have been impaired in the period.

## 4. Non-GAAP measures

| | **26 weeks ended 30 September 2011 (unaudited) £m** | 27 weeks ended 30 September 2010 (unaudited) £m | 53 weeks ended 31 March 2011 (audited) £m |
|---|---|---|---|
| Profit before taxation | **4.3** | 6.8 | 7.5 |
| Adjusted for: | | | |
| Exceptional operating items | **—** | (2.7) | 1.1 |
| Exceptional amortisation of costs of raising debt finance | **1.2** | — | — |
| Amortisation of costs of raising debt finance | **0.6** | 0.6 | 1.2 |
| Net movement on fair value of derivative financial instruments | **(0.2)** | 0.4 | (0.2) |
| Discount on property lease provisions | **0.2** | 0.3 | 0.7 |
| IAS 19 finance (income)/costs | **(0.7)** | 0.2 | (0.1) |
| Benchmark profit before taxation | **5.4** | 5.6 | 10.2 |
| Attributable taxation | **(0.3)** | (0.2) | (0.8) |
| Benchmark earnings | **5.1** | 5.4 | 9.4 |

Benchmark profit before taxation is defined as profit before taxation, exceptional items, amortisation of costs of raising finance, movement on fair value of derivative financial instruments, discounting of property lease provisions and finance costs relating to pension schemes. Benchmark earnings are defined as benchmark profit before taxation less attributable taxation.

The Directors believe that benchmark profit before taxation and benchmark earnings provide shareholders with additional useful information on the underlying performance of the Group.

# Notes to the accounts continued
# 26 weeks ended 30 September 2011

## 5. Earnings per share

| | 26 weeks ended 30 September 2011 (unaudited) £m | 27 weeks ended 30 September 2010 (unaudited) £m | 53 weeks ended 31 March 2011 (audited) £m |
|---|---|---|---|
| Earnings for the period | **3.8** | 6.6 | 6.7 |
| Benchmark earnings for the period | **5.1** | 5.4 | 9.4 |

| | 26 weeks ended 30 September 2011 (unaudited) Number | 27 weeks ended 30 September 2010 (unaudited) Number | 53 weeks ended 31 March 2011 (audited) Number |
|---|---|---|---|
| Weighted average number of shares for basic earnings per share | **577,025,912** | 577,025,912 | 577,025,912 |
| Share options and warrants | **2,838,905** | — | 116,155 |
| Weighted average number of shares for diluted earnings per share | **579,864,817** | 577,025,912 | 577,142,067 |

| | 26 weeks ended 30 September 2011 (unaudited) | 27 weeks ended 30 September 2010 (unaudited) | 53 weeks ended 31 March 2011 (audited) |
|---|---|---|---|
| Basic earnings per share | **0.7p** | 1.1p | 1.2p |
| Diluted earnings per share | **0.7p** | 1.1p | 1.2p |
| Basic benchmark earnings per share | **0.9p** | 0.9p | 1.6p |
| Diluted benchmark earnings per share | **0.9p** | 0.9p | 1.6p |

## 6. Finance income and costs

| | 26 weeks ended 30 September 2011 (unaudited) £m | 27 weeks ended 30 September 2010 (unaudited) £m | 53 weeks ended 31 March 2011 (audited) £m |
|---|---|---|---|
| **Finance costs** | | | |
| Interest payable on bank borrowings | **0.9** | 0.8 | 1.5 |
| Amortisation of costs of raising debt finance | **0.6** | 0.6 | 1.2 |
| Movement on fair value of derivative financial instruments | **—** | 0.4 | — |
| Discount on property lease provisions | **0.2** | 0.3 | 0.7 |
| **Total finance costs** | **1.7** | 2.1 | 3.4 |
| **Finance income** | | | |
| Movement on fair value of derivative financial instruments | **(0.2)** | — | (0.2) |
| **Total finance income** | **(0.2)** | — | (0.2) |
| **Finance costs – net** | **1.5** | 2.1 | 3.2 |

## 7. Borrowings

| | At 30 September 2011 (unaudited) £m | At 30 September 2010 (unaudited) £m | At 31 March 2011 (audited) £m |
|---|---|---|---|
| **Non-current** | | | |
| Bank borrowings (secured): | | | |
| – bank loans | **26.0** | 14.0 | 17.0 |
| – less: costs of raising finance | **(0.8)** | (2.4) | (1.8) |
| **Total non-current** | **25.2** | 11.6 | 15.2 |
| **Current** | | | |
| Bank borrowings (secured): | | | |
| – bank overdrafts | **2.8** | 3.0 | 3.1 |
| **Total borrowings** | **28.0** | 14.6 | 18.3 |

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 30 September 2011 (unaudited) £m | At 30 September 2010 (unaudited) £m | At 31 March 2011 (audited) £m |
|---|---|---|---|
| Not later than one year | **2.8** | 3.0 | 3.1 |
| After more than one year: | | | |
| – between one and two years | **—** | — | 17.0 |
| – later than two years and not later than five years | **26.0** | 14.0 | — |
| – costs of raising finance | **(0.8)** | (2.4) | (1.8) |
| | **25.2** | 11.6 | 15.2 |
| **Total borrowings** | **28.0** | 14.6 | 18.3 |

During the period the Group secured a new committed £51.0m revolving credit facility which expires in October 2015. Under this facility bank borrowings are secured by the Group's UK assets.

## 8. Ordinary called up share capital

| | At 30 September 2011 (unaudited) £m | At 30 September 2010 (unaudited) £m | At 31 March 2011 (audited) £m |
|---|---|---|---|
| Issued and fully paid | | | |
| 577,326,112 ordinary shares of 1p each | **5.8** | 5.8 | 5.8 |
| 148,754,684 deferred shares of 9p each | **—** | 13.4 | 13.4 |
| | **5.8** | 19.2 | 19.2 |

During the period the Company repurchased 148,754,684 deferred shares of 9p each for a nominal value.

# Notes to the accounts continued
# 26 weeks ended 30 September 2011

## 9. Consolidated cash flow statements

### (a) Cash generated from operations

| | 26 weeks ended 30 September 2011 (unaudited) £m | 27 weeks ended 30 September 2010 (unaudited) £m | 53 weeks ended 31 March 2011 (audited) £m |
|---|---|---|---|
| Profit before taxation | 4.3 | 6.8 | 7.5 |
| Adjustments for: | | | |
| – exceptional items included in the above | — | (2.7) | 1.1 |
| – cash flows from exceptional items | (9.0) | (3.3) | (5.9) |
| – depreciation | 3.2 | 3.2 | 6.6 |
| – difference between pension charge and contributions | (0.4) | (0.4) | (0.8) |
| – (profit)/loss on disposal of property, plant and equipment | (0.1) | — | 0.1 |
| – finance costs | 2.9 | 2.1 | 3.4 |
| – finance income | (0.2) | — | (0.2) |
| – IAS 19 finance (income)/cost | (0.7) | 0.2 | (0.1) |
| – share-based payments | 0.1 | 0.1 | 0.1 |
| – exchange differences | 0.2 | — | — |
| Operating cash flows before movements in working capital | 0.3 | 6.0 | 11.8 |
| Changes in working capital: | | | |
| – increase in inventories | (2.7) | (6.1) | (4.2) |
| – decrease/(increase) in trade and other receivables | 2.3 | 1.4 | (4.2) |
| – increase in payables | 0.7 | 2.5 | 7.4 |
| Cash generated from operations | 0.6 | 3.8 | 10.8 |

### (b) Cash flows from exceptional items

This includes expenditure charged to exceptional provisions relating to onerous property leases, business rationalisation and restructuring including severance and other employee costs. During the period £7.8m was paid to exit an onerous lease obligation at Springwood Drive, Braintree, Essex.

### (c) Analysis of net debt

| | Cash £m | Debt £m | Total £m |
|---|---|---|---|
| At 1 April 2010 | 1.1 | (17.0) | (15.9) |
| Cash flow | 3.6 | 3.0 | 6.6 |
| Other non-cash movements | — | (1.2) | (1.2) |
| Exchange movement | (0.1) | — | (0.1) |
| At 31 March 2011 | 4.6 | (15.2) | (10.6) |
| At 1 April 2010 | 1.1 | (17.0) | (15.9) |
| Cash flow | (0.1) | 6.0 | 5.9 |
| Other non-cash movements | — | (0.6) | (0.6) |
| Exchange movement | — | — | — |
| At 30 September 2010 | 1.0 | (11.6) | (10.6) |
| At 1 April 2011 | 4.6 | (15.2) | (10.6) |
| Cash flow | 3.6 | (9.0) | (5.4) |
| Other non-cash movements | — | (1.0) | (1.0) |
| Exchange movement | (0.3) | — | (0.3) |
| At 30 September 2011 | 7.9 | (25.2) | (17.3) |

## 9. Consolidated cash flow statements continued

### (c) Analysis of net debt continued

Other non-cash movements relate to an increase in transaction costs of £0.8m (2010: £nil) following the refinancing of bank debt in September 2011 less amortisation charged for the period of £1.8m (2010: £0.6m) of which £0.6m (2010: £0.6m) was charged to finance costs and £1.2m (2010: £nil) was charged to exceptional finance costs.

## 10. Dividends

A final dividend in respect of the year ended 31 March 2011 of £1.4m (0.24p per share) was paid in August 2011. On 17 November 2011 the Board declared an interim dividend in respect of the year 31 March 2012 of £0.8m (0.14p per share). This dividend will be paid in January 2012 and is not reflected in this condensed consolidated financial information.

## 11. 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 2011. Scheme assets are stated at their market value at 30 September 2011.

The latest actuarial valuation as at 31 March 2009 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 £1.0m (2010: £1.2m) has been recognised as an asset on the balance sheet as this amount is considered to be recoverable by the Group.

### (b) IAS 19, 'Retirement benefit obligations'

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

| | At 30 September 2011 | At 30 September 2010 | At 31 March 2011 |
|---|---|---|---|
| Discount rate | 5.30% | 5.10% | 5.50% |
| Inflation rate (RPI) | 3.00% | 3.10% | 3.40% |
| Inflation (CPI) | 2.30% | N/A | 2.70% |
| Salary increases | 3.25% | 3.35% | 3.65% |

# Notes to the accounts continued
# 26 weeks ended 30 September 2011

## 11. Retirement benefit obligations continued

**(b) IAS 19, 'Retirement benefit obligations'** continued

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

| | At 30 September 2011 £m | At 30 September 2010 £m | At 31 March 2011 £m |
|---|---|---|---|
| Total market value of scheme assets | 350.4 | 361.7 | 363.3 |
| Present value of scheme liabilities | (364.0) | (385.8) | (368.9) |
| Pension deficit | (13.6) | (24.1) | (5.6) |
| Comprising: | | | |
| – Norcros Security Plan | (14.6) | (25.3) | (7.0) |
| – other | 1.0 | 1.2 | 1.4 |
| Pension deficit | (13.6) | (24.1) | (5.6) |

## 12. 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

- Norcros SA Pty Limited* trading as Johnson Tiles (Pty) Limited, TAL and TAF (incorporated in South Africa)
- Johnson Tiles (Pty) Limited* (incorporated in Australia)
- Philkeram-Johnson SA* (associated company – 50%, incorporated in Greece**)

* 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 to the best of their knowledge 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 of the financial year 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 on page 24 of this Interim Report.

By order of the Board

**N. P. Kelsall**
Group Chief Executive
17 November 2011

**M. K. Payne**
Group Finance Director
17 November 2011

# Directors, advisers and company information

### Company Directors
**John Brown** Chairman
**Nick Kelsall** Group Chief Executive
**Martin Payne** Group Finance Director
**David Hamilton** Director and Company Secretary
**Les Tench** Non-executive Director
**Martin Towers** Non-executive Director
**Vijay Aggarwal** Non-executive Director

### Company website
www.norcros.com

### Listing details
| | | |
|---|---|---|
| Market | – | UK Listed |
| Reference | – | NXR |
| Index | – | FTSE All Share<br>FTSE SmallCap |
| Sector | – | Construction and materials |

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### Registered number
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Registered in England

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**Clifford Chance LLP**
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### Registrars
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### Financial PR
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### Auditors
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# Financial calendar

| | |
|---|---|
| Full year results | Announcement June 2012 |
| Annual Report and Accounts | Available to shareholders June 2012 |
| Annual General Meeting | July 2012 |

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