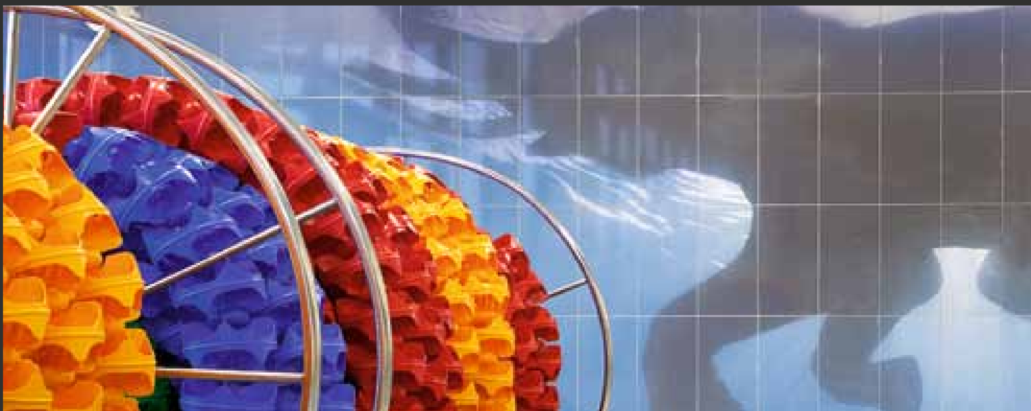
norcros

Interim report 2012

About Norcros
Focused on showers, tiles and adhesives

We have three complementary UK businesses: Triton Showers, Johnson Tiles and Norcros Adhesives as well as significant operations in South Africa and interests 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.



We organise our Group into three geographic areas: the UK, South Africa and the Rest of the World.

UK: 57%

Triton
Market leader in the manufacture and marketing of showers with a strong position in UK electric and mixer shower markets. Also exports to Ireland and other overseas markets

Johnson Tiles
The UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles

Norcros Adhesives
Manufacturer and supplier of adhesives, grouts, surface preparation and aftercare products for fixing tiles, mosaics, natural stone and marble

South Africa: 38%

Tile Africa
Tile Africa is our South African retailer of tiles, adhesives, sanitaryware and bathroom fittings. The business operates from 37 showrooms located mainly in South Africa but also in Namibia and Botswana

Johnson Tiles
Johnson Tiles South Africa is the number two ceramic tile manufacturer in South Africa supplying the Tile Africa stores as well as other independent retailers, distributors and contractors

TAL
Our market leading adhesives business with manufacturing plants in Olifantsfontein, Durban and Cape Town. TAL not only supplies a wide range of product into the South African market, but also exports into sub-Saharan Africa

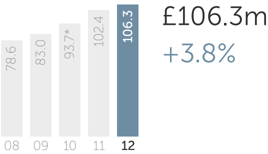
Rest of the World: 5%

Johnson Tiles Australia
Our business is an importer and distributor of tiles sourced primarily from Asia and Europe, including product sourced from Johnson Tiles in the UK. It currently has outlets in Melbourne, Sydney and Tasmania, each offering a wide choice of tiles, adhesives and related products

TRITON JOHNSON-TILES norcros ADHESIVES TILEAFRICA tal

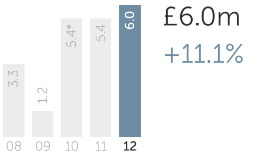
Highlights

Revenue



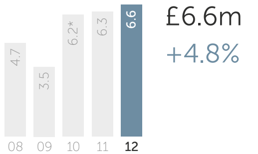
£106.3m
+3.8%

Underlying profit before taxation



£6.0m
+11.1%

Underlying operating profit

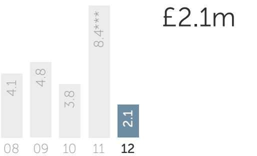


£6.6m
+4.8%

* Restated on a 26 week basis.

Cash generated from operations

(before lease surrender costs)

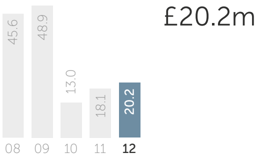


£2.1m

*** Stated before £7.8m lease surrender costs.

Net debt

(before prepaid finance costs)



£20.2m

Corporate review
Corporate accounts

Contents

Market leading, well established brands, innovative products and improved operational performance puts the Group in a strong position to make further progress provided conditions in our key markets do not deteriorate any further.

Martin Towers Chairman

Summary

- Group revenue increased by 3.8% to £106.3m (2011: £102.4m)
- Group underlying operating profits of £6.6m (2011: 6.3m) were 4.8% ahead of the prior period
- South African business returned to profit
- Good progress on surplus property planning application
- The Board is declaring an interim dividend of 0.155p per share, a 10.7% increase on the previous year

The Board is pleased to announce another solid set of results for the six months ended 30 September 2012. Revenue growth has been driven by continued investment in new products, strong customer relationships and excellent logistics capability.

Significant operational progress has been made in the period, building on the improvements seen in the fourth quarter of last year. Management actions have continued to improve operational and financial performance in Johnson Tiles South Africa. In the UK, the issues that affected manufacturing efficiency in Johnson Tiles have now been resolved.

Market leading, well established brands, innovative products and improved operational performance puts the Group in a strong position to make further progress provided conditions in our key markets do not deteriorate any further.

Results

Group revenue increased by 3.8% to £106.3m (2011: £102.4m) for the six months ended 30 September 2012 and by 9.4% on a constant currency basis.

Group underlying operating profit improved 4.8% to £6.6m (2011: £6.3m).

Group underlying profit before taxation improved 11.1% to £6.0m (2011: £5.4m), driven by higher underlying operating profit and lower financing costs as a result of the September 2011 refinancing.

Group profit before taxation improved 53.5% to £6.6m (2011: £4.3m) as a result of improved underlying profit before taxation, no exceptional charges in the period and higher non cash finance income.

Basic underlying earnings per share was 1.1p (2011: 0.9p) driven by improved underlying profit before taxation and a low tax charge as a result of the recognition of a deferred tax asset in our South African business not previously recognised.

Financial

Net cash generated from operations in the period was £2.1m (2011: £0.6m), reflecting increased working capital investment in Johnson Tiles to support significant market share gain with B&Q. Operating cash flow in the prior year included £7.8m of lease surrender costs to exit the onerous lease at Springwood Drive. Investment in capital expenditure in the period amounted to £2.4m (2011: £3.1m) and the disposal of two store sites in TAF, our South African retail business, generated proceeds of £1.1m (2011: £nil). Net debt before prepaid finance costs at 30 September 2012 increased to £20.2m from £18.5m at 31 March 2012, but leverage still remains low at 1.1 times EBITDA.

The position of our UK defined benefit pension scheme as calculated under IAS19 has been updated and shows an increased deficit from £18.7m at 31 March 2012 to £22.3m at 30 September 2012. The increased deficit has arisen due to a fall in the relevant discount rate offset partially by reduced inflation but still represents a 94% funding level on this basis. The Group has started a consultation process with its UK employees with a view to closing the defined benefit section of its UK pension scheme to all future accrual from 31 March 2013. As part of this process a new, auto enrolment compliant defined contribution scheme will be introduced from 1 April 2013.

The taxation charge for the period has benefitted from the recognition of a £1.2m deferred tax asset not previously recognised relating to brought forward tax losses in our South African business. The South African business is now profitable and the Board believes it will continue to be so such that these tax losses will be utilised in the foreseeable future.

Surplus property

Following the announcement in August 2011 of a conditional sale to WM Morrison of part of our surplus land holding at Tunstall for a net £2.6m, a planning application for the Highgate site was submitted in February 2012. Following public consultation and extensive discussions with Stoke City Council, a revised application was submitted on 22 October 2012. This is anticipated to be presented to the Planning Committee in January 2013. Assuming necessary approvals are granted, it is anticipated that the majority of the proceeds will be received in the next financial year.

The Board is declaring an interim dividend of 0.155p per share (2011: 0.14p).

Dividend

The Board is declaring an interim dividend of 0.155p per share (2011: 0.14p). The dividend is payable on 8 January 2013 to shareholders on the register on 7 December 2012. The shares will be quoted ex-dividend on 55December 2012.

Board changes

Since the last report, a number of changes to the composition of the Board have been made. I am delighted to have been appointed Chairman on 1 November 2012 following John Brown's decision to step down from the role and look forward to working with Nick Kelsall and the rest of the Board to drive the Group forward. I am delighted John has decided to stay on as Senior Independent Director and Chair of the Audit Committee and would like to record the Board's thanks for his considerable help as Chairman in guiding the Group since its flotation in July 2007.

In July 2012, Les Tench retired from the Board and again on behalf of the Board I would like to thank him for his valued contribution. Following an extensive selection process, Jo Hallas was appointed to the Board in September 2012. We were keen to attract someone with significant international experience in the consumer products sector to complement the existing range of skills and experience of the Board. Jo was the ideal candidate and we look forward to working with her as we continue to develop the business.

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 2012 total revenues in our UK businesses increased by 4.7% to £61.1m. Underlying operating profit at £6.0m was 9.5% below last year.

Triton Showers, our market leading shower operation, performed better in the second quarter after a weak first quarter, but still recorded 8.3% lower revenue for the six months to 30 September 2012 compared to prior year.

The overall UK shower market has declined approximately 7% in volume terms in the first six months. Weak consumer confidence and reduced public sector spending were exacerbated by further customer de-stocking in the first quarter of the year. Although Triton's UK revenue was 6.4% lower than prior year, the business increased its market share. Encouragingly, performance in the second quarter improved, with revenue only 3.4% lower than the prior year compared to 9.6% lower in the first quarter. The innovative T80Z Fast Fit range which has the patented swing fit feature (a flexible configuration that allows multiple points of entry for both water and electrics) was launched in the fourth quarter of last year and has proved successful with both consumers and installers contributing significantly to revenue in the first half.

Export revenue, which is predominantly derived from Ireland and represents about 14% of overall Triton revenue, was

18.7% lower than prior year reflecting general economic and Eurozone uncertainty. Again, performance in the second quarter improved and was 7.1% below the prior year.

Despite input cost reductions through both supplier negotiation and value engineering in areas such as plastics and electronics, and overhead reductions, underlying operating profits were lower than prior year as a result of lower revenue. Nevertheless, the business performed strongly, remains highly profitable and cash generative and is well placed to capitalise on improved market conditions when they arrive.

Johnson Tiles, the UK market leading ceramic tile manufacturer and market leader in the supply of both own manufactured and imported tiles, performed well especially in the UK market where it has continued to gain share. Overall revenue in the six months ended 30 September 2012 was 17.0% higher than the same period last year. UK markets remained challenging but despite this, UK revenue exceeded prior year by 20.6% with continued market share gain in the DIY multiple channel and in particular with B&Q which has implemented a major tile range review and introduced a new in-store tile shop. This performance has offset some market driven contraction in the trade sector and although contracts for Decent Housing programmes in Leeds and Edinburgh were completed in the period, public sector demand continues to be impacted by Government spending cuts. In the commercial sector notable contract wins with Marks and Spencer, Premier Inn, Asda, John Lewis and EON were completed in the period.

Export sales, which represent approximately 9% of Johnson Tiles' revenue, were 10.7% lower than prior year largely driven by reduced sales in the Middle East. Despite growth in a number of areas in the Middle East, contract successes in the past two years in Qatar have not been repeated this year.

With good progress on revenue, underlying operating profit improved in the first six months compared to the same period last year. The manufacturing efficiency problems that constrained performance last year were resolved in the final quarter of last year and operationally the business has continued to perform well in the first half of this year. Energy costs have stabilised but are still approximately 6% higher than prior year and are expected to continue to run at this level into the second half of the year. Our hedging policy continues to ensure that any further risks to energy costs are limited.

Norcros Adhesives, our manufacturer and supplier of tile and stone adhesives and ancillary products, saw revenue 1.5% higher and underlying operating profit the same as prior year. However, against the backdrop of a declining market this is a creditable performance and has been achieved by specification gains in John Lewis and Total Fitness as well as further business from the Barratt Homes and David Wilson contracts.

New products such as a specialist gypsum based adhesive for fixing to anhydrite screeds and a waterproof tiling system for wet rooms and balconies have been successfully introduced in the

The Board is confident that the Group is well positioned to make further progress and at the same time consider the strategic growth opportunities which will complement the Group's businesses and their leading market positions.

Operating review continued

UK continued

period and a new generation of polymers has been incorporated into our formulations, reducing input costs and improving product performance. With further developments in the pipeline, it is anticipated that the business will continue to gain market share.

South Africa

Total revenue for the six months ended 30 September 2012 in our South African businesses was 17.4% higher than prior year on a constant currency basis at £39.9m, although a considerably weaker Rand means reported Sterling revenue was ahead by only 1.9%. An underlying operating profit of £0.5m was recorded compared to an underlying operating loss of £0.3m in the prior year. This was principally driven by an improved performance in our tile manufacturing business as well as further improvements in our market leading adhesive business. This turnaround in performance has been achieved despite business and consumer sentiment in South Africa having been affected by challenging macro economic factors and the recent industrial relations environment.

Johnson Tiles South Africa, our tiles manufacturing business, has continued to grow in the period, recording 46.5% higher revenue on a constant currency basis in the independent sector compared to prior year. Further gains in the DIY sector have been achieved as we continue our successful strategy of importing ceramic tile products to complement our own manufactured product to create a "one stop shop" for larger retailers, particularly Builders Warehouse.

The operational improvements in Johnson Tiles South Africa noted in our last report have continued in the first half of this year with significantly better quality, higher throughput and reduced downtime. New sorting and packaging equipment was successfully installed towards the end of the period and further improvements to planned maintenance and operating practices are being implemented to drive further efficiencies. Energy costs were, however, 22% higher than prior year and have eroded some of the margin benefit. Notwithstanding this, the business has recorded a significantly reduced loss in the period.

TAL, our market leading adhesive business, continues to grow strongly both inside and outside of South Africa and delivered revenue growth of 26.3% to the independent sector. Within South Africa, the ability to offer a full tiling solution on a single truck to our major retail customers by combining tile and adhesive deliveries has helped drive improved sales. To further build on this "one stop shop" strategy, Tilemate, a range of tile tools, was successfully launched in the period and further initiatives such as the supply of a range of tile sealants and cleaners are being progressed. Exports sales increased 32.3% in the period compared to prior year and now represent 9% of TAL independent sector sales. New distribution agreements have been signed with partners in Kenya and Botswana in the period continuing the drive to export into sub-Saharan Africa. Underlying operating profits for the period improved compared to prior year and remain strong. Despite current market conditions, the business is in a strong position to continue to grow profitably in South Africa and further into sub-Saharan Africa.

Revenue at TAF, our leading retailer of wall and floor tiles, adhesive, showers, sanitaryware and bathroom fittings increased by 9.2% on a constant currency basis compared to the prior year. This performance helped deliver an improved underlying operating profit versus prior year.

As part of our initiative to improve the diversity of our product offering, tile purchases from outside the Group continue to be made, particularly at the lower price points, and our purchasing and inbound logistics team and systems have been strengthened.

During the period one further store was relocated and upgraded bringing the number of upgrades to 21 out of our 31 stores. Two further stores will be upgraded in the second half and further planned upgrades and selected new stores will help continue to drive sales and market share gain.

Rest of the World

Revenue at our Australian operation, Johnson Tiles, was 9.3% higher on a constant currency basis driven by a new tile range, success in the specification sector, and continued share gain with Bunnings, a major Australian DIY retailer. This new range together with a strong customer relationship and logistics expertise recently helped win further business to supply Bunnings in New Zealand.

The business remained profitable in the period, generating an underlying operating profit of £0.1m (2011: £0.1m).

Summary and outlook

Market conditions both in the UK and South Africa continue to be challenging with no signs of a significant improvement in the near term in either our trade or retail sectors. Increased focus on the specification sector in a number of our businesses is beginning to be successful and will be sustained with the aim of driving further market share gain. Although there is still further work to do, there has been a significant improvement in financial performance in our South African business. These successes, together with tight cost control and self help measures across our businesses, leave the Board confident that the Group is well positioned to make further progress and at the same time consider the strategic growth opportunities which will complement the Group's businesses and their leading market positions.

Martin Towers.

M. Towers
Chairman
13 November 2012

Condensed consolidated income statement
26 weeks ended 30 September 2012

	Notes	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	53 weeks ended 31 March 2012 (audited) £m
Continuing operations				
Revenue		106.3	102.4	200.3
Operating profit		6.6	6.3	12.1
Underlying* operating profit		6.6	6.3	12.1
Exceptional operating items	3	—	—	—
Operating profit		6.6	6.3	12.1
Finance costs	7	(1.0)	(1.7)	(3.1)
Exceptional finance costs	3	—	(1.2)	(1.2)
Total finance costs		(1.0)	(2.9)	(4.3)
Finance income	7	—	0.2	—
IAS 19 finance income		1.0	0.7	1.6
Profit before taxation		6.6	4.3	9.4
Taxation	6	(0.1)	(0.5)	—
Profit for the period		6.5	3.8	9.4
Earnings per share attributable to the owners of the Company				
Basic earnings per share	5	1.1p	0.7p	1.6p
Diluted earnings per share	5	1.1p	0.7p	1.6p
Weighted average number of shares for basic earnings per share (millions)		579.7	577.0	577.2
Non-GAAP measures:				
Underlying* profit before taxation (£m)		6.0	5.4	10.7
Underlying* earnings (£m)	4	6.1	5.1	11.1
Basic underlying* earnings per share		1.1p	0.9p	1.9p
Diluted underlying* earnings per share		1.0p	0.9p	1.9p

* Underlying is defined as before exceptional items and, where relevant, 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, less attributable taxation.

Condensed consolidated statement of comprehensive income
26 weeks ended 30 September 2012

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	53 weeks ended 31 March 2012 (audited) £m
Profit for the period	6.5	3.8	9.4
Other comprehensive expense:			
Actuarial losses on retirement benefit obligations	(3.0)	(6.4)	(10.6)
Foreign currency translation adjustments	(3.5)	(6.2)	(5.3)
Other comprehensive expense for the period	(6.5)	(12.6)	(15.9)
Total comprehensive expense for the period	—	(8.8)	(6.5)

Items in the statement are disclosed net of tax.

Condensed consolidated balance sheet
At 30 September 2012

	Notes	At 30 September 2012 (unaudited) £m	At 30 September 2011 (unaudited) £m	At 31 March 2012 (audited) £m
Non-current assets				
Goodwill		23.0	23.3	23.4
Property, plant and equipment		43.4	44.8	44.8
Investment properties		5.4	5.5	5.4
Deferred tax assets	6	8.3	4.2	6.4
		80.1	77.8	80.0
Current assets				
Inventories		51.0	41.8	45.5
Trade and other receivables		38.1	39.1	40.7
Derivative financial instruments		—	0.5	—
Pension scheme asset	12	0.3	1.0	0.6
Cash and cash equivalents		3.4	10.7	2.9
		92.8	93.1	89.7
Current liabilities				
Trade and other liabilities		(49.9)	(48.2)	(50.6)
Derivative financial instruments		(0.5)	(1.7)	(0.4)
Current tax liabilities		(1.6)	(1.2)	(1.1)
Financial liabilities – borrowings	8	(0.6)	(2.8)	(0.4)
		(52.6)	(53.9)	(52.5)
Net current assets		40.2	39.2	37.2
Total assets less current liabilities		120.3	117.0	117.2
Non-current liabilities				
Financial liabilities – borrowings	8	(22.4)	(25.2)	(20.3)
Pension scheme liability	12	(22.3)	(14.6)	(18.7)
Other non-current liabilities		(1.7)	(1.7)	(1.7)
Provisions		(4.1)	(6.2)	(5.4)
		(50.5)	(47.7)	(46.1)
Net assets		69.8	69.3	71.1
Financed by:				
Ordinary share capital	9	5.8	5.8	5.8
Share premium		0.3	—	0.2
Retained earnings and other reserves		63.7	63.5	65.1
Total equity		69.8	69.3	71.1

The notes on pages 14 to 26 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of cash flows
26 weeks ended 30 September 2012

	Notes	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	53 weeks ended 31 March 2012 (audited) £m
Cash generated from operations	10	2.1	0.6	6.0
Income taxes paid		(0.3)	—	(0.6)
Interest received		—	—	—
Interest paid		(0.6)	(0.7)	(1.6)
Net cash generated from/(used in) operating activities		1.2	(0.1)	3.8
Cash flows from investing activities				
Purchase of property, plant and equipment		(2.4)	(3.1)	(6.7)
Proceeds from sale of property, plant and equipment		1.1	—	—
Net cash used in investing activities		(1.3)	(3.1)	(6.7)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		0.1	—	0.2
Repayments of borrowings		—	(17.0)	(17.0)
Capitalised finance costs		—	(0.8)	(0.8)
Drawdown of new borrowings		2.0	26.0	21.0
Dividends paid to equity shareholders		(1.6)	(1.4)	(2.2)
Net cash generated from financing activities		0.5	6.8	1.2
Net increase/(decrease) in cash at bank and in hand and bank overdrafts		0.4	3.6	(1.7)
Cash at bank and in hand and bank overdrafts at beginning of the period		2.5	4.6	4.6
Exchange movements on cash and bank overdrafts		(0.1)	(0.3)	(0.4)
Cash at bank and in hand and bank overdrafts at end of the period		2.8	7.9	2.5

Condensed consolidated statements of changes in equity
26 weeks ended 30 September 2012 (unaudited)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 March 2012	5.8	0.2	5.8	59.3	71.1
Comprehensive income:					
Profit for the period	–	–	–	6.5	6.5
Other comprehensive expense:					
Actuarial loss on retirement benefit obligations	–	–	–	(3.0)	(3.0)
Foreign currency translation adjustments	–	–	(3.5)	–	(3.5)
Total other comprehensive expense	–	–	(3.5)	(3.0)	(6.5)
Transactions with owners:					
Shares issued	–	0.1	–	–	0.1
Dividends paid	–	–	–	(1.6)	(1.6)
Employee share schemes and warrants	–	–	–	0.2	0.2
At 30 September 2012	**5.8**	**0.3**	**2.3**	**61.4**	**69.8**

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 expense:						
Actuarial loss on retirement benefit obligations	–	–	–	–	(6.4)	(6.4)
Foreign currency translation adjustments	–	–	–	(6.2)	–	(6.2)
Total other comprehensive expense	–	–	–	(6.2)	(6.4)	(12.6)
Transactions with owners:						
Purchase of own shares	(13.4)	13.4	–	–	–	–
Capital re-organisation	–	(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.

52 weeks ended 31 March 2012 (audited)

	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 year	—	—	—	—	9.4	9.4
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	—	—	—	—	(10.6)	(10.6)
Foreign currency translation adjustments	—	—	—	(5.3)	—	(5.3)
Total other comprehensive expense	—	—	—	(5.3)	(10.6)	(15.9)
Transactions with owners:						
Purchase of own shares	(13.4)	13.4	—	—	—	—
Capital re-organisation	—	(13.4)	(86.8)	—	100.2	—
Shares issued	—	—	0.2	—	—	0.2
Dividends paid	—	—	—	—	(2.2)	(2.2)
Employee share schemes and warrants	—	—	—	—	0.2	0.2
At 31 March 2012	5.8	—	0.2	5.8	59.3	71.1

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.

Notes to the accounts
26 weeks ended 30 September 2012

1. Accounting policies

General information

The Company is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. This condensed consolidated interim financial information was approved for issue on 13 November 2012. 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 interim financial information for the 26 weeks ended 30 September 2012 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 and approved for issue on 13 November 2012.

The Directors consider, after making appropriate enquiries at the time of approving the condensed consolidated financial report, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, accordingly, that it is appropriate to adopt the going concern basis in the preparation of the condensed consolidated interim financial information.

The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2012, 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 21 June 2012 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 condensed consolidated interim financial information are included in the financial report for the year ended 31 March 2012. 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 2012:

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 to IFRS 7	Financial instrument disclosures	1 April 2012
Amendment to IAS 12	Income taxes	1 April 2012

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 to IAS 1*	Presentation of financial statements	1 April 2013
Amendment to IFRS 7*	Financial instruments: asset and liability offsetting	1 April 2013
IFRS 10	Consolidated financial statements	1 April 2013
IFRS 11*	Joint arrangement	1 April 2013
IFRS 12*	Disclosure of interests in other entities	1 April 2013
IFRS 13*	Fair value measurement	1 April 2013
IAS 19R (revised 2011)	Employee benefits	1 April 2013
IAS 27 (revised 2011)	Separate financial statements	1 April 2013
Annual improvements to IFRS's 2011	Various	1 April 2013
IFRIC 20*	Stripping costs in the production phase of a surface mine	1 April 2013
IFRS 9*	Financial instruments: classification and measurement	1 April 2015

* These standards are not expected to be relevant to the Group.

IAS 19R 'Employee benefits' is likely to have a significant impact on future financial statements when it is adopted. Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, will be replaced with a net interest charge that is calculated by applying the discount rate to the net defined benefit liability. With effect from 1 April 2013 this is likely to result in an interest charge rather than finance income being recognised in the income statement.

Risks and uncertainties

The principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out in the Financial Review on pages 16 and 17 in the 2012 Annual Report, which is available on the Group's website (www.norcros.com).

In summary the Group's principal risks and uncertainties are:

— key commercial relationships;

— competition;

— reliance on production facilities;

— staff retention and recruitment;

— foreign currency exchange risk;

— interest rate risk;

— pension scheme management;

— energy price risk;

Notes to the accounts
26 weeks ended 30 September 2012
Continued

1. Accounting policies continued

Risks and uncertainties continued

— additional capital requirements to fund ongoing operations;

— performance against banking covenants;

— changing consumer preferences; and

— management of the property estate.

The Chairman's Statement in this condensed consolidated interim financial information includes comments on the outlook for the remaining six months of the financial year.

Forward-looking statements

This condensed consolidated interim financial information contains forward-looking statements. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2012.

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, which is considered to be the Board, assesses performance and allocates resources based on geography as each segment has similar economic characteristics, complementary products, distribution channels and regulatory environments.

		26 weeks ended 30 September 2012 (unaudited)			
	Notes	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue		61.1	39.9	5.3	106.3
Underlying operating profit		6.0	0.5	0.1	6.6
Exceptional operating items		—	—	—	—
Operating profit		6.0	0.5	0.1	6.6
Finance costs					(1.0)
IAS 19 finance income					1.0
Profit before taxation					6.6
Taxation					(0.1)
Profit from continuing operations					6.5
Net debt	10				(19.6)

2. Segmental reporting continued

	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
Underlying operating 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	10				(17.3)

	Notes	52 weeks ended 31 March 2012 (audited) UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue		116.8	74.0	9.5	200.3
Underlying operating profit/(loss)		12.5	(0.5)	0.1	12.1
Exceptional operating items		—	(0.5)	0.5	—
Operating profit/(loss)		12.5	(1.0)	0.6	12.1
Finance costs					(3.1)
Exceptional finance costs					(1.2)
IAS 19 finance income					1.6
Profit before taxation					9.4
Taxation					—
Profit from continuing operations					9.4
Net debt	10				(17.8)

There are no differences from the last Annual Report in the basis of segmentation or in the basis of measurement of segment profit or loss.

3. Exceptional items

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	52 weeks ended 31 March 2012 (audited) £m
Exceptional operating items			
Impairment of associate's carrying value and related costs[1]	—	—	0.5
Restructuring costs[2]	—	—	(0.5)
	—	—	—
Exceptional finance costs			
Amortisation of costs of raising debt finance[3]	—	(1.2)	(1.2)

1 In 2009 the carrying value of the Groups' Greek associate was fully impaired together with associated costs including the mark to market value of the related cross currency swap. The swap matured in January 2012 and the other associated costs paid. The cost of settling the cross currency swap was £0.5m lower than initially estimated.

2 Restructuring costs related to redundancies, asset write-downs and consultancy costs followings the implementation of a programme of restructuring initiatives throughout the Group's business units.

3 Following the refinancing of the Group's banking facilities in September 2011, £1.2m of unamortised costs relating to previous banking arrangements were impaired.

4. Non-GAAP measures

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	52 weeks ended 31 March 2012 (audited) £m
Profit before taxation	6.6	4.3	9.4
Adjusted for:			
Exceptional operating items	—	—	—
Amortisation of costs of raising debt finance	0.1	1.8	1.9
Net movement on fair value of derivative financial instruments	0.2	(0.2)	0.7
Discount on property lease provisions	0.1	0.2	0.3
IAS 19 finance income	(1.0)	(0.7)	(1.6)
Underlying profit before taxation	6.0	5.4	10.7
Taxation attributable to underlying profit before taxation	0.1	(0.3)	0.4
Underlying earnings	6.1	5.1	11.1

Underlying 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.

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

5. Earnings per share

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	52 weeks ended 31 March 2012 (audited) £m
Earnings for the period	**6.5**	3.8	9.4
Underlying earnings for the period	**6.1**	5.1	11.1

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	52 weeks ended 31 March 2012 (audited) £m
Weighted average number of shares for basic earnings per share	**579,748,127**	577,025,912	577,231,925
Share options and warrants	**2,402,728**	2,838,905	2,383,527
Weighted average number of shares for diluted earnings per share	**582,150,855**	579,864,817	579,615,452

	26 weeks ended 30 September 2012 (unaudited)	26 weeks ended 30 September 2011 (unaudited)	52 weeks ended 31 March 2012 (audited)
Basic earnings per share	**1.1p**	0.7p	1.6p
Diluted earnings per share	**1.1p**	0.7p	1.6p
Basic underlying earnings per share	**1.1p**	0.9p	1.9p
Diluted underlying earnings per share	**1.0p**	0.9p	1.9p

6. Taxation

Taxation comprises:

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	52 weeks ended 31 March 2012 (audited) £m
Current			
UK taxation	0.7	0.3	0.8
Deferred			
Origination and reversal of temporary differences	(0.6)	0.2	(0.8)
Taxation	0.1	0.5	–

Current tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. During the period £1.2m has been credited to the tax charge due to the recognition of deferred tax assets in South Africa.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax account is as shown below:

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	52 weeks ended 31 March 2012 (audited) £m
Deferred tax asset at the beginning of the period	6.4	2.2	2.2
Credited/(debited) to the income statement	0.6	(0.2)	0.8
Credited to statement of comprehensive income	1.3	2.2	3.4
Deferred tax asset at the end of the period	8.3	4.2	6.4

	At 30 September 2012 (unaudited) £m	At 30 September 2011 (unaudited) £m	At 31 March 2012 (audited) £m
Accelerated capital allowances	0.5	–	0.6
Tax losses	2.2	–	1.1
Other timing differences	0.2	0.4	0.2
Deferred tax asset relating to pension deficit	5.4	3.8	4.5
	8.3	4.2	6.4

7. Finance income and costs

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	52 weeks ended 31 March 2012 (audited) £m
Finance costs			
Interest payable on bank borrowings	0.6	0.9	1.4
Amortisation of costs of raising debt finance	0.1	0.6	0.7
Movement on fair value of derivative financial instruments	0.2	–	0.7
Discount on property lease provisions	0.1	0.2	0.3
Total finance costs	1.0	1.7	3.1
Finance income			
Movement on fair value of derivative financial instruments	–	(0.2)	–
Total finance income	–	(0.2)	–
Finance costs – net	1.0	1.5	3.1

8. Borrowings

	At 30 September 2012 (unaudited) £m	At 30 September 2011 (unaudited) £m	At 31 March 2012 (audited) £m
Non-current			
Bank borrowings (secured):			
– bank loans	23.0	26.0	21.0
– less: costs of raising finance	(0.6)	(0.8)	(0.7)
Total non-current	22.4	25.2	20.3
Current			
Bank borrowings (secured):			
– bank overdrafts	0.6	2.8	0.4
Total borrowings	23.0	28.0	20.7

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

8. Borrowings continued

The repayment terms of borrowings are as follows:

	At 30 September 2012 (unaudited) £m	At 30 September 2011 (unaudited) £m	At 31 March 2012 (audited) £m
Not later than one year	0.6	2.8	0.4
After more than one year:			
– later than two years and not later than five years	23.0	26.0	21.0
– costs of raising finance	(0.6)	(0.8)	(0.7)
	22.4	25.2	20.3
Total borrowings	23.0	28.0	20.7

9. Ordinary called up share capital

	At 30 September 2012 (unaudited) £m	At 30 September 2011 (unaudited) £m	At 31 March 2012 (audited) £m
Issued and fully paid			
580,388,912 ordinary shares of 1p each	5.8	5.8	5.8

The Company issued 556,308 1p ordinary shares to members of an SAYE scheme whose options were exercisable during the period.

10. Consolidated Cash Flow Statements

(a) Cash generated from operations

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	53 weeks ended 31 March 2012 (audited) £m
Profit before taxation	6.6	4.3	9.4
Adjustments for:			
– exceptional items included in the above	—	—	—
– cash flows from exceptional items	(1.2)	(9.0)	(11.1)
– depreciation	3.1	3.2	6.3
– difference between pension charge and contributions	0.3	(0.4)	(0.7)
– profit on disposal of property, plant and equipment	—	(0.1)	(0.4)
– finance costs	1.0	2.9	4.3
– finance income	—	(0.2)	—
– other finance income	(1.0)	(0.7)	(1.6)
– share-based payments	0.2	0.1	0.2
– exchange differences	—	0.2	—
Operating cash flows before movements in working capital	9.0	0.3	6.4
Changes in working capital:			
– increase in inventories	(7.3)	(2.7)	(5.9)
– (increase)/decrease in trade and other receivables	(0.1)	2.3	2.1
– increase in payables	0.5	0.7	3.4
Cash generated from operations	2.1	0.6	6.0

10. Consolidated Cash Flow Statements continued

(b) Cash flows from exceptional items

This includes expenditure utilised against exceptional provisions created in prior periods relating to onerous property leases, business rationalisation and restructuring including severance and other employee costs.

(c) Analysis of net debt

	Cash £m	Debt £m	Total £m
At 1 April 2011	4.6	(15.2)	(10.6)
Cash flow	(1.7)	(4.0)	(5.7)
Other non-cash movements	—	(1.1)	(1.1)
Exchange movement	(0.4)	—	(0.4)
At 31 March 2012	2.5	(20.3)	(17.8)
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)
At 1 April 2012	2.5	(20.3)	(17.8)
Cash flow	0.4	(2.0)	(1.6)
Other non-cash movements	—	(0.1)	(0.1)
Exchange movement	(0.1)	—	(0.1)
At 30 September 2012	**2.8**	**(22.4)**	**(19.6)**

11. Dividends

A final dividend in respect of the year ended 31 March 2012 of £1.6m (0.28p per share) was paid in August 2012. On 13 November 2012 the Board declared an interim dividend in respect of the year 31 March 2013 of £0.9m (0.155p per share). This dividend will be paid in January 2013 and is not reflected in this condensed consolidated interim financial information.

12. 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 2012. Scheme assets are stated at their market value at 30 September 2012.

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 £0.3m (2011: £1.0m) 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 2012	At 30 September 2011	At 31 March 2012
Discount rate	4.40%	5.30%	4.95%
Inflation rate (RPI)	2.60%	3.00%	3.20%
Inflation (CPI)	1.60%	2.30%	2.20%
Salary increases	2.85%	3.25%	3.45%

The amounts recognised in the Balance Sheet are determined as follows:

	At 30 September 2012 £m	At 30 September 2011 £m	At 31 March 2012 £m
Total market value of scheme assets	365.6	350.4	368.2
Present value of scheme liabilities	(387.6)	(364.0)	(386.3)
Pension deficit	(22.0)	(13.6)	(18.1)
Comprising:			
– Norcros Security Plan	(22.3)	(14.6)	(18.7)
– other	0.3	1.0	0.6
Pension deficit	(22.0)	(13.6)	(18.1)

Notes to the accounts
26 weeks ended 30 September 2012 Continued

13. 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)

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

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.

14. Related party transactions
The following transactions were carried out with related parties:

(a) Purchases of goods and services

	26 weeks ended 30 September 2012 (unaudited) £m	26 weeks ended 30 September 2011 (unaudited) £m	52 weeks ended 31 March 2012 (audited) £m
Purchases of goods:			
– Prism Cement Limited	0.5	0.9	1.5

Goods are purchased from related parties on normal commercial terms and conditions.

Dividends of £0.5m (2011: £0.4m) were paid during the period to Lifestyle Investments PVT Limited which owns 29.79% of the Company's issued share capital. This company is owned by Prism Cement Limited, a company of which Vijay Aggarwal is a director.

(b) Period end balances arising from sales/purchases of goods and services

	At 30 September 2012 (unaudited) £m	At 30 September 2011 (unaudited) £m	At 31 March 2012 (audited) £m
Payables to related parties:			
– Prism Cement Limited	(0.1)	(0.3)	(0.3)

Statement of directors' responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and that the Interim 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 consolidated 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 28 of this Interim Report. Les Tench resigned as a Non-executive Director on 26 July 2012 and Jo Hallas was appointed as a Non-executive Director on 27 September 2012.

By order of the Board

N. P. Kelsall
Group Chief Executive
13 November 2012

M. K. Payne
Group Finance Director
13 November 2012

Directors, advisers and company information

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

Company website
www.norcros.com

Listing details

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

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Financial calendar

Full year results	Announcement June 2013
Annual Report and Accounts	Available to shareholders June 2013
Annual General Meeting	July 2013

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