norcros

Interim report 2013

About Norcros

Focused on showers, taps, bathroom accessories, tiles and adhesives

We have four complementary UK businesses: Triton Showers, Vado, 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.

Our divisions

UK

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

Vado
Vado is a leading manufacturer and global distributor of bathroom controls including taps, mixer showers, bathroom accessories and valves

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

Full review on page **5**

South Africa

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

Tile Africa
Tile Africa is our South African retailer of tiles, adhesives, sanitaryware and bathroom fittings. The business operates from 35 showrooms located mainly in South Africa but also in Namibia and Botswana

Full review on page **7**

Rest of the world

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

Full review on page **8**

Highlights

Summary

Group revenue increased by 9.8% to £116.7m (2012: £106.3m)

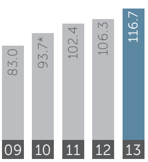
Group underlying operating profits of £6.8m (2012: £6.6m) were 3.5% ahead of the prior period

Significantly improved underlying operating cash generation: 102% of underlying EBITDA

Sub-let of surplus Groundwell property agreed

The Board is declaring an interim dividend of 0.17p per share, a 9.7% increase on the previous year

Revenue
(£m)

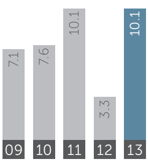


£116.7m

+9.8%

* Restated on a 26 week basis

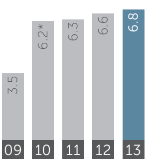
Underlying operating cash flow
(£m)



£10.1m

+206.1%

Underlying operating profit
(£m)

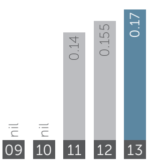


£6.8m

+3.5%

* Restated on a 26 week basis

Dividends per share
(p)



0.17p

+9.7%

Corporate review

Corporate accounts

Chairman's statement

The Group launched its revised strategy of faster growth and focus with the full year results in June. This has now been implemented across the Group and sets out a clear vision for the future direction of the business.

Martin Towers Chairman

Summary

Group revenue increased by 9.8% to £116.7m (2012: £106.3m)

Group underlying operating profits of £6.8m (2012: £6.6m) were 3.5% ahead of the prior period

Significantly improved underlying operating cash generation: 102% of underlying EBITDA

Sub-let of surplus Groundwell property agreed

The Board is declaring an interim dividend of 0.17p per share, a 9.7% increase on the previous year

In what has been a challenging market environment, I am pleased to announce a solid set of results for the six months ended 30 September 2013. Despite destocking in the UK retail sector, we have recorded strong constant currency revenue growth of 16.3% in the period, reflecting the acquisition of Vado, improving UK market conditions towards the end of the period and double digit constant currency growth in South Africa.

I am also pleased to report significantly stronger operating cash generation in the period, and the recent agreement with Network Rail to sub-let our surplus legacy leasehold property at Groundwell, Swindon should further improve overall cash generation from next year. Good progress has also been made integrating our newly acquired business Vado, and the Board is pleased with the acquisition and subsequent performance of the business.

The economic outlook in both South Africa and the UK is more positive in terms of construction activity and housing transactions, albeit this has yet to translate into a significant improvement in consumer confidence or market conditions for the Group. Nevertheless, our South African businesses continue to deliver strong constant currency growth, and we have experienced a stronger second quarter from both Triton and Vado. Johnson Tiles UK was affected by destocking in the retail sector in the first half, and accordingly management took decisive action to reduce its cost base. The effect of this destocking together with the second half weighting of cost reduction benefits will mean that Group underlying operating profit will be more heavily weighted to the second half than normal. Despite the challenging environment, the Board remains confident of the full year outcome and believes the Group is well positioned to benefit in the medium term should any improvement in market conditions gather momentum.

The Group launched its revised strategy of faster growth and focus with the full year results in June. This has now been implemented across the Group and sets out a clear vision for the future direction of the business. Our strategy also established a number of growth and return targets on which the Board is focused on delivering over the coming years.

Results

Group revenue increased by 9.8% to £116.7m (2012: £106.3m) for the six months ended 30 September 2013 and by 16.3% on a constant currency basis. On a like for like basis, excluding Vado which was acquired on 31 March 2013, revenue was 4.1% lower on a reported basis albeit 1.6% higher on a constant currency basis.

Group underlying operating profit increased by 3.5% to £6.8m (2012: £6.6m) and was achieved despite an adverse translational impact of £0.2m from a weaker South African Rand.

Group underlying profit before taxation increased by 2.3% to £6.1m (2012: £6.0m) and was driven by higher underlying operating profit offset by higher financing costs resulting from higher average borrowings following the Vado acquisition.

Group profit before taxation for the period was £0.5m (2012 restated for IAS 19R: £4.4m), reflecting increased Group underlying profit before taxation, offset by an exceptional operating charge of £1.2m (2012: £nil) largely reflecting restructuring costs at Johnson Tiles UK, and an increased non-cash finance charge of £3.4m (2012 restated for IAS 19R: £0.9m) principally comprising a £2.3m higher charge for the movement on the fair value of derivative financial instruments.

Basic underlying earnings per share was 0.9p (2012: 1.1p) reflecting improved underlying profit before taxation offset by a higher tax charge due to a credit last year from the recognition of South African tax losses as a deferred tax asset.

Chairman's statement continued

Financial

Underlying operating cash generated in the period was £10.1m (2012: £3.3m), with working capital remaining broadly flat in the period compared to a £6.9m increase in the first half last year to support Johnson Tiles UK significant market share gain in B&Q. This represents strong cash conversion at 102% of underlying EBITDA for the period. A pension deficit recovery payment of £1.0m (2012: £nil) in the period as part of the £2m plus CPI per annum contribution agreed with the Trustee earlier in the year, and a cash outflow from exceptional items of £2.6m (2012: £1.2m), left net cash generated from operations at £6.5m (2012: £2.1m). Investment in capital expenditure in the period amounted to £2.1m (2012: £2.4m). During the period TAL, our market leading adhesives business in South Africa disposed of a small surplus freehold site following the sale of the business and assets of Nortec in November 2012. The related profit on sale of £0.5m has been treated as an exceptional profit in the income statement, and the proceeds from the transaction of £0.7m, together with the proceeds of last year's disposal of Tile Africa's Fourways store generated total proceeds of £1.4m (2012: £1.1m). Net debt at 30 September 2013 reduced to £28.8m from £30.7m at 31 March 2013.

The position of our UK defined benefit pension scheme as calculated under IAS 19R has improved from a deficit of £30.0m at 31 March 2013 to a deficit of £26.6m at 30 September 2013. The reduced deficit principally reflects an increase in the relevant discount rate and reduced inflation, and represents a 93% funding level on this basis.

Property

On 18 September 2013, we announced that the Group had entered into an agreement with Network Rail Infrastructure Limited to sub-let its vacant and surplus legacy leasehold property at Groundwell, Swindon for the period through to 31 December 2018. This sub-lease will reduce the Group's net cash outflow on legacy leases by approximately £4.0m over the five year period starting from 1 April 2014. This is another key step in successfully addressing the Group's legacy property issues, and will improve overall Group cash generation from next year onwards. There is no exceptional income statement charge or credit as a result of entering into this agreement.

The Highgate development at Tunstall, Stoke on Trent, is progressing more slowly than anticipated, but we continue to work with Morrisons to get the first phase of this development completed.

Dividend

The Board is declaring an interim dividend of 0.17p per share (2012: 0.155p), an increase of 9.7% compared to last year. The dividend is payable on 9 January 2014 to shareholders on the register on 6 December 2013.

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 2013 total revenue in our UK businesses increased by 19.1% to £72.8m (2012: £61.1m), but on a like for like basis excluding Vado was 4.9% lower. Underlying operating profit at £6.0m was in line with last year.

Triton

Our market leading shower operation, Triton Showers, recorded revenue growth of 1.5% for the six month period to 30 September 2013 at £25.1m (2012: £24.8m). After a weak first quarter, performance significantly improved in the second quarter, with revenue 12.0% higher than the same period last year.

After a long period of decline, the overall UK shower market was broadly flat over the first six months of the year. Against this background, revenue in both our trade and retail sectors grew 1.7% in the period

> Integration of Vado into the Norcros group has been completed smoothly following acquisition, and a number of exciting incremental revenue initiatives with other Norcros companies, whilst in their early stages of development, are progressing well.

with trade showing a consistent performance over the whole period reflecting increased activity levels and the success of our innovative T80Z Fast Fit range which focuses on increased speed of fit for installers. The retail sector performed below expectations in the first quarter due to customer destocking and weak consumer confidence, but recovered well in the second quarter as customers completed their destocking and Triton gained share despite only a marginal improvement in consumer confidence.

Export revenue, which is predominantly derived from Ireland and represents about 14% of overall Triton revenue, was 1.2% higher than the prior year. The Irish shower market has almost halved since 2007, but helped by a relatively stable Irish economy and a more positive outlook, it now appears the decline has ceased.

Margins improved compared to the same period last year benefitting from continued cost reduction and value engineering initiatives, as well as an improvement in revenue mix. As a result underlying operating profits were higher than the same period last year.

Vado
Our leading manufacturer of taps, mixer showers, bathroom accessories and valves, Vado, which was acquired on 31 March 2013, recorded revenue of £14.7m for the period, 14.1% higher than last year (although not under Norcros ownership last year).

UK revenue at 26.1% higher than the prior year accounted for much of this growth, with strong performances in both the retail and contract sectors. UK retail revenue was 19.2% higher reflecting the success of the Vado Partnership Programme which was launched last year and stronger relationships with buying groups helped to increase brand penetration. UK trade revenue was 35.1% higher benefitting from increased business from existing customers as well as new account wins including St. George (part of Berkeley Group Holdings plc) and Redrow.

Export revenue, which accounts for approximately 45% of overall Vado revenue, was 1.9% higher with encouraging growth both in specification and retail sectors in the Middle East and Africa more than offsetting a large project in Hong Kong in the first half of last year that was not repeated this year.

Whilst revenue increased and gross margins were maintained in the period, further revenue investment has been made in sales resource and marketing initiatives to support future growth, leaving underlying operating profit marginally up on last year and in line with expectations.

Integration of Vado into the Norcros group has been completed smoothly following acquisition, and a number of exciting incremental revenue initiatives with other Norcros companies, whilst in their early stages of development, are progressing well.

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 11.3% lower than the same period last year at £30.3m (2012: £34.1m).

UK revenue was 15.4% lower than the same period last year. Although trade sector revenue was in line with the same period last year, we experienced growth of 1.9% in the second quarter as market conditions improved reflecting increased activity from house builders, as well as increased specification business following last year's refurbishment of Material Lab and more recently the launch of our new specification focused website. Notable successes in the period included further work for Marks and Spencer, John Lewis, Premier Inn and Costa Coffee. In contrast, the retail sector had a difficult first half recording revenue 23.8% lower than the same period last year, with tough comparatives reflecting last year's initial stock orders for the B&Q tile range review exacerbated by current year destocking in a number of large retail customers.

Chairman's statement continued

Operating review continued

Johnson Tiles continued

Our Export business, which accounts for approximately 13% of Johnson Tiles overall revenue, had an encouraging first half delivering 30.5% higher revenue than the same period last year. Key highlights have been the successful introduction of a new large format ink jet range in the French retailer Leroy Merlin, as well as a strong contract performance in the Middle East, most notably the Oman Supreme Court, the Al Barsha Tower project and the Géant Hypermarket in UAE, and the Saudi Embassy in Cairo. Supply has also started for a major bespoke tiled mural for the Hilton Hotel in Hawaii. This is a flagship project for the Hilton Group on which Johnson and Hilton have been working closely for the last 18 months.

The soft UK retail market conditions noted above, together with rising energy prices and a period of production inefficiency following the restructuring and the summer shutdown programmes resulted in the business recording an underlying operating loss for the first half. As previously announced, a major review and restructuring of the business was undertaken in the period which led to a headcount reduction of 59 and the decision to close the US warehouse facility. An exceptional charge of £1.3m has been made to cover the cost of this restructuring programme, and the benefits will start to accrue during the second half of the year.

Norcros Adhesives

Our manufacturer and supplier of tile and stone adhesives and ancillary products, Norcros Adhesives, saw revenue 22.2% higher at £2.7m (2012: £2.2m) and increased underlying operating profit. The addition of a number of new distributor accounts together with the further development of our existing customer base has helped drive improved performance, as well as increased activity from house builders such as Barratts and Persimmon who value the high quality technical support our business provides.

New product launches such as Tile to Gypsum, Pro 50 Self-Leveller and Permalayer as part of our single-source strategy have also proven successful in increasing revenue from our existing customer base.

South Africa

Total revenue for the six months ended 30 September 2013 in our South African businesses was 12.1% higher than prior year on a constant currency basis although a considerably weaker Rand meant reported Sterling revenue was 3.8% lower at £38.4m (2012: £39.9m). A 40% increase in underlying operating profit of £0.7m (2012: £0.5m) was recorded despite the weaker Rand adversely impacting Sterling reported profits by approximately £0.2m, with all three businesses delivering an improvement in local currency underlying operating profit performance.

Johnson Tiles South Africa

Our tile manufacturing business, Johnson Tiles South Africa, has continued to grow in the period, recording 31.1% higher revenue on a constant currency basis in the independent sector compared to prior year, and 12.5% higher on a Sterling reported basis to £6.2m (2012: £5.5m). 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. This growth in revenue combined with further operational improvements has led to a reduced underlying operating loss in the period compared to last year.

Notwithstanding higher raw material and energy costs we have driven further reductions in unit production costs with our plant now operating at acceptable and consistent levels of efficiency. Management are now focused on the second phase of the profit improvement programme which is to improve our product offering. Manufacturing trials on new larger format tiles in the period have been successful and full production will start towards the end of the year. In addition we will commence the installation of state-of-the-art inkjet printing capabilities in the final quarter of our financial year. These initiatives will significantly increase the added value of our product range.

TAL

Our market leading adhesive business, TAL, delivered constant currency revenue growth of 4.0% to the independent sector and a 10.8% decline on a Sterling reported basis to £9.2m (2012: £10.3m). On a like for like basis, excluding the Nortec business which was disposed of in November 2012, constant currency revenue growth was 19.5% in the period. Improving markets and continued share gain particularly in the DIY retail sector have helped drive South African revenue, whilst significant progress in sub-Saharan Africa saw export revenue grow 46.5% compared to the same period last year. Our focus on product quality and technical support are fundamental to TAL's success, and to reinforce this position, a £0.1m investment in a new laboratory at our main Olifantsfontein site was completed in the period. Underlying operating profits and operating cash generation for the period improved compared to prior year and remain strong.

Following the sale of the business and assets of TAL's small but loss making Nortec business in November 2012, the premises at Spartan in which the business had been located and had been leased to the new owners for a short period, were vacated. These premises were disposed of in the period, generating proceeds of £0.7m and a profit of £0.5m, which has been treated as an exceptional gain in the income statement.

Tile Africa

Revenue at our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, Tile Africa, increased by 11.2% on a constant currency basis compared to the prior year, but was 4.6% lower on a Sterling reported basis at £23.0m (2012: £24.1m). This performance helped deliver an improved underlying operating profit compared to prior year.

Tile Africa has grown ahead of the market as we have started to realise the benefits of the successful implementation of new inventory optimisation software. Improved in-stock levels supported by increased investment in marketing have contributed to constant currency like for like store revenue growth of 15.0% in the period.

The relocation of our Klerksdorp store was completed in the period, and the relocation of our Montana store is currently underway. Of our 29 owned stores, 21 have now been successfully upgraded, and our new store programme is progressing well, with negotiations on three new sites well advanced. Should these negotiations prove successful, we will see two new stores opened in the next financial year with the third opening at the beginning of the following financial year.

Rest of the World

Revenue at our Australian operation, Johnson Tiles, was 10.3% higher on a constant currency basis, but due to a weaker Australian dollar, was 4.3% higher on a reported Sterling basis at £5.5m (2012: £5.3m). The success of our new product range, together with the full year effect of the Bunnings New Zealand business which commenced in October 2012 and the acquisition of One Stop Tiles Pty Ltd. in March 2013 have all contributed to this improvement in performance.

The business recorded an underlying operating profit of £0.1m (2012: £0.1m).

Martin Towers.

M. Towers
Chairman
14 November 2013

Condensed consolidated income statement
26 weeks ended 30 September 2013

	Notes	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Continuing operations				
Revenue		116.7	106.3	210.7
Operating profit		4.6	5.9	7.1
Underlying operating profit		6.8	6.6	13.0
Non-underlying operating items	4	(1.0)	(0.7)	(1.5)
Exceptional operating items	4	(1.2)	–	(4.4)
Operating profit		4.6	5.9	7.1
Finance costs	7	(3.5)	(1.0)	(1.7)
Finance income	7	–	–	0.9
IAS 19R finance cost		(0.6)	(0.5)	(0.9)
Profit before taxation		0.5	4.4	5.4
Taxation	6	–	0.4	0.2
Profit for the period		0.5	4.8	5.6
Earnings per share attributable to the owners of the Company				
Basic earnings per share	5	0.1p	0.8p	1.0p
Diluted earnings per share	5	0.1p	0.8p	0.9p
Weighted average number of shares for basic earnings per share (millions)	5	583.2	579.7	580.0
Non-GAAP measures:				
Underlying profit before taxation (£m)	3	6.1	6.0	11.7
Underlying earnings (£m)	3	5.3	6.1	11.0
Basic underlying earnings per share	5	0.9p	1.1p	1.9p
Diluted underlying earnings per share	5	0.9p	1.0p	1.9p

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Condensed consolidated statement of comprehensive income
26 weeks ended 30 September 2013

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Profit for the period	**0.5**	4.8	5.6
Other comprehensive income and expense:			
Actuarial gains/(losses) on retirement benefit obligations	**2.4**	(1.3)	(8.8)
Foreign currency translation adjustments	**(6.6)**	(3.5)	(4.8)
Other comprehensive expense for the period	**(4.2)**	(4.8)	(13.6)
Total comprehensive expense for the period	**(3.7)**	–	(8.0)

Items in the statement are disclosed net of tax.

CORPORATE REVIEW

CORPORATE ACCOUNTS

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Condensed consolidated balance sheet
At 30 September 2013

	Notes	At 30 September 2013 (unaudited) £m	At 30 September 2012 (unaudited)* £m	At 31 March 2013 (unaudited)* £m
Non-current assets				
Goodwill		22.4	23.0	23.0
Intangible assets		5.2	–	5.4
Property, plant and equipment		39.5	43.4	43.5
Investment properties		5.3	5.4	5.4
Deferred tax assets	6	7.8	8.3	8.7
		80.2	80.1	86.0
Current assets				
Inventories		55.5	51.0	52.8
Trade and other receivables		43.0	38.1	44.0
Derivative financial instruments		–	–	1.6
Pension scheme asset	12	0.1	0.3	0.1
Cash and cash equivalents		5.7	3.4	6.8
		104.3	92.8	105.3
Current liabilities				
Trade and other liabilities		(56.0)	(49.9)	(51.7)
Derivative financial instruments		(1.0)	(0.5)	–
Current tax liabilities		(1.8)	(1.6)	(1.8)
Financial liabilities – borrowings	8	(0.1)	(0.6)	(0.5)
		(58.9)	(52.6)	(54.0)
Net current assets		45.4	40.2	51.3
Total assets less current liabilities		125.6	120.3	137.3
Non-current liabilities				
Financial liabilities – borrowings	8	(34.4)	(22.4)	(37.0)
Pension scheme liability	12	(26.6)	(22.3)	(30.0)
Other non-current liabilities		(2.1)	(1.7)	(2.2)
Provisions		(6.1)	(4.1)	(6.5)
		(69.2)	(50.5)	(75.7)
Net assets		56.4	69.8	61.6
Financed by:				
Ordinary share capital	9	5.8	5.8	5.8
Share premium		0.5	0.3	0.5
Retained earnings and other reserves		50.1	63.7	55.3
Total equity		56.4	69.8	61.6

The notes on pages 15 to 31 form an integral part of this condensed consolidated interim financial information.

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Condensed consolidated statement of cash flow
26 weeks ended 30 September 2013

	Notes	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Cash generated from operations	10	**6.5**	2.1	6.6
Income taxes paid		**(0.4)**	(0.3)	(1.0)
Interest paid		**(0.8)**	(0.6)	(1.3)
Net cash generated from operating activities		**5.3**	1.2	4.3
Cash flows from investing activities				
Purchase of property, plant and equipment		**(2.1)**	(2.4)	(6.7)
Proceeds from sale of property, plant and equipment		**1.4**	1.1	2.5
Acquisition of subsidiary undertakings net of cash acquired		**0.1**	–	(10.6)
Net cash used in investing activities		**(0.6)**	(1.3)	(14.8)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**–**	0.1	0.3
Repayments of hire purchase contracts		**(0.1)**	–	–
Capitalised finance costs		**(0.2)**	–	(0.1)
(Repayment)/drawdown of borrowings		**(2.8)**	2.0	16.8
Dividends paid to equity shareholders		**(1.8)**	(1.6)	(2.5)
Net cash (used in)/generated from financing activities		**(4.9)**	0.5	14.5
Net (decrease)/increase in cash at bank and in hand and bank overdrafts		**(0.2)**	0.4	4.0
Cash at bank and in hand and bank overdrafts at beginning of the period		**6.4**	2.5	2.5
Exchange movements on cash and bank overdrafts		**(0.5)**	(0.1)	(0.1)
Cash at bank and in hand and bank overdrafts at end of the period		**5.7**	2.8	6.4
Non-GAAP measures:				
Underlying operating cash flow	3	**10.1**	3.3	10.8

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Condensed consolidated statements of changes in equity

26 weeks ended 30 September 2013 (unaudited)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 31 March 2013	5.8	0.5	1.0	54.3	61.6
Comprehensive income:					
Profit for the period	—	—	—	0.5	0.5
Actuarial gain on retirement benefit obligations	—	—	—	2.4	2.4
Total other comprehensive income	—	—	—	2.9	2.9
Other comprehensive expense:					
Foreign currency translation adjustments	—	—	(6.6)	—	(6.6)
Transactions with owners:					
Dividends paid	—	—	—	(1.8)	(1.8)
Share option schemes and warrants	—	—	—	0.3	0.3
At 30 September 2013	**5.8**	**0.5**	**(5.6)**	**55.7**	**56.4**

26 weeks ended 30 September 2012 (unaudited)*

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 31 March 2012	5.8	0.2	5.8	59.3	71.1
Comprehensive income:					
Profit for the period	—	—	—	4.8	4.8
Other comprehensive expense:					
Actuarial loss on retirement benefit obligations	—	—	—	(1.3)	(1.3)
Foreign currency translation adjustments	—	—	(3.5)	—	(3.5)
Total other comprehensive expense	—	—	(3.5)	(1.3)	(4.8)
Transactions with owners:					
Shares issued	—	0.1	—	—	0.1
Dividends paid	—	—	—	(1.6)	(1.6)
Share option schemes and warrants	—	—	—	0.2	0.2
At 30 September 2012	5.8	0.3	2.3	61.4	69.8

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Condensed consolidated statements of changes in equity

52 weeks ended 31 March 2013 (unaudited)* continued

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 31 March 2012	5.8	0.2	5.8	59.3	71.1
Comprehensive income:					
Profit for the year	–	–	–	9.1	9.1
Other comprehensive expense:					
Actuarial loss on retirement benefit obligations	–	–	–	(12.3)	(12.3)
Foreign currency translation adjustments	–	–	(4.8)	–	(4.8)
Total other comprehensive expense	–	–	(4.8)	(12.3)	(17.1)
Transactions with owners:					
Shares issued	–	0.3	–	–	0.3
Dividends paid	–	–	–	(2.5)	(2.5)
Share option schemes and warrants	–	–	–	0.7	0.7
At 31 March 2013	5.8	0.5	1.0	54.3	61.6

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Notes to the accounts
26 weeks ended 30 September 2013

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 14 November 2013. 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 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union.

The 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 2013, 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 13 June 2013 and delivered to the Registrar of Companies. The report of the auditors 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 2013. These policies have been applied consistently to all periods presented, except as described below.

IAS 19R, 'Employee Benefits', has been adopted with effect from 1 April 2013. The change in the accounting standard has been applied retrospectively, meaning that comparative amounts have been restated. Under IAS 19R, the separate calculations of an interest cost on the defined benefit obligation and a return on plan assets have been replaced by a single net interest charge calculated by applying the discount rate to the net defined benefit liability. Additionally, certain costs of administering pension schemes which were previously deducted from the return on plan assets have been reclassified such that they are now presented in the income statement. The impact of the restatement on comparative periods has been reflected in a table in note 12.

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.

1. Accounting policies continued

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 2013.

The Group has adopted the following new standards, amendments and interpretations now applicable. Other than IAS 19R, 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 1	Presentation of financial statements: Other comprehensive income	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 arrangements	1 April 2013
IFRS 12	Disclosures 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
IAS 28 (revised 2011)	Associates and joint ventures	1 April 2013
Annual improvements to IFRSs 2011	Various	1 April 2013

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 2014
Amendment to IFRS 12	Disclosures of interests in other entities	1 April 2014
Amendment to IAS 27	Separate financial statements	1 April 2014
Amendment to IAS 32	Financial instruments: Presentation	1 April 2014
Amendment to IAS 36	Impairment of assets	1 April 2014
IFRIC 21	Levies	1 April 2014
IFRS 9	Financial instruments: Classification and measurement	1 April 2015

None of these standards or interpretations are 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 18 and 19 in the 2013 Annual Report, which is available on the Group's website (www.norcros.com).

1. Accounting policies continued

Risks and uncertainties continued

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;
- additional capital requirements to fund ongoing operations;
- performance against banking covenants;
- changing consumer preferences;
- overseas operations;
- management of the property estate; 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 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 2013.

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 2013 (unaudited)			
	Notes	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue		72.8	38.4	5.5	116.7
Underlying operating profit		6.0	0.7	0.1	6.8
Non-underlying operating items	4	(1.0)	—	—	(1.0)
Exceptional operating items	4	(1.6)	0.4	—	(1.2)
Operating profit		3.4	1.1	0.1	4.6
Finance costs (net)	7				(4.1)
Profit before taxation					0.5
Taxation	6				—
Profit from continuing operations					0.5
Net debt	10				28.8

		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
Non-underlying operating items	4	(0.7)	—	—	(0.7)
Operating profit		5.3	0.5	0.1	5.9
Finance costs (net)	7				(1.5)
Profit before taxation					4.4
Taxation	6				0.4
Profit from continuing operations					4.8
Net debt	10				19.6

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Notes to the accounts
26 weeks ended 30 September 2013 continued

2. Segmental reporting continued

	Notes	UK £m	South Africa £m	Rest of the World £m	Group £m
		52 weeks ended 31 March 2013 (unaudited)*			
Revenue		122.8	77.6	10.3	210.7
Underlying operating profit		11.9	1.0	0.1	13.0
Non-underlying operating items	4	(1.5)	—	—	(1.5)
Exceptional operating items	4	(4.1)	(0.3)	—	(4.4)
Operating profit		6.3	0.7	0.1	7.1
Finance costs (net)	7				(1.7)
Profit before taxation					5.4
Taxation	6				0.2
Profit from continuing operations					5.6
Net debt	10				30.7

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

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Profit before taxation	**0.5**	4.4	5.4
Adjusted for:			
Non-underlying operating items (note 4)	**1.0**	0.7	1.5
Exceptional operating items (note 4)	**1.2**	—	4.4
Amortisation of costs of raising debt finance	**0.2**	0.1	0.2
Net movement on fair value of derivative financial instruments	**2.5**	0.2	(0.9)
Discount on property lease provisions	**0.1**	0.1	0.2
IAS 19R finance cost	**0.6**	0.5	0.9
Underlying profit before taxation	**6.1**	6.0	11.7
Taxation attributable to underlying profit before taxation	**(0.8)**	0.1	(0.7)
Underlying earnings	**5.3**	6.1	11.0

Underlying profit before taxation is defined as profit before taxation, non-underlying and exceptional operating 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.

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

3. Non-GAAP measures continued

Condensed Consolidated Income Statement continued

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Operating profit	**4.6**	5.9	7.1
Adjusted for:			
Depreciation	**3.1**	3.1	6.2
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**7.7**	9.0	13.3
Non-underlying operating items (note 4)	**1.0**	0.7	1.5
Exceptional operating items (note 4)	**1.2**	–	4.4
Underlying EBITDA	**9.9**	9.7	19.2

EBITDA is a measure commonly used by investors and financiers to assess business performance. Underlying EBITDA has also been provided which reflects EBITDA as adjusted for non-underlying 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 Flows

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Cash generated from operations	**6.5**	2.1	6.6
Adjusted for:			
Cash outflows from exceptional items	**2.6**	1.2	2.2
Pension fund deficit recovery contributions	**1.0**	–	2.0
Underlying operating cash flow	**10.1**	3.3	10.8

Underlying operating cash flow is defined as cash generated from 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.

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

4. Non-underlying and exceptional operating items

As described in note 3, the Directors believe that underlying profit before taxation and underlying earnings provide shareholders with additional useful information on the underlying performance of the Group. In order to arrive at underlying profit before taxation and underlying earnings, certain items including non-underlying and exceptional operating items have been excluded.

An analysis of non-underlying and exceptional operating items is shown below.

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Non-underlying operating items			
IAS 19R pension administration expenses[1]	0.8	0.7	1.5
Intangible asset amortisation[2]	0.2	—	—
	1.0	0.7	1.5

1 As described in note 1, the implementation of IAS 19R, 'Employee Benefits', has required that certain costs of administering the Group's pension schemes are recognised in the income statement. Prior year comparatives have been restated to accommodate the change in accounting policy.

2 As a result of the acquisition of Vado the Group has recognised an intangible asset which is subject to a non-cash amortisation charge (see note 13).

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Exceptional operating items			
Property provisions[1]	—	—	3.0
Equity related acquisition fees[2]	—	—	0.9
Profit on disposal of facility[3]	(0.5)	—	—
Restructuring costs[4]	1.5	—	0.5
Deferred remuneration[5]	0.2	—	—
	1.2	—	4.4

1 The provision to cover the Group's onerous property leases was increased by £3.0m in 2013, following a reappraisal of the future cash flows arising from these leases.

2 The fees arose as a result of the Group's acquisition of Vado.

3 During the period the Group disposed of a surplus manufacturing facility in South Africa generating a profit of £0.5m.

4 Restructuring costs related to redundancies and asset write-downs as a result of restructuring initiatives throughout the Group's business units. In 2013 the figure included a loss of £0.3m on the sale of the small non-core South African Nortec adhesives business.

5 In accordance with IFRS 3R, a significant proportion of deferred consideration payable to the former shareholders of Vado is required to be treated as remuneration and, accordingly, is expensed to the income statement as incurred.

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

5. Earnings per share

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Earnings for the period	**0.5**	4.8	5.6
Underlying earnings for the period (note 3)	**5.3**	6.1	11.0

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited) £m	52 weeks ended 31 March 2013 (unaudited) £m
Weighted average number of shares for basic earnings per share	**583,188,384**	579,748,127	580,021,666
Share options and warrants	**19,654,417**	2,402,728	8,895,196
Weighted average number of shares for diluted earnings per share	**602,842,801**	582,150,855	588,916,862

	26 weeks ended 30 September 2013 (unaudited)	26 weeks ended 30 September 2012 (unaudited)*	52 weeks ended 31 March 2013 (unaudited)*
Basic earnings per share	**0.1p**	0.8p	1.0p
Diluted earnings per share	**0.1p**	0.8p	1.0p
Basic underlying earnings per share	**0.9p**	1.1p	1.9p
Diluted underlying earnings per share	**0.9p**	1.0p	1.9p

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Notes to the accounts
26 weeks ended 30 September 2013 continued

6. Taxation

Taxation comprises:

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Current			
UK taxation	**0.4**	0.7	1.3
Deferred			
Origination and reversal of temporary differences	**(0.4)**	(1.1)	(1.5)
Taxation	**—**	(0.4)	(0.2)

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:

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Deferred tax asset at the beginning of the period	**8.7**	6.4	6.4
Credited to the income statement	**0.4**	1.1	1.5
(Charged)/credited to statement of comprehensive income	**(1.3)**	0.8	2.3
Measurement period adjustments (note 13)	**—**	—	(1.5)
Deferred tax asset at the end of the period	**7.8**	8.3	8.7

	At 30 September 2013 (unaudited) £m	At 30 September 2012 (unaudited)* £m	At 31 March 2013 (unaudited)* £m
Accelerated capital allowances	**0.4**	0.5	0.5
Tax losses	**2.5**	2.2	2.6
Other timing differences	**0.4**	0.2	(0.1)
Deferred tax liability relating to intangible assets	**(1.1)**	—	(1.2)
Deferred tax asset relating to pension deficit	**5.6**	5.4	6.9
	7.8	8.3	8.7

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

7. Finance income and costs

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Finance costs			
Interest payable on bank borrowings	**0.7**	0.6	1.3
Amortisation of costs of raising debt finance	**0.2**	0.1	0.2
Movement on fair value of derivative financial instruments	**2.5**	0.2	–
Discount on property lease provisions	**0.1**	0.1	0.2
Total finance costs	**3.5**	1.0	1.7
Finance income			
Movement on fair value of derivative financial instruments	**–**	–	(0.9)
Total finance income	**–**	–	(0.9)
Finance costs – net	**3.5**	1.0	0.8

8. Borrowings

	At 30 September 2013 (unaudited) £m	At 30 September 2012 (unaudited)* £m	At 31 March 2013 (unaudited)* £m
Non-current			
Bank borrowings (secured):			
– bank loans	**35.0**	23.0	37.7
– finance leases and hire purchase contracts	**–**	–	0.1
– less: costs of raising finance	**(0.6)**	(0.6)	(0.8)
Total non-current	**34.4**	22.4	37.0
Current			
Bank borrowings (secured):			
– finance leases and hire purchase contracts	**0.1**	–	0.1
– bank overdrafts	**–**	0.6	0.4
Total current	**0.1**	0.6	0.5
Total borrowings	**34.5**	23.0	37.5

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

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

8. Borrowings continued

The repayment terms of borrowings are as follows:

	At 30 September 2013 (unaudited) £m	At 30 September 2012 (unaudited)* £m	At 31 March 2013 (unaudited)* £m
Not later than one year	0.1	0.6	0.5
After more than one year:			
– between one and two years	–	–	0.1
– later than two years and not later than five years	35.0	23.0	37.7
– costs of raising finance	(0.6)	(0.6)	(0.8)
	34.4	22.4	37.0
Total borrowings	34.5	23.0	37.5

9. Called up share capital

	At 30 September 2013 (unaudited) £m	At 30 September 2012 (unaudited)* £m	At 31 March 2013 (unaudited)* £m
Issued and fully paid			
583,488,584 ordinary shares of 1p each	5.8	5.8	5.8

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

10. Consolidated Cash Flow Statements

(a) Cash generated from operations

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Profit before taxation	**0.5**	4.4	5.4
Adjustments for:			
– non-underlying operating items included in the above	**1.0**	0.7	1.5
– exceptional operating items included in the above	**1.2**	—	4.4
– cash outflows from exceptional items	**(2.6)**	(1.2)	(2.2)
– depreciation	**3.1**	3.1	6.2
– difference between current service cost and normal pension contributions	**—**	0.3	(0.2)
– pension fund deficit recovery plan contributions	**(1.0)**	—	(2.0)
– profit on disposal of property, plant and equipment	**0.1**	—	(1.2)
– finance costs	**3.5**	1.0	1.7
– finance income	**—**	—	(0.9)
– IAS 19R finance cost	**0.6**	0.5	0.9
– share-based payments	**0.3**	0.2	0.7
Operating cash flows before movements in working capital	6.7	9.0	14.3
Changes in working capital:			
– increase in inventories	**(6.1)**	(7.3)	(5.6)
– (increase)/decrease in trade and other receivables	**(2.1)**	(0.1)	1.9
– increase/(decrease) in payables	**8.0**	0.5	(4.0)
Cash generated from operations	6.5	2.1	6.6

(b) Cash flows from exceptional items

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

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

10. Consolidated Cash Flow Statements continued
(c) Analysis of net debt

	Cash £m	Debt £m	Total £m
At 1 April 2012	2.5	(20.3)	(17.8)
Cash flow	4.0	(16.8)	(12.8)
Acquisitions	–	(0.2)	(0.2)
Other non-cash movements	–	0.2	0.2
Exchange movement	(0.1)	–	(0.1)
At 31 March 2013	6.4	(37.1)	(30.7)
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)
At 1 April 2013	6.4	(37.1)	(30.7)
Cash flow	(0.2)	2.8	2.6
Other non-cash movements	–	(0.2)	(0.2)
Exchange movement	(0.5)	–	(0.5)
At 30 September 2013	**5.7**	**(34.5)**	**(28.8)**

11. Dividends
A final dividend in respect of the year ended 31 March 2013 of £1.8m (0.305p per share) was paid on 27 July 2013. On 14 November 2013 the Board declared an interim dividend in respect of the year ended 31 March 2014 of £1.0m (0.17p per share). This dividend will be paid on 9 January 2014 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 19R disclosures has been produced by Mercer Human Resource Consulting, 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 2013. Scheme assets are stated at their market value at 30 September 2013.

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 £0.1m (2012: £0.3m) has been recognised as an asset on the Balance Sheet as this amount is considered to be recoverable by the Group.

12. Retirement benefit obligations continued

(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 2013	At 30 September 2012	At 31 March 2013
Discount rate	4.30%	4.40%	4.20%
Inflation rate (RPI)	3.10%	2.60%	3.20%
Inflation (CPI)	2.10%	1.60%	2.20%
Salary increases	3.35%	2.85%	3.45%

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

	At 30 September 2013 (unaudited) £m	At 30 September 2012 (unaudited)* £m	At 31 March 2013 (unaudited)* £m
Total market value of scheme assets	381.4	365.6	389.6
Present value of scheme liabilities	(407.9)	(387.6)	(419.5)
Pension deficit	(26.5)	(22.0)	(29.9)
Comprising:			
– Norcros Security Plan	(26.6)	(22.3)	(30.0)
– other	0.1	0.3	0.1
Pension deficit	(26.5)	(22.0)	(29.9)

(c) Impact of the restatement of comparatives following the implementation of IAS 19R

As explained in note 1, comparative financial information has been restated following the retrospective implementation of IAS 19R. The impact on the results of previous periods is shown below:

	At 30 September 2012 as reported £m	At 30 September 2012 as restated £m	At 31 March 2013 as reported £m	At 31 March 2013 as restated £m
Non-underlying operating items	–	(0.7)	–	(1.5)
Operating profit	6.6	5.9	8.6	7.1
IAS 19 finance income	1.0	–	2.2	–
IAS 19R finance cost	–	(0.5)	–	(0.9)
Profit before taxation	6.6	4.4	10.0	5.4
Taxation	(0.1)	0.4	(0.9)	0.2
Profit for the period	6.5	4.8	9.1	5.6
Actuarial gains and losses on retirement benefit obligations (net of tax)	(3.0)	(1.3)	(12.3)	(8.8)
Earnings per share:				
– basic	1.1p	0.8p	1.6p	1.0p
– diluted	1.1p	0.8p	1.6p	0.9p

The implementation of IAS 19R has had no impact on the Condensed Consolidated Balance Sheet.

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

Notes to the accounts
26 weeks ended 30 September 2013 continued

13. Business combinations

On 31 March 2013, the Group acquired 100% of the ordinary share capital of Eurobath International Limited, known principally under its trading name Vado, a leading manufacturer and global distributor of bathroom controls including taps, mixer showers, bathroom accessories and valves. Full details of the acquisition are provided on the Group's website (www.norcros.com) and on page 64 of the Group's 2013 Annual Report.

In accordance with the sale and purchase agreement, an exercise to review the completion balance sheet at the date of acquisition was undertaken. This resulted in an adjustment to the cash consideration paid for Vado which was refunded to the Group and accordingly the consideration paid for Vado was revised as follows:

	Initial amounts recognised £m	Completion accounts adjustment £m	Revised amounts recognised £m
Cash	11.0	(0.1)	10.9
Contingent consideration	0.4	–	0.4
	11.4	**(0.1)**	**11.3**

The return of £0.1m has been disclosed in the Condensed Consolidated Statement of Cash Flows within investing activities. There have been no changes to the estimate of contingent consideration payable in the period.

Due to the fact that the acquisition took place on the last day of the accounting period it was not possible for the Group to finalise the fair values of Vado's assets and liabilities. Accordingly, the amounts stated in the 2013 Annual Report were provisional and principally reflected the reported balances of Vado, as adjusted where possible to comply with the accounting policies of the Group.

The Group has now reviewed the identifiable net assets of Vado and has identified the following measurement period adjustments:

	Provisional amounts recognised £m	Measurement period adjustments £m	Revised amounts recognised £m
Intangible assets – trade name	–	5.4	5.4
Property, plant and equipment	2.0	–	2.0
Deferred tax asset	0.1	(0.1)	–
Inventories	4.3	–	4.3
Trade and other receivables	5.2	–	5.2
Derivative financial instruments	0.4	0.7	1.1
Cash	3.1	–	3.1
Trade and other payables	(4.7)	–	(4.7)
Current tax liabilities	(0.6)	–	(0.6)
Borrowings – loans	(2.7)	–	(2.7)
Borrowings – hire purchase contracts	(0.2)	–	(0.2)
Deferred tax liability	–	(1.4)	(1.4)
Provisions	(0.2)	–	(0.2)
Total identifiable net assets	**6.7**	**4.6**	**11.3**
Goodwill	**4.7**	**(4.7)**	**–**
Total	**11.4**	**(0.1)**	**11.3**

13. Business combinations continued

The principal adjustments that have been made in the measurement period are to recognise an intangible asset of £5.4m in respect of the trade name and additional derivative financial instruments of £0.7m. Deferred tax at the prevailing rate of 23% as of the date of acquisition has been applied resulting in the recognition of a deferred tax liability of £1.4m. Due to the complexity of the nature of these assets, it was not possible to reliably measure their value in the time available before publishing the 2013 Annual Report, and for this reason they have been recognised subsequent to the period of acquisition.

The impact of the measurement period adjustments in respect of prior periods is follows:

	At 31 March 2013 as reported £m	At 31 March 2013 as restated £m
Goodwill	27.6	23.0
Intangible assets	—	5.4
Deferred tax assets	10.2	8.7
Total non-current assets	86.7	86.0
Derivative financial instruments	0.9	1.6
Current assets	104.6	105.3
Net current assets	50.6	51.3
Total assets less current liabilities	137.3	137.3

There was no impact on the Condensed Consolidated Statement of Comprehensive Income and Expense. As the acquisition took place on 31 March 2013 no restatement of the comparative financial information at 30 September 2012 is required.

14. Principal subsidiaries

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

United Kingdom

- Norcros Group (Holdings) Limited
- Eurobath International 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 whose results principally affect the financial statements of the Group are included above.

15. Related party transactions

The following transactions were carried out with related parties:

(a) Purchases of goods and services

	26 weeks ended 30 September 2013 (unaudited) £m	26 weeks ended 30 September 2012 (unaudited)* £m	52 weeks ended 31 March 2013 (unaudited)* £m
Purchases of goods:			
– Prism Cement Limited	0.6	0.5	1.2

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

Prism Cement Limited was classed as a related party due to the fact that one of its directors, Vijay Aggarwal, was also a Director of the Company, and one of its subsidiaries, Lifestyle Investments PVT Limited, owned 29.6% of the Company's issued share capital as of 1 April 2013. On 11 April 2013, Lifestyle Investments PVT Limited sold 27,000,000 ordinary shares to reduce its holding in the Company to 24.97%, and on 18 September 2013, sold the remainder of its holding in the Company and consequently ceased to be a related party from that date. Additionally, Mr Aggarwal ceased to be a Director of the Company from 20 September 2013.

Prior to this, dividends of £0.4m (2012: £0.5m) were paid to Lifestyle Investments PVT Limited.

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

	At 30 September 2013 (unaudited) £m	At 30 September 2012 (unaudited)* £m	At 31 March 2013 (unaudited)* £m
Payables to related parties:			
– Prism Cement Limited	–	(0.1)	(0.3)

* The results of previous periods have been restated to reflect the implementation of IAS 19R – Employee Benefits and measurement period adjustments in respect of business combinations. The comparative financial information for the 52 weeks ended 31 March 2013 is shown as unaudited due to the impact of the restatement.

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 33 of this Interim Report. John Brown and David Hamilton resigned as Directors on 24 July 2013. David McKeith joined the Board on the same date as Senior Independent Non-executive Director and Chairman of the Audit Committee. Vijay Aggarwal resigned as a Director on 20 September 2013.

By order of the Board

N. P. Kelsall
Group Chief Executive
14 November 2013

M. K. Payne
Group Finance Director
14 November 2013

Directors, advisers and company information

Company Directors and officers
Martin Towers Chairman
Nick Kelsall Group Chief Executive
Martin Payne Group Finance Director
David McKeith Non-executive Director
Jo Hallas Non-executive Director
Richard Collins Company Secretary

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 2014
Annual Report and Accounts	Available to shareholders June 2014
Annual General Meeting	July 2014

consultancy, design and production by
designportfolio

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