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Norcros PLC
12 November 2015

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Norcros plc

Results for the six months ended 30 September 2015

'Strong momentum within our businesses'

Norcros, the market leading supplier of innovative branded showers, taps, bathroom accessories, tiles and adhesives, today announces its results for the six months ended 30 September 2015.

Financial Summary

	2015	2014	% change as reported	% change at constant currency
Revenue	£118.7m	£108.6m	+9.3%	+12.0%
Underlying* operating profit	£9.9m	£7.4m	+34%	
Underlying* profit before tax	£9.4m	£6.7m	+40%	
Profit before tax	£7.0m	£6.3m	+11%	
Underlying operating cash flow**	£13.3m	£11.6m	+15%	
Diluted underlying EPS†*	11.8p	8.1p	+46%	
Net debt	£29.2m	£20.0m		
Interim dividend per share†	2.2p	1.85p	+19%	

* Underlying is before IAS 19R administrative expenses, acquisition related costs and exceptional operating items and, where relevant, before non-cash finance costs
** Underlying operating cash flow means cash generated from continuing operations before exceptional cash flows and pension fund deficit recovery contributions
† Restated for the 10:1 share consolidation completed on 29 September 2015

Highlights

- Strong first half performance
- Revenue increased by 12.0% on a constant currency basis
- Underlying operating profit increased by 34% to £9.9m
- Underlying profit before tax increased by 40% to £9.4m
- Profit before tax increased by 11% to £7.0m
- Continued strong underlying operating cash generation: 104% of underlying EBITDA
- Acquisition of Croydex completed on 25 June 2015
- Diluted underlying earnings per share 46% higher at 11.8p
- Interim dividend increased by 19% to 2.2p per share

Martin Towers, Chairman, commented:

"I am pleased to announce a strong set of results for the six months ended 30 September 2015. Not only has the Group continued to make excellent progress in its existing businesses, but it has continued to advance towards its strategic targets with the acquisition of Croydex at the end of June 2015.

With our strong brands, leading market positions and continued self-help initiatives focused on market share gain the Group is well positioned to make further progress. Given the strong first half performance and momentum within our businesses, the Board now expects the Group to achieve underlying operating profit marginally ahead of market expectations for the year to 31 March 2016."

There will be a presentation today at 9.30 am for analysts at the offices of Hudson Sandler, 29 Cloth Fair, London, EC1A 7NN. The supporting slides will be available on the Norcros website at http://www.norcros.com later in the day.

ENQUIRIES

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Nick Lyon
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Notes to Editors

- Norcros is a leading supplier of high quality and innovative showers, taps, bathroom accessories, ceramic wall and floor tiles and adhesive products with operations primarily in the UK and South Africa.

- Based in the UK, Norcros operates under five brands:
  - Triton Showers - Market leader in the manufacture and marketing of showers in the UK
  - Vado - A leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves
  - Croydex - A market-leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories
  - Johnson Tiles - A leading manufacturer and supplier of ceramic tiles in the UK
  - Norcros Adhesives - Manufacturer of tile & stone adhesives, grouts and related products

- Based in South Africa, Norcros operates under three brands:
  - Tile Africa - Chain of retail stores focused on ceramic and porcelain tiles, and associated products such as sanitary ware, showers and adhesives
  - Johnson Tiles South Africa - Manufacturer of ceramic and porcelain tiles
  - TAL - The leading manufacturer of ceramic and building adhesives

- Norcros is headquartered in Wilmslow, Cheshire and employs around 1800 people. The Company is listed on the London Stock Exchange. For further information please visit the Company website: http://www.norcros.com/

Chairman's statement

I am pleased to announce a strong set of results for the six months ended 30 September 2015. Not only has the Group continued to make excellent progress in its existing businesses, but it has continued to advance towards its strategic targets with the acquisition of Croydex at the end of June 2015.

Market conditions in the UK continue to be mixed, with the trade sector continuing to perform well driven by new house build and commercial specifications, although RMI driven demand is muted and retail markets generally remain challenging. In South Africa, market conditions have been impacted by the recent slow-down in China affecting the commodity sector which is a significant part of the South African economy. However, the strong self-help culture evident in all our businesses has continued to offset these challenges and has been a key factor in delivering these strong results.

Underlying operating profit rose by 34% to £9.9m (2014: £7.4m) representing an improved margin of 8.3% (2014: 6.8%). UK performance benefitted from the return to profitability of Johnson Tiles UK following its manufacturing inefficiencies in the prior year and the three month contribution from Croydex. South Africa nearly doubled its underlying operating profit despite a weaker Rand, driven by strong constant currency revenue growth and an improvement in underlying profit performance in all three businesses including a return to profitability at Johnson Tiles South Africa.

Through a combination of strong underlying EBITDA and continued prudent management of working capital, underlying operating cash generation was £13.3m (2014: £11.6m), representing 104% of underlying EBITDA (2014: 112%). This performance and a cash outflow of £20.1m relating to the acquisition of Croydex left net debt at £29.2m compared to £14.2m at 31 March 2015 and represents leverage of 1.1 times underlying proforma EBITDA.

Acquisition of Croydex

As previously announced, the Group acquired 100% of the ordinary share capital of Croydex Group Limited ("Croydex"), a market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories, on 25 June 2015. The acquisition of Croydex is an important next step in the Group's growth strategy to increase revenue to £420m by 2018 and follows on from the very successful integration of the Vado business which Norcros acquired in March 2013. The addition of the Croydex business to the Group's existing portfolio has increased the breadth of our product range in the bathroom segment and has enabled the Group to offer an even broader array of complementary bathroom products to our customers. Croydex will also benefit from the global distribution channels, sourcing skills and strong financial position of the enlarged Group. I am excited by the prospects for Croydex within the Norcros Group and have been impressed by the energy and enthusiasm of its management and employees.

Results

Revenue for the six month period to 30 September 2015 at £118.7m (2014: £108.6m) was 12.0% higher on a constant currency basis compared to the prior year, and 9.3% on a Sterling reported basis. Of this growth, 5.5% was attributable to a three month contribution from Croydex. On a like for like basis excluding Croydex, constant currency growth was 6.5% and 4.0% on a Sterling reported basis.

Underlying operating profit rose by 34% to £9.9m (2014: £7.4m) reflecting improvements in both the UK and South Africa together with a three month contribution from Croydex.

Underlying profit before taxation increased by 40% to £9.4m (2014: £6.7m) reflecting the higher underlying operating profit and lower interest costs driven by improved margins offset by increased borrowings due to the acquisition of Croydex in June 2015.

Profit before taxation for the period was £7.0m (2014: £6.3m), reflecting increased underlying profit before taxation, higher exceptional operating income of £2.3m (2014: £0.3m) primarily as a result of settlement in the period of a contractual dispute with Morrisons relating to a previous agreement to sell them freehold land in Tunstall, Stoke on Trent, offset by higher non-underlying interest of £1.3m (2014: income of £0.6m) and higher acquisition related costs of £2.6m (2014: £0.5m) relating to the final year of the Vado earn out mechanism of £1.3m and the costs of acquiring Croydex of £0.8m.

Diluted underlying earnings per share were 46% higher at 11.8p (2014: 8.1p restated for the 10:1 share consolidation), reflecting improved underlying earnings.

Financial

We have continued to demonstrate strong cash conversion with underlying operating cash generated in the period at £13.3m (2014: £11.6m), representing 104% of underlying EBITDA for the period (2014: 112%). There was a working capital outflow of £0.2m in the period which compared to a £0.6m inflow in the prior period. A pension deficit recovery payment of £1.1m (2014: £1.0m) in the period (as part of the £2.0m plus CPI per annum contribution agreed with the Trustee in 2013) and cash inflows relating to exceptional items of £0.7m (2014: outflows of £0.7m) resulted in net cash generated from continuing operations at £12.9m (2014: £9.9m). Investment in capital expenditure in the period amounted to £3.2m (2014: £3.4m) and has remained consistent at 1.1 times depreciation.

Net debt increased in the six months to 30 September 2015 by £15.0m to £29.2m principally as a result of the acquisition of Croydex, which, including costs related to the acquisition of £0.8m, resulted in a net cash outflow in the period of £20.1m.

The gross deficit relating to our UK defined benefit pension scheme as calculated under IAS 19R has improved slightly from a deficit of £44.3m at 31 March 2015 to a deficit of £42.4m at 30 September 2015. The reduction in the deficit principally reflects an increase in the discount rate to 3.8% net of a lower return on scheme assets. During the previous year the plan undertook a number of liability management exercises which resulted in the recognition of a net settlement gain of £1.7m. A further gain of £0.4m has been recognised in the period as a result of these exercises which has been included within exceptional operating items.

Property

As highlighted in the Group's 2015 Annual Report, the contractual dispute arising from the conditional sale of part of the surplus land in Tunstall to a subsidiary of Wm Morrison Supermarkets plc was settled on 15 May 2015. The Company has recognised exceptional operating income of £1.9m in relation to this settlement.

Dividend

The Board is declaring an interim dividend of 2.20p per share reflecting the strong first half performance and its confidence in the Group's future prospects. Taking into account the 10:1 share consolidation which took place on 29 September 2015, this represents an increase of 19% over the restated interim dividend from the previous year of 1.85p per ordinary share. The dividend is payable on 7 January 2016 to shareholders on the register on 4 December 2015. The shares will be quoted as ex-dividend on 3 December 2015.

Operating review

UK

For the six months ended 30 September 2015 total revenue in our UK businesses was 9.8% ahead of the prior period at £79.9m (2014: £72.8m). On a like for like basis excluding Croydex revenue of £5.8m, total revenue increased by 1.8%. Underlying operating profit at £8.0m was 25% higher than last year at £6.4m and represents an improved return on sales of 10.0% (2014: 8.8%). The trends in our UK markets seen in the prior year have continued into the first half of this year, with good growth in the trade sector, but a challenging retail sector.

Triton

Our market leading shower operation, Triton Showers, recorded revenue growth of 3.1% for the six month period to 30 September 2015 to £26.2m (2014: £25.4m).

UK revenue for Triton was 1.9% higher than the prior year. Revenue from the UK trade sector increased by 3.3% compared to the prior year, with strong trading across major national merchants and electrical wholesale customers and a much improved performance in the specification sector, which has been a key area of focus for the business. The retail sector however remains challenging, principally due to weak consumer demand and the impact of product range changes at some of the major DIY accounts. Notwithstanding this, Triton still delivered marginally higher retail revenue compared to the previous year. Triton has continued to invest significantly in new product development and in product innovation with the recent launch of the T80ZFF thermostatic electric shower range which further strengthens our offer in the growing thermostatic shower market.

Export markets account for 17% of Triton's overall revenue and have continued to grow, increasing by 10.0% compared to the prior year. The principal export market for Triton is Ireland, where a revitalised new build and RMI sector has helped drive revenue growth. Markets further afield, principally Latin America, continue to be developed. We have invested in both new product development and marketing including representation at a number of major trade fairs in the region.

Triton has continued to generate strong cashflows and delivered underlying operating profits which were marginally ahead of last year.

Vado

Our leading manufacturer of taps, mixer showers, bathroom accessories and valves, Vado, recorded revenue of £15.9m for the period (2014: £14.8m), 7.4% higher than the prior year. UK revenue was 16.7% higher than the prior year, with growth in both the retail and trade segments. In the trade sector, we continue to make strong progress in both residential and commercial specifications, benefitting particularly from increased new private housing programmes. In retail, we are beginning to see the benefits of investing in the expansion of the sales team and were recently recognised as tap brand of the year by BKU magazine in its inaugural awards.

Export revenue, which accounts for approximately 30% of Vado revenue, was 9.6% lower than the same period last year. This performance reflects a mixed picture with lower revenue outside of our major Middle East market held back by credit issues with a number of sub-Saharan customers and a number of larger projects last year not being repeated this year. However, in the Middle East we grew revenue strongly in the first half of this year reflecting more buoyant construction activity. We have recently increased our presence in this market and established a directly employed resource in the region to strengthen the Vado brand in the important specification sector.

Underlying operating profits were ahead of the same period last year driven largely by revenue growth.

Croydex

Croydex, our market-leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories, which was acquired on 25 June 2015, recorded revenue of £5.8m for the three month period since acquisition to 30 September 2015, in line with our expectations.

Whilst it was not under Group ownership for the full period, revenue for the six months ended 30 September 2015 was £10.9m, 3.7% higher than the prior year. UK sales at £10.3m were in line with the prior year with the challenging retail environment being offset by growth in the trade sector. Export sales of £0.6m were £0.4m higher than the prior period, reflecting the additional focus employed to target growth outside the UK, with particular success being achieved in Germany.

Operationally, Croydex has been integrated into the Norcros group seamlessly, and the performance of the business since acquisition has been highly encouraging, with the business generating an underlying profit performance in line with the Board's expectations.

Johnson Tiles

Our UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, Johnson Tiles, recorded revenue 4.5% lower than the same period last year at £27.9m (2014: £29.2m).

UK revenue was 2.7% lower than the comparative period last year. Excellent progress continues to be made in the trade segment with revenue 5.0% higher, notwithstanding that last year included the one-off benefit of the supply of ceramic poppies which formed the main part of the World War I commemorations at the Tower of London. Again, good progress has been made in the specification sector, with projects completed in the period for Holiday Inn and Total Fitness. In the retail sector, subdued demand in the DIY sector generally combined with the withdrawal from some unprofitable ranges resulted in revenues 9.6% lower than the prior year. Export revenue was also 16.7% lower than the prior year principally reflecting the combined impact of weak market conditions in France and credit issues in the Middle East.

Operationally, the excellent progress made at the end of the last financial year has been sustained throughout this first half period. As a result of management actions manufacturing efficiencies have significantly improved compared to the prior period. This, together with the continued trade revenue growth, have been key factors in delivering a solid underlying operating profit performance for the period, a marked improvement over the small operating loss recorded in the prior period.

Norcros Adhesives

Norcros Adhesives, our manufacturer and supplier of tile and stone adhesives and ancillary products, once again demonstrated excellent growth with revenue 20.6% higher at £4.1m (2014: £3.4m). This performance principally reflects further development of our distribution channels in the trade segment, as well as some initial success in the retail DIY sector.

The business continues to develop innovative new products to address the technical issues in fixing tiles to different types of substrate, for example the launch of the Ultima8 B+ range, which solves the problem of fixing tiles to bituminous surfaces. Additionally, the business has continued to invest in future growth, achieving the ISO 14001 accreditation for environmental management, commencing the construction of a new training centre and laboratory in the UK and establishing a local presence in the Middle East to better capitalise on the opportunities in the significant specification market in this region.

This continued strong growth has delivered an underlying operating profit performance ahead of the same period last year.

South Africa

Once again our South African businesses reported another period of double digit constant currency growth resulting in revenue 16.9% higher than prior year on a constant currency basis. Reported Sterling revenue was 8.4% higher at £38.8m (2014: £35.8m), reflecting an 8% weaker Rand. Underlying operating profit at £1.9m was 90% higher than the previous period (2014: £1.0m) despite the weaker Rand adversely impacting reported profits by £0.1m. This represents a significantly improved return on sales of 4.9% (2014: 2.7%). All three businesses delivered an improvement in local currency underlying operating profit performance.

Our South African operations have made further progress in the first half of the year with all three businesses growing ahead of the market as we continue to implement our strategy of growing our brands through geographic expansion and range diversification. Gross margins improved against the previous year, with the benefits in our supply chain and production efficiencies delivering tangible benefits over the period.

Johnson Tiles South Africa

Our tile manufacturing business, Johnson Tiles South Africa, achieved independent sector revenue of £5.4m (2014: £5.2m), 12.5% higher than prior year on a constant currency basis, and 3.8% higher on a reported Sterling basis.

Following the investment in two inkjet printers over the last two years we have successfully enriched our product offer with the launch of a number of additional inkjet ranges and a new rectangular product format in response to market trends. An improved product offer and a consistent manufacturing performance have resulted in a marked improvement in performance.

As reported in our last annual report, Johnson Tiles South Africa experienced some manufacturing disruption as a result of the national electricity load-shedding programme. Consequently a new standby diesel generator has been successfully installed in the period which will significantly reduce the impact of being unable to operate the manufacturing facility in the event of a power outage.

Notwithstanding the disruption from load shedding prior to the generator being installed, the business delivered an underlying operating profit compared to a small underlying operating loss in the prior period.

TAL

Our market leading adhesive business, TAL, delivered constant currency independent sector revenue growth of 20.5% in the period, or an 11.9% increase on a Sterling reported basis to £9.4m (2014: £8.4m). This growth was achieved through market share gain in domestic markets and through continued focus on growing sub-Saharan export markets, as well as product range extensions, such as a new 2kg bag to its grout range and a new powdered bond range, both of which have received a favourable market reaction.

In addition to the considerable growth in revenue, we have continued to drive profitability through further improvements in plant and procurement efficiencies. This has been reflected in a stronger underlying operating profit performance than the prior year.

Tile Africa

Revenue at our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, Tile Africa, increased by 16.5% on a constant currency basis compared to the prior year, and by 8.1% on a Sterling reported basis to £24.0m (2014: £22.2m).

Tile Africa currently operates from 29 stores and four franchises, with a new store in Boksburg, Gauteng, expected to open by the end of this financial year. The new CX format stores that we developed to improve the overall retail customer experience, and were showcased in the last Annual Report, have continued to perform strongly, and consequently there are plans to retrofit this format into further stores. The store at Lenasia has recently been refitted as a factory outlet aimed at the emerging consumer segments following on from the positive results achieved at the existing store of this type in Silverton.

The improved CX store layout, together with benefits from our increased focus on in-stock and on-display offering has been reflected in market share gain and revenue growth, and in an improved underlying operating profit compared to the prior year.

Share consolidation

On 29 September 2015 the Company undertook an exercise to consolidate its existing 1p ordinary shares into new 10p ordinary shares, and the new shares began to be traded on the London Stock Exchange on 30 September. The resolution permitting the Board to effect the consolidation had been passed at the Company's AGM on 22 July. The Board considered it was important to reduce the number of shares in issue to a level more appropriate for a company of Norcros's size, and to make the shares more attractive to investors, whilst having no effect on the relative holdings of individual shareholders. Full details of the share consolidation are provided on the Company's website www.norcros.com.

Summary and outlook

The Group has made a very pleasing start to the year, with each of our businesses delivering an improvement in underlying operating profit performance. As I have already highlighted, we took decisive management action in our tiles businesses in both the UK and South Africa to address the operational challenges of recent years and now have a much stronger base from which to develop our medium term growth plans. Whilst conditions in our UK retail and export markets remain testing, we continue to capitalise on the demand opportunities in the more positive trade sector where we continue to perform strongly.

The acquisition of the Croydex business is a further step in realising our strategic target of generating revenues of £420m by 2018 and importantly the business has already been smoothly integrated into the Group.

With our strong brands, leading market positions and continued self-help initiatives focused on market share gain the Group is well positioned to make further progress. Given the strong first half performance and momentum within our businesses, the Board now expects the Group to achieve underlying operating profit marginally ahead of market expectations for the year to 31 March 2016.

M. G. Towers
Chairman
12 November 2015

Condensed consolidated income statement

Six months to 30 September 2015

	Notes	**6 months to 30 September 2015 (unaudited) £m**	6 months to 30 September 2014* (unaudited) £m	Year ended 31 March 2015* (audited) £m
Continuing operations				
Revenue		**118.7**	108.6	222.1
Underlying operating profit		**9.9**	7.4	17.0
IAS 19R administrative expenses		**(0.8)**	(0.8)	(1.7)
Acquisition related costs	4	**(2.6)**	(0.5)	(2.2)
Exceptional operating items	4	**2.3**	0.3	(2.5)
Operating profit		**8.8**	6.4	10.6
Finance costs	7	**(1.1)**	(0.8)	(1.4)
Exceptional finance costs	7	**-**	(0.4)	(0.4)
Total finance costs	7	**(1.1)**	(1.2)	(1.8)
Finance income	7	**-**	1.6	3.3
IAS 19R finance cost		**(0.7)**	(0.5)	(1.1)
Profit before taxation		**7.0**	6.3	11.0
Taxation	6	**(1.6)**	(1.6)	(2.9)
Profit for the period from continuing operations		**5.4**	4.7	8.1
Profit for the period from discontinued operations		**-**	0.1	0.1
Profit for the period		**5.4**	4.8	8.2
Earnings per share attributable to the owners of the Company				
Basic earnings per share:				
From continuing operations	5	**9.0p**	8.0p	13.6p
From discontinued operations	5	**-**	0.2p	0.2p
From profit for the period	5	**9.0p**	8.2p	13.8p
Diluted earnings per share:				
From continuing operations	5	**8.7p**	7.7p	13.1p
From discontinued operations	5	**-**	0.2p	0.2p
From profit for the period	5	**8.7p**	7.9p	13.3p
Weighted average number of shares for basic earnings per share (millions)	5	**60.1**	59.0	59.2

Non-GAAP measures

Underlying profit before taxation (£m)	3	**9.4**	6.7	15.8
Underlying earnings (£m)	3	**7.3**	5.0	13.0
Basic underlying earnings per share	5	**12.2p**	8.4p	21.9p
Diluted underlying earnings per share	5	**11.8p**	8.1p	21.1p

* The results of previous periods have been restated where required to reflect the revised presentation of acquisition related costs and the 10:1 share consolidation completed on 29 September 2015.

Condensed consolidated statement of comprehensive income

Six months to 30 September 2015

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Profit for the period	**5.4**	4.8	8.2
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the income statement			
Actuarial gains/(losses) on retirement benefit obligations	**1.6**	(14.8)	(18.8)
Items that may be subsequently reclassified to the income statement			
Foreign currency translation adjustments	**(6.0)**	(1.2)	(0.6)
Other comprehensive expense for the period	**(4.4)**	(16.0)	(19.4)
Total comprehensive income/(expense) for the period	**1.0**	(11.2)	(11.2)
Attributable to equity shareholders arising from			
Continuing operations	**1.0**	(11.4)	(11.4)
Discontinued operations	**-**	0.2	0.2
	1.0	(11.2)	(11.2)

Items in the statement are disclosed net of tax.

Condensed consolidated balance sheet

At 30 September 2015

	Notes	**At 30 September 2015 (unaudited) £m**	At 30 September 2014 (unaudited) £m	At 31 March 2015 (audited) £m
Non-current assets				
Goodwill		**29.5**	22.0	22.2
Intangible assets		**12.2**	4.8	4.7
Property, plant and equipment		**37.5**	36.8	37.6
Investment properties		**-**	4.3	-
Derivative financial instruments	15	**-**	0.2	-
Deferred tax assets	6	**11.2**	14.1	13.8
		90.4	82.2	78.3
Current assets				
Inventories		**56.3**	51.0	52.2
Trade and other receivables		**43.6**	42.1	40.5
Derivative financial instruments	15	**1.0**	-	2.1
Cash and cash equivalents		**7.8**	4.5	5.6
		108.7	97.6	100.4
Current liabilities				

Trade and other liabilities		**(60.5)**	(54.1)	(54.9)
Derivative financial instruments	15	**(0.3)**	(0.8)	(1.0)
Current tax liabilities		**(1.4)**	(1.7)	(1.3)
Financial liabilities - borrowings	8	**(4.5)**	(4.1)	(1.4)
		(66.7)	(60.7)	(58.6)
Net current assets		**42.0**	36.9	41.8
Total assets less current liabilities		**132.4**	119.1	120.1
Non-current liabilities				
Financial liabilities - borrowings	8	**(32.5)**	(20.4)	(18.4)
Pension scheme liability	12	**(42.4)**	(40.6)	(44.3)
Other non-current liabilities		**(2.1)**	(1.5)	(1.4)
Provisions		**(3.2)**	(3.7)	(3.3)
		(80.2)	(66.2)	(67.4)
Net assets		**52.2**	52.9	52.7
Financed by:				
Ordinary share capital	9	**6.1**	5.9	6.0
Share premium		**1.0**	0.9	1.0
Retained earnings and other reserves		**45.1**	46.1	45.7
Total equity		**52.2**	52.9	52.7

Condensed consolidated statement of cash flow

Six months to 30 September 2015

	Notes	**6 months to 30 September 2015 (unaudited) £m**	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Cash generated from operations	10	**12.9**	10.0	16.2
Income taxes paid		**(0.6)**	(0.2)	(0.5)
Interest paid		**(0.5)**	(0.7)	(1.3)
Net cash generated from operating activities		**11.8**	9.1	14.4
Cash flows from investing activities				
Proceeds from sale of investment property		-	-	6.1
Proceeds from sale of property, plant and equipment		-	0.4	0.4
Purchase of investment property		-	-	(0.9)
Purchase of property, plant and equipment		**(3.2)**	(3.4)	(7.0)
Acquisition of subsidiary undertakings net of cash acquired		**(20.5)**	(0.3)	(0.5)
Disposal of subsidiary undertakings net of cash divested		-	3.8	3.8
Net cash (used in)/generated from investing activities		**(23.7)**	0.5	1.9
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		-	-	0.2
Drawdown/(repayment) of borrowings		**14.0**	(10.1)	(12.1)
Costs of raising debt finance		-	(0.7)	(0.7)
Dividends paid to equity shareholders		**(2.2)**	(2.0)	(3.1)
Net cash generated from/(used in) financing activities		**11.8**	(12.8)	(15.7)
Net (decrease)/increase in cash at bank and in hand and bank overdrafts		**(0.1)**	(3.2)	0.6
Cash at bank and in hand and bank overdrafts at beginning of the period		**4.2**	3.7	3.7
Exchange movements on cash and bank overdrafts		**(0.8)**	(0.1)	(0.1)
Cash at bank and in hand and bank overdrafts at end of the period		**3.3**	0.4	4.2

Non-GAAP measures				
Underlying operating cash flow	3	**13.3**	11.6	22.9

Condensed consolidated statements of changes in equity

Six months to 30 September 2015 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 31 March 2015	6.0	1.0	(0.1)	(9.1)	54.9	52.7
Comprehensive income:						
Profit for the period	-	-	-	-	5.4	5.4
Actuarial gain on retirement benefit obligations	-	-	-	-	1.6	1.6
Other comprehensive expense:						
Foreign currency translation adjustments	-	-	-	(6.0)	-	(6.0)
Total other comprehensive (expense)/ income	-	-	-	(6.0)	7.0	1.0
Transactions with owners:						
Dividends paid	-	-	-	-	(2.2)	(2.2)
Share option schemes and warrants	0.1	-	(0.1)	-	0.7	0.7
At 30 September 2015	**6.1**	**1.0**	**(0.2)**	**(15.1)**	**60.4**	**52.2**

Six months to 30 September 2014 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 31 March 2014	5.8	0.9	-	(8.5)	67.3	65.5
Comprehensive income:						
Profit for the period	-	-	-	-	4.8	4.8
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	-	-	-	-	(14.8)	(14.8)
Foreign currency translation adjustments	-	-	-	(1.2)	-	(1.2)
Total other comprehensive expense	-	-	-	(1.2)	(14.8)	(16.0)
Transactions with owners:						
Dividends paid	-	-	-	-	(2.0)	(2.0)
Share option schemes and warrants	0.1	-	(0.1)	-	0.6	0.6
At 30 September 2014	**5.9**	**0.9**	**(0.1)**	**(9.7)**	**55.9**	**52.9**

Year ended 31 March 2015 (audited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 31 March 2014	5.8	0.9	-	(8.5)	67.3	65.5
Comprehensive income:						
Profit for the year	-	-	-	-	8.2	8.2
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	-	-	-	-	(18.8)	(18.8)
Foreign currency translation adjustments	-	-	-	(0.6)	-	(0.6)
Total other comprehensive expense	-	-	-	(0.6)	(18.8)	(19.4)
Transactions with owners:						
Shares issued	0.2	0.1	(0.1)	-	-	0.2
Dividends paid	-	-	-	-	(3.1)	(3.1)
Share option schemes and warrants	-	-	-	-	1.3	1.3
At 31 March 2015	**6.0**	**1.0**	**(0.1)**	**(9.1)**	**54.9**	**52.7**

Notes to the accounts

Six months to 30 September 2015

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 12 November 2015. 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 six months to 30 September 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union.

The Directors consider, after making appropriate enquiries at the time of approving the condensed consolidated interim financial information, that the Company and the Group have adequate resources to continue in operational existence 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 2015, 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 18 June 2015 and delivered to the Registrar of Companies. The report of the external auditor on the financial statements was unqualified.

Accounting policies

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 2015. These policies have been applied consistently to all periods presented.

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 and interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2015.

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 IAS 19 (revised)	Employee benefits	1 April 2015
Annual improvements to IFRSs 2010-2012	Various	1 April 2015
Annual improvements to IFRSs 2011-2013	Various	1 April 2015

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 IFRS 10	Consolidated financial statements	1 April 2016
Amendment to IFRS 11	Joint arrangements	1 April 2016
Amendment to IFRS 12	Disclosure of interests in other entities	1 April 2016
IFRS 14	Regulatory deferral accounts	1 April 2016
Amendment to IAS 1	Presentation of financial statements	1 April 2016
Amendment to IAS 16	Property, plant and equipment	1 April 2016
Amendment to IAS 27	Separate financial statements	1 April 2016
Amendment to IAS 28	Investments in associates and joint ventures	1 April 2016
Amendment to IAS 38	Intangible assets	1 April 2016

Amendment to IAS 41	Agriculture	1 April 2016
Annual improvements to IFRSs 2014	Various	1 April 2016
IFRS 15	Revenue from contracts with customers	1 April 2018
IFRS 9	Financial instruments: classification and measurement	1 April 2018

None of these standards or interpretations is expected to have a material impact on the Group.

Risks and uncertainties

The principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 24 to 27 in the 2015 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;
- accounting for customer rebates and other trade promotional spend;
- competition;
- reliance on production facilities;
- staff retention and recruitment;
- foreign currency exchange risk;
- interest rate risk;
- pension scheme management;
- energy price risk;
- additional capital requirements to fund ongoing operations;
- performance against banking covenants;
- changing consumer preferences;
- overseas operations; and
- acquisition risk.

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 judgments

The preparation of condensed consolidated interim financial information requires management to make judgments, 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 judgments 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 2015.

2. Segmental reporting

The Group operates in two main geographical areas: the UK and South Africa. 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.

Continuing operations -

6 months to 30 September 2015 (unaudited)

	Notes	UK £m	South Africa £m	Group £m
Revenue		**79.9**	**38.8**	**118.7**
Underlying operating profit		**8.0**	**1.9**	**9.9**
IAS 19R administrative expenses		**(0.8)**	**-**	**(0.8)**
Acquisition related costs	4	**(2.6)**	**-**	**(2.6)**
Exceptional operating items	4	**2.3**	**-**	**2.3**
Operating profit		**6.9**	**1.9**	**8.8**
Finance costs (net)				**(1.8)**
Profit before taxation				**7.0**
Taxation	6			**(1.6)**
Profit from continuing operations				**5.4**
Net debt	10			**(29.2)**

		Continuing operations - 6 months to 30 September 2014 (unaudited)*		
	Notes	UK £m	South Africa £m	Group £m
Revenue		72.8	35.8	108.6
Underlying operating profit		6.4	1.0	7.4
IAS 19R administrative expenses		(0.8)	-	(0.8)
Acquisition related costs	4	(0.5)	-	(0.5)
Exceptional operating items	4	0.3	-	0.3
Operating profit		5.4	1.0	6.4
Finance costs (net)				(0.1)
Profit before taxation				6.3
Taxation	6			(1.6)
Profit from continuing operations				4.7
Net debt	10			(20.0)

* The results have been restated to reflect the revised presentation of acquisition related costs.

		Continuing operations - Year ended 31 March 2015 (audited)		
	Notes	UK £m	South Africa £m	Group £m
Revenue		149.1	73.0	222.1
Underlying operating profit		13.8	3.2	17.0
IAS 19R administrative expenses		(1.7)	-	(1.7)
Acquisition related costs	4	(2.2)	-	(2.2)
Exceptional operating items	4	(2.3)	(0.2)	(2.5)
Operating profit		7.6	3.0	10.6
Finance income (net)				0.4
Profit before taxation				11.0
Taxation	6			(2.9)
Profit for the year from continuing operations				8.1
Net debt	10			(14.2)

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. Non-GAAP measures

Condensed Consolidated Income Statement

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Profit before taxation from continuing operations	**7.0**	6.3	11.0
Adjusted for:			
IAS 19R administrative expenses	**0.8**	0.8	1.7
Acquisition related costs	**2.6**	0.5	2.2
Exceptional operating items	**(2.3)**	(0.3)	2.5
Amortisation of costs of raising debt finance	**0.1**	0.1	0.1
Amortisation of costs of raising debt finance - exceptional	**-**	0.4	0.4
Net movement on fair value of derivative financial instruments	**0.5**	(1.6)	(3.3)
Discount on property lease provisions	**-**	-	0.1
IAS 19R finance cost	**0.7**	0.5	1.1
Underlying profit before taxation	**9.4**	6.7	15.8
Taxation attributable to underlying profit before taxation	**(2.1)**	(1.7)	(2.8)
Underlying earnings	**7.3**	5.0	13.0

The Directors believe that underlying profit before taxation and underlying earnings provide shareholders with additional useful information on the underlying performance of the Group. Underlying profit before taxation is defined as profit before taxation, IAS 19R administrative expenses, acquisition related costs, exceptional operating items, exceptional finance costs, amortisation of costs of raising finance, net movement on fair value of derivative financial instruments, discounting of property lease provisions and finance costs relating to pension schemes.

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Operating profit from continuing operations	**8.8**	6.4	10.6
Adjusted for:			
Depreciation	**2.9**	3.0	6.0
IAS 19R administrative expenses	**0.8**	0.8	1.7
Acquisition related costs	**2.6**	0.5	2.2
Exceptional operating items	**(2.3)**	(0.3)	2.5
Underlying EBITDA	**12.8**	10.4	23.0

EBITDA is a measure commonly used by investors and financiers to assess business performance. Underlying EBITDA has been provided which reflects EBITDA as adjusted for IAS 19R administrative expenses, acquisition related costs and exceptional operating items. The Directors consider that these measures provide shareholders with additional useful information on the performance of the Group.

Condensed Consolidated Statement of Cash Flow

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Cash generated from continuing operations (note 10)	**12.9**	9.9	16.1
Adjusted for:			
Cash (inflows)/outflows from exceptional items and acquisition related costs	**(0.7)**	0.7	4.7
Pension fund deficit recovery contributions	**1.1**	1.0	2.1
Underlying operating cash flow	**13.3**	11.6	22.9

Underlying operating cash flow is defined as cash generated from continuing operations before cash outflows from exceptional items and pension fund deficit recovery contributions.

The Directors believe that underlying operating cash flow provides shareholders with additional useful information on the underlying cash generation of the Group.

4. Acquisition related costs and exceptional operating items

An analysis of acquisition related costs and exceptional operating items is shown below.

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Acquisition related costs			
Deferred remuneration[1]	**1.2**	0.3	1.1
Intangible asset amortisation[2]	**0.3**	0.2	0.3
Staff costs and advisory fees[3]	**1.1**	-	0.8
	2.6	0.5	2.2

1 Consideration payable to the former shareholders of Vado and Croydex which is required to be treated as remuneration and, accordingly, is expensed to the income statement as incurred.

2 Non-cash amortisation charges in respect of intangible assets recognised following the acquisitions of Vado and Croydex.

3 Costs of maintaining an in-house acquisitions department and professional advisory fees incurred in connection with the Group's business combination activities. In the 6 months to 30 September 2015 this included £0.8m in connection with the acquisition of Croydex.

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Exceptional operating items			
Legal claim[1]	**(1.9)**	0.1	0.3
Pension scheme settlement gain[2]	**(0.4)**	-	(1.7)
Profit on disposal of surplus property[3]	-	(0.4)	(0.4)
Sheffield lease surrender[4]	-	-	2.5
Loss on disposal of property portfolio[5]	-	-	1.5
Restructuring costs[6]	-	-	0.3
	(2.3)	(0.3)	2.5

1 The legal claim relating to the land at the Highgate site in Tunstall, UK was settled in the period. Under the terms of the settlement with Wm Morrison Supermarkets plc the Group received a payment of £2.0m. Costs in connection with the claim of £0.1m were incurred in the period (2014: £0.1m).

2 The Group implemented a liability management exercise in the previous year in connection with its principal UK defined benefit pension scheme. This resulted in a further settlement gain of £0.4m being recognised in the period in addition to the £1.7m gain in the previous year.

3 A profit of £0.4m was generated in the previous year following the sale of a small parcel of land in Braintree, UK.

4 In the previous year the Group exited its onerous lease in connection with the Orgreave Drive, Sheffield property at a cost of £2.5m.

5 The Group's remaining surplus freehold property portfolio was sold to Clowes Developments (UK) Ltd in March 2015 for net proceeds of £6.1m, leading to a loss on disposal of £1.5m.

6 Restructuring costs related to redundancies and asset write-downs as a result of restructuring initiatives throughout the Group's business units.

5. Earnings per share

Basic and diluted earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the Norcros Employee Benefit Trust. For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares.

As described in note 9, on 29 September 2015 the Company consolidated its existing ordinary shares of 1p each into new ordinary shares of 10p each. In order to effect fair comparison, the comparative figures for share numbers and earnings per share have been restated to reflect the impact of the share consolidation.

The calculation of EPS is based on the following profits and numbers of shares:

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Profit for the period from continuing operations	**5.4**	4.7	8.1
Profit for the period from discontinued operations	-	0.1	0.1
Profit for the period	**5.4**	4.8	8.2

	6 months to 30 September 2015 (unaudited) Number	6 months to 30 September 2014 (unaudited) Number (restated)	Year ended 31 March 2015 (audited) Number (restated)
Weighted average number of shares for basic earnings per share	**60,126,284**	58,959,370	59,223,135
Share options and warrants	**1,902,048**	2,159,547	2,303,299
Weighted average number of shares for diluted earnings per share	**62,028,332**	61,118,917	61,526,434

	6 months to 30 September 2015 (unaudited)	6 months to 30 September 2014 (unaudited) (restated)	Year ended 31 March 2015 (audited) (restated)
Basic earnings per share:			
From continuing operations	**9.0p**	8.0p	13.6p
From discontinued operations	-	0.2p	0.2p
From profit for the period	**9.0p**	8.2p	13.8p
Diluted earnings per share:			
From continuing operations	**8.7p**	7.7p	13.1p
From discontinued operations	-	0.2p	0.2p
From profit for the period	**8.7p**	7.9p	13.3p

Basic and diluted underlying earnings per share

Basic and diluted underlying earnings per share have also been provided which reflect underlying earnings from continuing operations divided by the weighted average number of shares set out above.

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Underlying earnings for the period (note 3)	**7.3**	5.0	13.0

	6 months to 30 September 2015 (unaudited)	6 months to 30 September 2014 (unaudited)	Year ended 31 March 2015 (audited)
Basic underlying earnings per share	**12.2p**	8.4p	21.9p
Diluted underlying earnings per share	**11.8p**	8.1p	21.1p

6. Taxation

Taxation comprises:

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Current			
UK taxation	**0.5**	0.5	0.4
Deferred			
Origination and reversal of temporary differences	**1.1**	1.1	2.5
Taxation	**1.6**	1.6	2.9

Current tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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:

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Deferred tax asset at the beginning of the period	**13.8**	11.6	11.6
Charged to the income statement	**(1.1)**	(1.1)	(2.5)
(Charged)/credited to statement of comprehensive income	**(0.4)**	3.7	4.7
Acquisitions (see note 13)	**(0.8)**	-	-
Exchange movement	**(0.3)**	(0.1)	-
Deferred tax asset at the end of the period	**11.2**	14.1	13.8

	At 30 September 2015 (unaudited) £m	At 30 September 2014 (unaudited) £m	At 31 March 2015 (audited) £m
Accelerated capital allowances	**2.6**	2.9	2.7
Tax losses	**2.5**	3.8	3.3
Other timing differences	**(2.4)**	(0.7)	(1.1)
Deferred tax asset relating to pension deficit	**8.5**	8.1	8.9
	11.2	14.1	13.8

7. Finance income and costs

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Finance costs			
Interest payable on bank borrowings	**0.5**	0.7	1.2
Amortisation of costs of raising debt finance	**0.1**	0.1	0.1
Movement on fair value of derivative financial instruments	**0.5**	-	-
Unwind of discount on property lease provisions	-	-	0.1
Finance costs	**1.1**	0.8	1.4
Exceptional finance costs[1]	-	0.4	0.4
Total finance costs	**1.1**	1.2	1.8
Finance income			
Movement on fair value of derivative financial instruments	-	(1.6)	(3.3)
Total finance income	-	(1.6)	(3.3)

1 Following the refinancing of the Group's banking facilities in July 2014, the unamortised costs relating to the previous facility were written off in full.

8. Borrowings

	At 30 September 2015 (unaudited) £m	At 30 September 2014 (unaudited) £m	At 31 March 2015 (audited) £m
Non-current			
Bank borrowings (unsecured):			
- bank loans	**33.0**	21.0	19.0
- less: costs of raising finance	**(0.5)**	(0.6)	(0.6)
Total non-current	**32.5**	20.4	18.4
Current			
Bank borrowings (unsecured):			
- bank overdrafts	**4.5**	4.1	1.4
Total borrowings	**37.0**	24.5	19.8

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

The repayment terms of borrowings are as follows:

	At 30 September 2015 (unaudited) £m	At 30 September 2014 (unaudited) £m	At 31 March 2015 (audited) £m
Not later than one year	**4.5**	4.1	1.4
After more than one year:			
- between one and two years	-	-	-
- later than two years and not later than five years	**33.0**	21.0	19.0
- costs of raising finance	**(0.5)**	(0.6)	(0.6)
	32.5	20.4	18.4
Total borrowings	**37.0**	24.5	19.8

In July 2014 the Group agreed an unsecured £70m revolving credit facility with a £30m accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The banking facility is in force for five years to July 2019.

Net debt

The Group's net debt is calculated as follows:

	At 30 September 2015 (unaudited) £m	At 30 September 2014 (unaudited) £m	At 31 March 2015 (audited) £m
Cash and cash equivalents	**(7.8)**	(4.5)	(5.6)
Total borrowings	**37.0**	24.5	19.8
Net debt	**29.2**	20.0	14.2

9. Called up share capital

	At 30 September 2015 (unaudited) £m	At 30 September 2014 (unaudited) £m	At 31 March 2015 (audited) £m
Issued and fully paid			
60,995,930 ordinary shares of 10p each	**6.1**	-	-
594,917,377 ordinary shares of 1p each	-	5.9	6.0
Total	**6.1**	5.9	6.0

Following the approval by shareholders of the consolidation of 1p ordinary shares into ordinary shares of 10p at the Annual General Meeting of the Company held on 22 July 2015, the Company duly completed the share capital consolidation with a record date of 29 September 2015. As a result of the consolidation, the ordinary shares of 1p each were amended to new ordinary shares of 10p each. The share consolidation had no impact on the value of the Company's issued and fully paid share capital.

10. Consolidated Cash Flow Statements

(a) Cash generated from continuing operations

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Profit before taxation	**7.0**	6.3	11.0
Adjustments for:			
- IAS 19R administrative expenses included in the above	**0.8**	0.8	1.7
- acquisition related costs included in the above	**2.6**	0.5	2.2
- exceptional operating items included in the above	**(2.3)**	(0.3)	2.5
- cash inflows/(outflows) from exceptional items and acquisition related costs	**0.7**	(0.7)	(4.7)
- depreciation	**2.9**	3.0	6.0
- pension fund deficit recovery plan contributions	**(1.1)**	(1.0)	(2.1)
- loss on disposal of property, plant and equipment	-	-	0.1
- total finance costs	**1.1**	1.2	1.8
- finance income	-	(1.6)	(3.3)
- IAS 19R finance cost	**0.7**	0.5	1.1
- share-based payments	**0.7**	0.6	1.3
Operating cash flows before movements in working capital	**13.1**	9.3	17.6
Changes in working capital:			
- increase in inventories	**(4.4)**	(1.4)	(2.0)
- increase in trade and other receivables	**(1.0)**	(0.8)	(1.4)
- increase in payables	**5.2**	2.8	1.9
Cash generated from continuing operations	**12.9**	9.9	16.1

Cash flows from exceptional items includes expenditure charged to exceptional provisions relating to onerous lease costs, acquisition related costs (excluding deferred remuneration) and other business rationalisation and restructuring costs.

(b) Cash generated from discontinued operations

	6 months to 30 September 2015 (unaudited) £m	6 months to 30 September 2014 (unaudited) £m	Year ended 31 March 2015 (audited) £m
Profit before taxation	-	-	-
Adjustments for:			
- depreciation	-	-	-
Operating cash flows before movements in working capital	-	-	-
Changes in working capital:			
- decrease in inventories	-	0.4	0.4
- increase in trade and other receivables	-	(0.1)	(0.1)
- decrease in payables	-	(0.2)	(0.2)
Cash generated from discontinued operations	-	0.1	0.1
Cash generated from operations	**12.9**	10.0	16.2

(c) Analysis of net debt

	Cash included within assets held-for-sale £m	Cash and overdrafts £m	Debt £m	Total £m
At 1 April 2014	0.5	3.2	(30.6)	(26.9)
Cash flow	(0.5)	1.1	12.1	12.7
Other non-cash movements	-	-	0.1	0.1

Exchange movement	-	(0.1)	-	(0.1)
At 31 March 2015	-	4.2	(18.4)	(14.2)
At 1 April 2014	0.5	3.2	(30.6)	(26.9)
Cash flow	(0.5)	(2.7)	10.1	6.9
Other non-cash movements	-	-	0.1	0.1
Exchange movement	-	(0.1)	-	(0.1)
At 30 September 2014	-	0.4	(20.4)	(20.0)
At 1 April 2015	-	4.2	(18.4)	(14.2)
Cash flow	-	(0.1)	(14.0)	(14.1)
Other non-cash movements	-	-	(0.1)	(0.1)
Exchange movement	-	(0.8)	-	(0.8)
At 30 September 2015	-	**3.3**	**(32.5)**	**(29.2)**

11. Dividends

A final dividend in respect of the year ended 31 March 2015 of £2.2m (0.375p per 1p ordinary share) was paid on 29 July 2015. On 12 November 2015 the Board declared an interim dividend in respect of the year ended 31 March 2016 of £1.3m (2.2p per 10p ordinary share). This dividend will be paid on 7 January 2016 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 "Plan"), the principal UK pension scheme of Norcros plc subsidiaries, is funded by a separate trust fund which operates under UK trust law and is a separate legal entity from the Company. The Plan is governed by a Trustee board which is required by law to act in the best interests of the Plan members and is responsible for setting policies together with the Company. It is predominantly a defined benefit scheme with a modest element of defined contribution benefits.

The valuation used for IAS 19R disclosures has been produced by KPMG, a firm of qualified actuaries, to take account of the requirements of IAS 19R in order to assess the liabilities of the scheme at 30 September 2015. Scheme assets are stated at their market value at 30 September 2015.

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

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

	At 30 September 2015	At 30 September 2014	At 31 March 2015
Discount rate	**3.80%**	3.90%	3.30%
Inflation rate (RPI)	**3.00%**	3.05%	2.90%
Inflation (CPI)	**2.00%**	2.05%	1.90%
Salary increases	**2.25%**	3.30%	2.15%

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

	At 30 September 2015 (unaudited) £m	At 30 September 2014 (unaudited) £m	At 31 March 2015 (audited) £m
Total market value of scheme assets	**367.8**	385.0	397.0
Present value of scheme liabilities	**(410.2)**	(425.6)	(441.3)
Pension deficit	**(42.4)**	(40.6)	(44.3)

13. Business combinations

On 25 June 2015, the Group acquired 100% of the ordinary share capital of Croydex Group Limited ("Croydex"), a market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories. The acquisition of Croydex is an important next step in the Group's growth strategy to increase revenue to £420m by 2018 and follows on from the very successful integration of the Vado business, which

Norcros acquired in March 2013. Adding the Croydex business to the Group's existing portfolio will increase the breadth of our product range in the bathroom segment and enable the Group to offer an even broader range of complementary bathroom products to our customers. Croydex will also benefit from the global distribution channels, sourcing skills and strong financial position of the enlarged Group. Croydex is incorporated in England and is based in Andover, Hampshire.

The following table summarises the consideration paid for Croydex and the provisional fair value of the assets acquired and the liabilities assumed:

	£m
Consideration	
Cash	**20.8**
Deferred consideration	**1.1**
	21.9

	£m
Recognised amounts of identifiable assets and liabilities	
Intangible assets	7.9
Property, plant and equipment	1.6
Inventories	2.8
Trade and other receivables	5.0
Cash	3.5
Trade and other payables	(5.7)
Current tax liabilities	(0.2)
Deferred tax liability	(0.8)
Total identifiable net assets	**14.1**
Goodwill	**7.8**
Total	**21.9**

Due to the proximity of the acquisition date to the date of this interim statement it has not been possible for the Group to finalise the fair values of Croydex's assets and liabilities. The provisional fair value adjustments reflect the preliminary assessment of the value of acquired intangible assets of £7.9m, the revaluation of the leasehold property of £0.9m, and a deferred tax liability of £1.0m mainly arising from the recognition of acquired intangible assets. A full review of the fair values of the identifiable assets and liabilities will take place over the coming months with the expectation that a revised position will be presented in the Group's Annual Report for the year ended 31 March 2016.

In most business combinations there is an element of cost which cannot be allocated against the individual assets and liabilities acquired. This residual amount is recognised as goodwill and is supported by a number of factors which do not meet the criteria required for them to be treated as intangible assets. In this case the most significant elements relate to Croydex's unique product portfolio and its knowledgeable workforce. It is not expected at this stage that any of the goodwill will be deductible for tax purposes.

The fair value of trade and other receivables is £5.0m, which includes trade receivables with a fair value of £4.6m. The gross contractual amount for trade receivables due is £4.8m, of which £0.2m is expected to be uncollectible.

Costs relating to the transaction of £0.8m have been expensed to the Consolidated Income Statement and included within acquisition related costs.

The deferred consideration of £1.1m is unconditional and will be paid in the year ended 31 March 2019. As part of the transaction, a long-term incentive scheme has been put in place for the Croydex Managing Director which is dependent on the financial performance of Croydex over the next three years. The maximum amount and current expectation is that £0.9m will be payable under this scheme which will be treated as deferred remuneration and included within acquisition related costs in the Consolidated Income Statement.

The revenue included in the Condensed Consolidated Statement of Comprehensive Income since 25 June 2015 contributed by Croydex was £5.8m. Over the same period, Croydex contributed profit after tax of £0.6m. Had Croydex been consolidated from the beginning of the period, the Condensed Consolidated Statement of Income would have shown pro-forma revenue of £123.7m and pro-forma profit after tax of £5.6m.

The net cash outflow from the transaction reported within investing activities was as follows:

	£m
Cash consideration	20.8
Settlement of debt-like items	2.0
Cash acquired	(3.5)
Net cash outflow reported in the Condensed Consolidated Statement of Cash Flow	**19.3**

In addition to the above, a cash outflow of £0.8m relating to costs incurred in respect of the transaction has been included within cash generated from continuing operations, such that the total net cash outflow from the acquisition in the period was £20.1m.

14. Related party transactions

The remuneration of executive and non-executive Directors will be disclosed in the Group's Annual Report for the year ending 31 March 2016.

15. Financial risk management and financial instruments

Financial risk factors

The financial risks to which the Group is exposed are those of interest rate risk, credit risk, liquidity risk and exchange rate risk. An explanation of these risks and how the Group manages them is set out on page 59 of the Group's 2015 Annual Report. The interim financial information does not include all financial risk management information and disclosures required in annual financial statements; they should be read in conjunction with the Group's 2015 Annual Report. There have been no changes in the risk management process or in any risk management policies since the year end.

Derivative financial instruments carried at fair value through profit and loss

	At 30 September 2015		At 30 September 2014		At 31 March 2015	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)	(audited)	(audited)
	£m	**£m**	£m	£m	£m	£m
Forward foreign exchange contracts:						
- current	**1.0**	**(0.3)**	-	(0.8)	2.1	(1.0)
- non-current	-	-	0.2	-	-	-
	1.0	**(0.3)**	0.2	(0.8)	2.1	(1.0)

The above financial instruments are classified as level 2 instruments based on the hierarchy defined in IFRS 7. Consequently, fair value measurements are derived from inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of the following financial assets and liabilities approximate their carrying amount:

- trade and other receivables
- cash and cash equivalents
- trade and other payables

16. Principal subsidiaries

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

Croydex Group Limited*

Overseas

Norcros SA (Pty) Limited* trading as Johnson Tiles South Africa, TAL and Tile Africa (incorporated in South Africa)

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

Notes

All companies are 100% owned and operate principally in the countries in which they are incorporated.

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

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 the Group's website (www.norcros.com/about_us/our_board_and_management/).

By order of the Board

N. P. Kelsall	**M. K. Payne**
Group Chief Executive	***Group Finance Director***
12 November 2015	*12 November 2015*