norcros

Interim report

2014

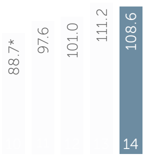
Focused on showers, taps, bathroom accessories, tiles and adhesives.

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

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 aim to use our strong brands, our innovative products and our leading market positions to drive investment returns and shareholder value.

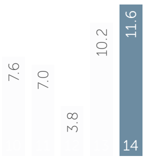
Highlights

Revenue†
(£m)



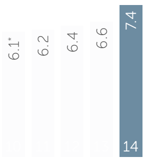
£108.6m
-2.3%

Underlying operating cash flow†
(£m)



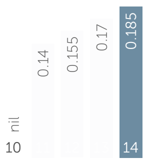
£11.6m
+13.7%

Underlying operating profit†
(£m)



£7.4m
+10.8%

Interim dividend per share
(p)



0.185p
+8.8%

* Restated on a 26 week basis.
† Restated for discontinued operations.

Summary

Underlying operating profit increased by 10.8% to £7.4m (2013: £6.6m)

Revenue increased by 3.3% on a constant currency basis

Strong underlying operating cash generation: 112% of underlying EBITDA (2013: 106%)

Bank facilities renewed through to July 2019 on improved terms

Disposal of Australian tiles business realising net cash proceeds of £3.8m

Legacy lease exit and freehold acquisition at Sheffield for £3.4m in November 2014

Interim dividend increased by 8.8% to 0.185p per share

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Martin Towers
Chairman

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Interim dividend increased by 8.8% to 0.185p per share

I am pleased to announce another solid set of results for the six months ended 30 September 2014. Underlying operating profit was up 10.8% to £7.4m (2013: £6.6m) with improved performances across all our businesses despite continued mixed market conditions and a weaker South African Rand. Constant currency revenue growth of 3.3% in the period reflected strong growth in the UK trade sector and double digit constant currency growth in South Africa, but a subdued performance from the UK retail sector and export markets.

Underlying operating cash generation in the period was excellent, with net debt reduced by £6.9m from 31 March 2014 to £20.0m at 30 September 2014, driven by good working capital control as well as £3.8m net proceeds from the sale of our Australian tiles business in May 2014. During the period we also took advantage of favourable market conditions to agree a new five year unsecured £70m revolving credit and £30m accordion facility to support the Group's growth strategy.

The disposal in May 2014 of our Australian tiles business represents further progress towards our strategic targets, allowing us to focus on our chosen geographies of the UK, Africa and the Middle East. I am delighted to say that as announced on 7 November, further progress has been made on our legacy leases with the lease exit and freehold acquisition at Sheffield for £3.4m. With the end of the lease at Drakes Way, Swindon in December 2014, the Group is nearing an end to its legacy lease cash outflows.

UK construction activity and an improving UK housing market continue to drive the UK trade sector recovery, and we have seen strong evidence of this across all our UK businesses. However, the UK retail sector remains subdued with consumer confidence still weak. Conditions in our South African markets have remained challenging, but despite this our businesses have performed strongly, gained market share and delivered 11% constant currency revenue growth. The weak South African Rand has had an adverse impact on prior year Sterling comparisons, but assuming no further devaluation of the Rand in the year, this strong constant currency growth should start to convert to Sterling growth in the second half of the year. With our strong brands, leading market positions and continued self-help initiatives focused on market share gain, the Board remains confident that the Group should continue to make progress in line with market expectations for the year to 31 March 2015.

Results

Revenue increased by 3.3% on a constant currency basis for the six months ended 30 September 2014. A weaker South African Rand left Group revenue on a Sterling reported basis 2.3% lower at £106.8m (2013: £111.2m).

Underlying operating profit increased by 10.8% to £7.4m (2013: £6.6m) and was achieved notwithstanding an adverse currency impact of £0.2m.

Underlying profit before taxation increased by 12.9% to £6.7m (2013: £5.9m) reflecting the higher underlying operating profit.

Profit before taxation for the period was £6.3m (2013: £0.3m), reflecting increased underlying profit before taxation, lower non-underlying interest charges due to a credit of £1.6m in respect of the movement on fair value of derivatives (2013: £2.5m charge), and exceptional operating items of £nil (2013: charge of £1.2m).

Basic underlying earnings per share was 0.8p (2013: 0.9p), reflecting improved underlying profit before taxation offset by a higher underlying tax charge due to the full recognition of deferred tax assets relating principally to tax losses and capital allowances in the annual results for the year to 31 March 2014.

Financial

Underlying operating cash generated in the period was £11.6m (2013: £10.2m), with working capital decreasing by £0.6m in the period compared to a £0.2m decrease in the first half last year. This represents strong cash conversion at 112% of underlying EBITDA for the period (2013: 106%). A pension deficit recovery payment of £1.0m (2013: £1.0m) in the period (as part of the £2.0m plus CPI per annum contribution agreed with the Trustee in 2013) and cash outflows relating to exceptional items of £0.7m (2013: £2.6m) resulted in net cash generated from continuing operations at £9.9m (2013: £6.6m). Investment in capital expenditure in the period amounted to £3.4m (2013: £2.1m) and represents 1.1 times depreciation.

As reported in the Group's 2014 Annual Report, the sale of the Australian tiles business to Kim Hin Industries Berhad completed on 30 May 2014. This disposal resulted in a net cash inflow of £3.8m being recognised in the period.

In July 2014 the Group agreed a new unsecured £70m revolving credit facility plus a £30m accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The new banking facility has been secured to July 2019, and at current levels of net debt and leverage is expected to reduce interest costs by approximately £0.2m per annum. As a consequence, non-cash financing costs of £0.4m relating to the old facility have been expensed to the income statement as exceptional finance costs. A cash outflow of £0.7m was incurred in the period in relation to the costs of the new facility. Net debt at 30 September 2014 reduced to £20.0m (2013: £28.8m) from £26.9m at 31 March 2014.

> **The Board is declaring an interim dividend increase of 8.8% to 0.185p per share (2013: 0.17p), reflecting their confidence in the Group's future prospects.**

Financial continued

The position of our UK defined benefit pension scheme as calculated under IAS 19R has declined from a deficit of £21.8m at 31 March 2014 to a deficit of £40.6m at 30 September 2014. The increased deficit principally reflects a decrease in the discount rate to 3.9% and represents a 90% funding level on this basis.

Property

There has been good progress during the period in resolving some of the Group's legacy property issues. In April 2014, a small area of surplus land in Braintree, UK, was sold, realising a profit on sale and net proceeds of £0.4m. This has been treated as an exceptional operating item in the income statement.

There have been no significant developments in respect of the contractual dispute arising from the proposed sale of the surplus land in Tunstall to a subsidiary of W M Morrison Supermarkets plc (Morrisons). The Board continues to seek compensation from Morrisons and to market the site to alternative buyers. In the period exceptional costs relating to legal expenses of £0.1m connected with the dispute were incurred.

As announced on 7 November 2014 the Group exited its legacy lease and acquired the freehold of the property at Orgreave Drive, Sheffield, for a consideration of £3.4m including costs. The lease had 68 years to run and the exit will reduce annual cash outflows by £0.4m. It is anticipated that an exceptional charge of approximately £2.5m relating to this transaction will be recognised in the second half of the year.

Dividend

The Board is declaring an interim dividend increase of 8.8% to 0.185p per share (2013: 0.17p), reflecting their confidence in the Group's future prospects. The dividend is payable on 7 January 2015 to shareholders on the register on 5 December 2014. The shares will be quoted as ex-dividend on 4 December 2014.

Operating review

UK

For the six months ended 30 September 2014 total revenue in our UK businesses was in line with the prior period at £72.8m. Underlying operating profit at £6.4m was 7.3% higher than last year at £5.9m and represents an improved return on sales of 8.8% (2013: 8.2%).

Triton

Our market leading shower operation, Triton Showers, recorded revenue growth of 1.2% for the six month period to 30 September 2014 to £25.4m (2013: £25.1m).

The overall UK shower market declined by around 1% over the first six months of the year and Triton's performance in both UK trade and retail sectors was in line with this performance. Both the retail and trade sectors performed below expectations in the first quarter due to customer destocking and internal restructuring in the national merchants, but performance rebounded strongly in the second quarter with UK revenue 2.7% ahead of last year. Good progress continues to be made in the care sector, and Triton's Safeguard+ range, the fulcrum of the "Inclusive Showering" product offering, has been very well received.

Export revenue, which is predominantly derived from Ireland and represents about 16% of overall Triton revenue, was 14.9% higher than the prior year helped by increased activity in the new build sector.

Increased revenue as well as continued input cost reduction initiatives and manufacturing efficiencies resulted in underlying operating profits ahead of the same period last year and excellent cash generation.

Vado

Our leading manufacturer of taps, mixer showers, bathroom accessories and valves, Vado, recorded revenue of £14.8m for the period, 0.3% higher than last year (2013: £14.7m). UK revenue was 17.9% higher than the prior year, with strong performances in both the trade and retail sectors. The UK trade sector revenue was 20.7% higher, benefiting from an increase in new build activity and our investment in developing the specification market leading to market share gain through new accounts such as Avant Homes. UK retail sector revenue was 15.5% higher than the prior period despite challenging market conditions, demonstrating the success of the Vado Partnership Programme and our developing relationships with independent merchant buying groups.

Export revenue, which accounts for approximately 35% of Vado revenue, was heavily impacted by the timing of commercial projects and distributor destocking in the Middle East. In the first quarter export revenues were 35% lower than the previous period, but overall for the half year 22% lower, reflecting an improving trend. We continue to work on selectively expanding our geographic reach and have recently appointed distributors in Poland, Japan and Cameroon.

Whilst revenue was broadly consistent with the prior period, margins improved as a result of business mix and cost savings, resulting in underlying operating profits ahead of last year.

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 3.7% lower than the same period last year at £29.2m (2013: £30.3m).

UK revenue was 1.8% lower than the same period last year. Trade sector revenue was 8.3% ahead of the same period last year driven by improving new house build and commercial specifications as well as new business to supply ceramic poppies that form the main part of the World War I commemorations at the Tower of London. In contrast, we have experienced challenging conditions in the retail sector in the first half with revenue 9.1% lower than the same period last year, reflecting both weaker sales out and destocking by a number of national retailers. Despite the difficult conditions, we have continued to broaden our customer base and have recently launched the Minton Hollins brand of Victoriana tiles with Topps Tiles.

Revenue from our export business, which accounts for approximately 11% of revenue, was 16.1% lower than the same period last year. This was mainly due to lower revenue in the Middle East and the fact that the prior period benefited from certain large commercial projects such as the Waikiki Beach Hilton Hotel mural in Hawaii.

Although we have benefited from a reduced cost base following the business restructuring completed last year, the savings in the first half have been offset by a shortfall in production performance in quarter two as an enforced change to the tiles body recipe in July impacted output levels whilst the new recipe bedded in. Performance has gradually improved and is moving back towards normal levels.

The difficult UK retail and export market conditions together with the period of production inefficiency, resulted in a modest underlying operating loss for the first half, and a smaller loss than the same period last year.

Norcros Adhesives

Norcros Adhesives, our manufacturer and supplier of tile and stone adhesives and ancillary products, saw continued strong growth with revenue 27.5% higher at £3.4m (2013: £2.7m), reflecting further penetration of the DIY multiples and other significant retail account wins. Our patented bag-in-bucket product range aimed at the DIY sector is achieving greater traction and is now listed with a major DIY multiple. Growth has also been achieved in the specification segment, reflecting our ability to offer a fully guaranteed system from substrate to tile, particularly when combined with our fast turnaround specification service and high quality technical support. This strong growth has delivered underlying operating profit ahead of the same period last year.

South Africa

Another period of double digit constant currency growth in the period in our South African businesses resulted in revenue 11.0% higher than prior year on a constant currency basis, although a 19% weaker Rand meant reported Sterling revenue was 6.7% lower at £35.8m (2013: £38.4m). Underlying operating profit at £1.0m was 40% higher than the previous period (2013: £0.7m) despite the weaker Rand adversely impacting reported profits by £0.2m. This represents an improved return on sales of 2.7% (2013: 1.8%). All three businesses delivered an improvement in local currency underlying operating profit performance.

We have again made excellent progress in our South African operations reflecting the self-help actions to improve the operational stability and performance of the business and the steps taken to strengthen the senior management team. The business today is more resilient and well-placed to capitalise on new growth opportunities.

Johnson Tiles South Africa

Our tile manufacturing business, Johnson Tiles South Africa, achieved independent sector revenue of £5.2m which was in line with the prior year on a constant currency basis, but 16.5% lower on a reported Sterling basis.

New product ranges have been launched successfully ahead of schedule using the new inkjet printing machine installed towards the end of the previous financial year and have been well received by customers. This, together with continued production efficiency improvements, has resulted in a substantially reduced loss in the first half of the year compared to last year.

Building on the success of the first inkjet machine, the second half of the year will see the launch of new rectangular format tiles and the installation of a second inkjet printer. This will accelerate the restructuring and repositioning of our product range and help drive the business to profitability.

As previously announced, Johnson Tiles South Africa had been experiencing a legal strike in its manufacturing facility for a significant part of the period. It is pleasing to report that the dispute has recently been settled and that the plant continued to operate normally during the strike action.

TAL

Our market leading adhesive business, TAL, delivered constant currency independent sector revenue growth of 8.7% in the period, which translated into an 8.5% decline on a Sterling reported basis to £8.4m (2013: £9.2m). Despite intensified competition, revenue grew in its domestic market as well as outside of the traditional South African market.

> The Board remains confident that the Group should continue to make progress in line with market expectations for the year to 31 March 2015.

Focus on both supply chain and improved production efficiencies was supported by investment in future growth with the addition of new packing heads on our main adhesive line, as well as a new grout line, at our main Olifantsfontein production facility. The new grout line has significantly increased our capacity and at the same time enabled us to convert our paper-based packaging to a more durable and customer-friendly plastic format. During the period, a number of new products have been launched including a powdered bond and StoneFlow, a durable cementitious decorative overlay, both of which have been well received in the market.

Revenue growth and improved plant and procurement efficiencies resulted in higher constant currency underlying operating profits than the same period last year.

Tile Africa

Revenue at our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, Tile Africa, increased by 14.9% on a constant currency basis compared to the prior year, but was 3.3% lower on a Sterling reported basis at £22.2m (2013: £23.0m).

This performance helped deliver an improved underlying operating profit compared to the prior year.

Excellent progress has been made in our store-based retail revenues reflecting improved stock availability and range competitiveness which have been driven off the back of improvements in our supply chain. These initiatives will be further supported by an upgraded visual merchandising concept which will be rolled out across the business in the second half of the year. Our test stores have shown immediate benefits in both sales and stock turns as a result of these self-help initiatives.

We have also been working on a new concept store which will provide the platform for our retail growth over the medium term. Our test store at Garsfontein has been recently upgraded and was successfully launched on 1 November 2014. During the period we also converted our existing store at Silverton to our first factory outlet aimed specifically at the emerging consumer segments which have experienced strong growth. Initial results from this test store have been very positive.

We also completed the purchase of our franchise store at Port Elizabeth after the period end, and as a result now operate from 29 stores and four franchises. We plan to expand our estate through a new store opening programme, with two new stores expected to open in the first quarter of the next financial year.

Discontinued operations

The completion of the sale of 100% of the issued share capital of Norcros Industry (Pty) Limited (NIPL), which owns its Australian tiles business, to Kim Hin Industries Berhad (KHIB), was completed on 30 May 2014. As NIPL represented a major line of business for the Group, its operations have been treated as discontinued and the prior periods have also been restated to conform to this style of presentation. The profit for the period from discontinued operations was £0.1m (2013: £0.2m).

Martin Towers.

M.G. Towers
Chairman
13 November 2014

Condensed consolidated income statement
26 weeks ended 30 September 2014

	Notes	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited)* £m	52 weeks ended 31 March 2014 (audited) £m
Continuing operations				
Revenue		**108.6**	111.2	218.7
Operating profit		**6.4**	4.5	12.8
Underlying operating profit		**7.4**	6.6	16.1
Non-underlying operating items	4	**(1.0)**	(1.0)	(1.8)
Exceptional operating items	4	**—**	(1.2)	(1.5)
Operating profit		**6.4**	4.4	12.8
Finance costs	7	**(0.8)**	(3.5)	(5.7)
Exceptional finance costs	7	**(0.4)**	—	—
Total finance costs	7	**(1.2)**	(3.5)	(5.7)
Finance income	7	**1.6**	—	—
IAS 19R finance cost		**(0.5)**	(0.6)	(1.3)
Profit before taxation		**6.3**	0.3	5.8
Taxation	6	**(1.6)**	—	4.3
Profit for the period from continuing operations		**4.7**	0.3	10.1
Profit/(loss) for the period from discontinued operations	13	**0.1**	0.2	(1.4)
Profit for the period		**4.8**	0.5	8.7
Earnings per share attributable to the owners of the Company				
Basic earnings per share:				
From continuing operations	5	**0.8p**	0.1p	1.7p
From discontinued operations	5	**—**	—	(0.2p)
From profit for the period	5	**0.8p**	0.1p	1.5p
Diluted earnings per share:				
From continuing operations	5	**0.8p**	0.1p	1.6p
From discontinued operations	5	**—**	—	(0.2p)
From profit for the period	5	**0.8p**	0.1p	1.4p
Weighted average number of shares for basic earnings per share (millions)	5	**589.6**	583.2	584.0
Non-GAAP measures:				
Underlying profit before taxation (£m)	3	**6.7**	5.9	14.6
Underlying earnings (£m)	3	**5.0**	5.1	17.0
Basic underlying earnings per share	5	**0.8p**	0.9p	2.9p
Diluted underlying earnings per share	5	**0.8p**	0.8p	2.8p

* The results of previous periods have been restated where required to reflect discontinued operations.

Condensed consolidated statement of comprehensive income

26 weeks ended 30 September 2014

	Notes	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited)* £m	52 weeks ended 31 March 2014 (audited) £m
Profit for the period		4.8	0.5	8.7
Other comprehensive income and expense:				
Items that will not subsequently be reclassified to the income statement				
Actuarial (losses)/gains on retirement benefit obligations		(14.8)	2.4	6.2
Items that may be subsequently reclassified to the income statement				
Foreign currency translation adjustments		(1.2)	(6.6)	(9.5)
Other comprehensive expense for the period		(16.0)	(4.2)	(3.3)
Total comprehensive (expense)/income for the period		(11.2)	(3.7)	5.4
Attributable to equity shareholders arising from:				
Continuing operations		(11.4)	(3.1)	7.7
Discontinued operations	13	0.2	(0.6)	(2.3)
		(11.2)	(3.7)	5.4

Items in the statement are disclosed net of tax.

* The results of previous periods have been restated where required to reflect discontinued operations.

Condensed consolidated balance sheet
At 30 September 2014

	Notes	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Non-current assets				
Goodwill		**22.0**	22.4	22.1
Intangible assets		**4.8**	5.2	5.0
Property, plant and equipment		**36.8**	39.5	36.9
Investment properties		**4.3**	5.3	4.4
Derivative financial instruments		**0.2**	—	—
Deferred tax assets	6	**14.1**	7.8	11.6
		82.2	80.2	80.0
Current assets				
Inventories		**51.0**	55.5	50.2
Trade and other receivables		**42.1**	3.0	41.9
Pension scheme asset	12	**—**	0.1	—
Cash and cash equivalents		**4.5**	5.7	3.9
Assets classified as held-for-sale		**—**	—	6.2
		97.6	104.3	102.2
Current liabilities				
Trade and other liabilities		**(54.1)**	(56.0)	(52.3)
Derivative financial instruments		**(0.8)**	(1.0)	(1.8)
Current tax liabilities		**(1.7)**	(1.8)	(1.3)
Financial liabilities – borrowings	8	**(4.1)**	(0.1)	(0.8)
Liabilities associated with assets classified as held-for-sale		**—**	—	(1.9)
		(60.7)	(58.9)	(58.1)
Net current assets		**36.9**	45.4	44.1
Total assets less current liabilities		**119.1**	125.6	124.1
Non-current liabilities				
Financial liabilities – borrowings	8	**(20.4)**	(34.4)	(30.5)
Pension scheme liability	12	**(40.6)**	(26.6)	(21.8)
Derivative financial instruments		**—**	—	(0.3)
Other non-current liabilities		**(1.5)**	(2.1)	(1.6)
Provisions		**(3.7)**	(6.1)	(4.4)
		(66.2)	(69.2)	(58.6)
Net assets		**52.9**	56.4	65.5
Financed by:				
Ordinary share capital	9	**5.9**	5.8	5.8
Share premium		**0.9**	0.5	0.9
Retained earnings and other reserves		**46.1**	50.1	58.8
Total equity		**52.9**	56.4	65.5

The notes on pages 14 to 29 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of cash flow

26 weeks ended 30 September 2014

	Notes	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited)* £m	52 weeks ended 31 March 2014 (audited) £m
Cash generated from operations	10	**10.0**	6.5	13.6
Income taxes paid		**(0.2)**	(0.4)	(1.7)
Interest paid		**(0.7)**	(0.8)	(1.6)
Net cash generated from operating activities		**9.1**	5.3	10.3
Cash flows from investing activities				
Purchase of property, plant and equipment		**(3.4)**	(2.1)	(4.2)
Proceeds from sale of property, plant and equipment		**0.4**	1.4	1.4
Acquisition of subsidiary undertakings		**(0.3)**	0.1	0.1
Disposal of subsidiary undertakings net of cash divested	13	**3.8**	—	—
Net cash generated from/(used in) investing activities		**0.5**	(0.6)	(2.7)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**—**	—	0.4
Costs of raising debt finance		**(0.7)**	(0.2)	(0.2)
Repayment of borrowings		**(31.1)**	(2.9)	(6.9)
Drawdown of borrowings under new facility		**21.0**	—	—
Dividends paid to equity shareholders		**(2.0)**	(1.8)	(2.8)
Net cash used in financing activities		**(12.8)**	(4.9)	(9.5)
Net decrease in cash at bank and in hand and bank overdrafts		**(3.2)**	(0.2)	(1.9)
Cash at bank and in hand and bank overdrafts at beginning of the period		**3.7**	6.4	6.4
Exchange movements on cash and bank overdrafts		**(0.1)**	(0.5)	(0.8)
Cash at bank and in hand and bank overdrafts at end of the period		**0.4**	5.7	3.7
Cash at bank and in hand and bank overdrafts at end of the period comprises:				
Cash at bank and in hand and bank overdrafts per the balance sheet		**0.4**	5.7	3.2
Cash at bank and in hand included within assets classified as held-for-sale		**—**	—	0.5
		0.4	5.7	3.7
Non-GAAP measures:				
Underlying operating cash flow	3	**11.6**	10.2	20.3

* The results of previous periods have been restated where required to reflect discontinued operations.

Corporate review

Corporate accounts

Condensed consolidated statements of changes in equity

26 weeks ended 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**

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

Condensed consolidated statements of changes in equity continued

52 weeks ended 31 March 2014 (audited)

	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 year	—	—	—	8.7	8.7
Actuarial gain on retirement benefit obligations	—	—	—	6.2	6.2
Total other comprehensive income	—	—	—	14.9	14.9
Other comprehensive expense:					
Foreign currency translation adjustments	—	—	(9.5)	—	(9.5)
Transactions with owners:					
Shares issued	—	0.4	—	—	0.4
Dividends paid	—	—	—	(2.8)	(2.8)
Share option schemes and warrants	—	—	—	0.9	0.9
At 31 March 2014	5.8	0.9	(8.5)	67.3	65.5

Notes to the accounts
26 weeks ended 30 September 2014

1. Accounting policies

General information

The Company is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. This condensed consolidated interim financial information was approved for issue on 13 November 2014. 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 2014 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 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 2014, 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 19 June 2014 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 2014. 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 2014.

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

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IFRS 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
Amendment to IAS 39	Financial instruments: recognition and measurement	1 April 2014
IFRIC 21	Levies	1 April 2014

1. Accounting policies continued

New standards, amendments to standards and interpretations continued

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

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IAS 19 (revised)	Employee benefits	1 April 2015
Amendment to IFRS 10	Consolidated financial statements	1 April 2016
Amendment to IFRS 11	Joint arrangements	1 April 2016
IFRS 14	Regulatory deferral accounts	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 2012	Various	1 April 2016
Annual improvements to IFRSs 2014	Various	1 April 2016
IFRS 15	Revenue from contracts with customers	1 April 2017
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 22 to 25 in the 2014 Annual Report, which is available on the Group's website (www.norcros.com).

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

- key commercial relationships;
- competition;
- reliance on production facilities;
- staff retention and recruitment;
- foreign currency exchange risk;
- interest rate risk;
- pension scheme management;
- energy price risk;
- 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.

Notes to the accounts continued
26 weeks ended 30 September 2014

1. Accounting policies continued

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 2014.

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 – 26 weeks ended 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
Non-underlying operating items	4	(1.0)	—	(1.0)
Exceptional operating items	4	—	—	—
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)

2. Segmental reporting continued

	Notes	Continuing operations – 26 weeks ended 30 September 2013 (unaudited)		
		UK £m	South Africa £m	Group £m
Revenue		72.8	38.4	111.2
Underlying operating profit		5.9	0.7	6.6
Non-underlying operating items	4	(1.0)	—	(1.0)
Exceptional operating items	4	(1.6)	0.4	(1.2)
Operating profit		3.3	1.1	4.4
Finance costs (net)				(4.1)
Profit before taxation				0.3
Taxation	6			—
Profit from continuing operations				0.3
Net debt	10			(28.8)

	Notes	Continuing operations – 52 weeks ended 31 March 2014 (audited)		
		UK £m	South Africa £m	Group £m
Revenue		148.0	70.7	218.7
Underlying operating profit		14.2	1.9	16.1
Non-underlying operating items	4	(1.8)	—	(1.8)
Exceptional operating items	4	(1.9)	0.4	(1.5)
Operating profit		10.5	2.3	12.8
Finance costs (net)				(7.0)
Profit before taxation				5.8
Taxation	6			4.3
Profit from continuing operations				10.1
Net debt	10			(26.9)

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 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Profit before taxation from continuing operations	**6.3**	0.3	5.8
Adjusted for:			
Non-underlying operating items	**1.0**	1.0	1.8
Exceptional operating items	**—**	1.2	1.5
Amortisation of costs of raising debt finance	**0.1**	0.2	0.3
Amortisation of costs of raising debt finance – exceptional	**0.4**	—	—
Net movement on fair value of derivative financial instruments	**(1.6)**	2.5	3.7
Discount on property lease provisions	**—**	0.1	0.2
IAS 19R finance cost	**0.5**	0.6	1.3
Underlying profit before taxation	**6.7**	5.9	14.6
Taxation attributable to underlying profit before taxation	**(1.7)**	(0.8)	2.4
Underlying earnings	**5.0**	5.1	17.0

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, non-underlying operating items, 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.

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Operating profit from continuing operations	**6.4**	4.4	12.8
Adjusted for:			
Depreciation	**3.0**	3.0	5.9
Non-underlying operating items	**1.0**	1.0	1.8
Exceptional operating items	**—**	1.2	1.5
Underlying EBITDA	**10.4**	9.6	22.0

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 non-underlying and exceptional operating items. The Directors consider that these measures provide shareholders with additional useful information on the performance of the Group.

3. Non-GAAP measures continued

Condensed Consolidated Statement of Cash Flows

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Cash generated from continuing operations (note 10)	**9.9**	6.6	13.9
Adjusted for:			
Cash outflows from exceptional items	**0.7**	2.6	4.4
Pension fund deficit recovery contributions	**1.0**	1.0	2.0
Underlying operating cash flow	**11.6**	10.2	20.3

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. 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 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Non-underlying operating items			
IAS 19R pension administration expenses[1]	**0.8**	0.8	1.4
Intangible asset amortisation[2]	**0.2**	0.2	0.4
	1.0	1.0	1.8

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.

2 Following the acquisition of Vado in 2013, the Group recognised an intangible asset which is subject to a non-cash amortisation charge.

4. Non-underlying and exceptional operating items continued

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Exceptional operating items			
Profit on disposal of surplus property[1]	(0.4)	(0.5)	(0.5)
Restructuring costs[2]	—	1.5	1.5
Deferred remuneration[3]	0.3	0.2	0.3
Legal costs[4]	0.1	—	0.2
	—	1.2	1.5

1 A profit of £0.4m was generated in the period following the sale of a small parcel of land in Braintree, UK. During the previous period the Group disposed of a residual manufacturing facility in South Africa generating a profit of £0.5m.

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

3 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.

4 Legal costs related to the ongoing dispute over the disposal of the surplus land at the Highgate site in Tunstall, UK.

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

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Profit for the period from continuing operations	4.7	0.3	10.1
Profit/(loss) for the period from discontinued operations	0.1	0.2	(1.4)
Profit for the period	4.8	0.5	8.7

	26 weeks ended 30 September 2014 (unaudited) number	26 weeks ended 30 September 2013 (unaudited) number	52 weeks ended 31 March 2014 (audited) number
Weighted average number of shares for basic earnings per share	589,593,699	583,188,384	583,950,031
Share options and warrants	21,595,473	19,654,417	24,374,489
Weighted average number of shares for diluted earnings per share	611,189,172	602,842,801	608,324,520

5. Earnings per share continued

Basic and diluted earnings per share continued

	26 weeks ended 30 September 2014 (unaudited)	26 weeks ended 30 September 2013 (unaudited)	52 weeks ended 31 March 2014 (audited)
Basic earnings per share:			
From continuing operations	0.8p	0.1p	1.7p
From discontinued operations	—	—	(0.2p)
From profit for the period	0.8p	0.1p	1.5p
Diluted earnings per share:			
From continuing operations	0.8p	0.1p	1.6p
From discontinued operations	—	—	(0.2p)
From profit for the period	0.8p	0.1p	1.4p

Basic and diluted underlying earnings per share

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

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Underlying earnings for the period (note 3)	5.0	5.1	17.0

	26 weeks ended 30 September 2014 (unaudited)	26 weeks ended 30 September 2013 (unaudited)	52 weeks ended 31 March 2014 (audited)
Basic underlying earnings per share	0.8p	0.9p	2.9p
Diluted underlying earnings per share	0.8p	0.9p	2.8p

6. Taxation

Taxation comprises:

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Current			
UK taxation	0.5	0.4	1.1
Deferred			
Origination and reversal of temporary differences	1.1	(0.4)	(5.4)
Taxation	1.6	—	(4.3)

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.

6. Taxation continued

The movement on the deferred tax account is as shown below:

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Deferred tax asset at the beginning of the period	11.6	8.7	8.7
(Charged)/credited to the income statement	(1.1)	0.4	5.4
Credited/(charged) to statement of comprehensive income	3.7	(1.3)	(2.5)
Exchange movement	(0.1)	—	—
Deferred tax asset at the end of the period	14.1	7.8	11.6

	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Accelerated capital allowances	2.9	0.4	3.0
Tax losses	3.8	2.5	4.5
Other timing differences	(0.7)	(0.7)	(0.3)
Deferred tax asset relating to pension deficit	8.1	5.6	4.4
	14.1	7.8	11.6

7. Finance income and costs

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Finance costs			
Interest payable on bank borrowings	0.7	0.7	1.5
Amortisation of costs of raising debt finance	0.1	0.2	0.3
Movement on fair value of derivative financial instruments	—	2.5	3.7
Unwind of discount on property lease provisions	—	0.1	0.2
Finance costs	0.8	3.5	5.7
Exceptional finance costs[1]	0.4	—	—
Total finance costs	1.2	3.5	5.7
Finance income			
Movement on fair value of derivative financial instruments	(1.6)	—	—
Total finance income	(1.6)	—	—

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 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Non-current			
Bank borrowings (unsecured):			
– bank loans	21.0	35.0	31.0
– less: costs of raising finance	(0.6)	(0.6)	(0.5)
Total non-current	20.4	34.4	30.5
Current			
Bank borrowings (unsecured):			
– finance leases and hire purchase contracts	—	0.1	0.1
– bank overdrafts	4.1	—	0.7
Total current	4.1	0.1	0.8
Total borrowings	24.5	34.5	31.3

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

The repayment terms of borrowings are as follows:

	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Not later than one year	4.1	0.1	0.8
After more than one year:			
– between one and two years	—	—	31.0
– later than two years and not later than five years	21.0	35.0	—
– costs of raising finance	(0.6)	(0.6)	(0.5)
	20.4	34.4	30.5
Total borrowings	24.5	34.5	31.3

In July 2014 the Group agreed a new unsecured £70m revolving credit facility with a £30m accordion facility with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc. The new 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 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Cash and cash equivalents	(4.5)	(5.7)	(3.9)
Cash and cash equivalents included within assets classified as held-for-sale	—	—	(0.5)
Total borrowings	24.5	34.5	31.3
Net debt	20.0	28.8	26.9

9. Called up share capital

	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Issued and fully paid			
594,917,377 ordinary shares of 1p each	**5.9**	5.8	5.8

During the period the Company issued 6,997,419 ordinary shares to the Norcros Employee Benefit Trust in order to satisfy vestings of options under the Company's Approved Performance Share Plan. A further 34,467 ordinary shares were issued to members of a SAYE scheme who exercised options during the period.

10. Consolidated Cash Flow Statements

(a) Cash generated from continuing operations

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Profit before taxation	**6.3**	0.3	5.8
Adjustments for:			
– non-underlying operating items included in the above	**1.0**	1.0	1.8
– exceptional operating items included in the above	**—**	1.2	1.5
– cash outflows from exceptional items	**(0.7)**	(2.6)	(4.4)
– depreciation	**3.0**	3.0	5.9
– difference between current service cost and normal pension contributions	**—**	—	(0.1)
– pension fund deficit recovery plan contributions	**(1.0)**	(1.0)	(2.0)
– profit on disposal of property, plant and equipment	**—**	0.1	0.1
– total finance costs	**1.2**	3.5	5.7
– finance income	**(1.6)**	—	—
– IAS 19R finance cost	**0.5**	0.6	1.3
– share-based payments	**0.6**	0.3	0.9
Operating cash flows before movements in working capital	**9.3**	6.4	16.5
Changes in working capital:			
– increase in inventories	**(1.4)**	(5.7)	(5.7)
– increase in trade and other receivables	**(0.8)**	(1.7)	(1.9)
– increase in payables	**2.8**	7.6	5.0
Cash generated from continuing operations	**9.9**	6.6	13.9

Cash flows from exceptional items 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.

10. Consolidated Cash Flow Statements continued

(b) Cash generated from discontinued operations

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Profit before taxation	—	0.2	0.2
Adjustments for:			
– depreciation	—	0.1	0.1
Operating cash flows before movements in working capital	—	0.3	0.3
Changes in working capital:			
– decrease/(increase) in inventories	0.4	(0.4)	(0.4)
– increase in trade and other receivables	(0.1)	(0.4)	(0.2)
– (decrease)/increase in payables	(0.2)	0.4	—
Cash generated from/(used in) discontinued operations	0.1	(0.1)	(0.3)
Cash generated from operations	10.0	6.5	13.6

(c) Analysis of net debt

	Cash included within assets held-for-sale £m	Cash and overdrafts £m	Debt £m	Total £m
At 1 April 2013	—	6.4	(37.1)	(30.7)
Reclassification to assets held-for-sale	1.0	(1.0)	—	—
Cash flow	(0.3)	(1.6)	6.9	5.0
Other non-cash movements	—	—	(0.4)	(0.4)
Exchange movement	(0.2)	(0.6)	—	(0.8)
At 31 March 2014	0.5	3.2	(30.6)	(26.9)
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)
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)

11. Dividends

A final dividend in respect of the year ended 31 March 2014 of £2.0m (0.34p per share) was paid on 30 July 2014. On 13 November 2014 the Board declared an interim dividend in respect of the year ended 31 March 2015 of £1.1m (0.185p per share). This dividend will be paid on 7 January 2015 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 2014. Scheme assets are stated at their market value at 30 September 2014.

(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 2014	At 30 September 2013	At 31 March 2014
Discount rate	3.90%	4.30%	4.30%
Inflation rate (RPI)	3.05%	3.10%	3.20%
Inflation (CPI)	2.05%	2.10%	2.20%
Salary increases	3.30%	3.35%	3.45%

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

	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Total market value of scheme assets	385.0	381.4	383.8
Present value of scheme liabilities	(425.6)	(407.9)	(405.6)
Pension deficit	(40.6)	(26.5)	(21.8)
Comprising:			
– Norcros Security Plan	(40.6)	(26.6)	(21.8)
– other	—	0.1	—
Pension deficit	(40.6)	(26.5)	(21.8)

13. Discontinued operations and assets held-for-sale

On 25 March 2014, the Company entered into a conditional agreement to dispose of 100% of the issued share capital of Norcros Industry (Pty) Limited (NIPL), which owns its Australian tiles business, to Kim Hin Industries Berhad (KHIB). As KHIB is listed on the Malaysian Bursa, it required shareholder approval to allow the transaction to take place, and this was duly received allowing the disposal to be completed on 30 May 2014. Consequently, NIPL was classified as held-for-sale in the Consolidated Balance Sheet at 31 March 2014.

In accordance with IFRS 5, an impairment loss of £1.5m to remeasure the carrying value of the assets to fair value less costs to sell was recognised following the reclassification of the net assets of NIPL as held-for-sale in the year ended 31 March 2014. Including an estimated tax charge arising from the transaction of £0.1m, a total loss on disposal of £1.6m was anticipated. Following the completion of the transaction the Company made an actual loss on disposal of £1.5m. Taking into account the loss of £1.6m reflected in the income statement in the year ended 31 March 2014, this means that a profit of £0.1m was recognised in the period. The actual loss on disposal of £1.5m is calculated as follows:

	£m
Property, plant and equipment	1.8
Inventories	3.1
Trade and other receivables	1.4
Cash	0.6
Trade and other payables	(1.2)
Net assets disposed of	**5.7**
Disposal proceeds:	
Cash	4.7
Less: directly attributable costs	(0.3)
Net proceeds	**4.4**
Loss on disposal before tax and recycling of foreign exchange	**(1.3)**
Tax charge on loss on disposal	(0.1)
Loss on disposal before recycling of foreign exchange	**(1.4)**
Recycling of foreign exchange	(0.1)
Loss on disposal	**(1.5)**

The net cash inflow from the disposal, reported in investing activities, was as follows:

Disposal proceeds	4.7
Directly attributable costs	(0.3)
Cash divested	(0.6)
Net cash inflow	**3.8**

As NIPL represented a major line of business for the Group and was classified as held-for-sale in the year ended 31 March 2014, its operations have been treated as discontinued with a single amount shown on the face of the Condensed Consolidated Income Statement. As NIPL is no longer classed as a continuing operation the prior periods have also been restated to conform to this style of presentation. The table overleaf provides further detail of the amount presented in the Condensed Consolidated Income Statement.

13. Discontinued operations and assets held-for-sale continued

	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Revenue	1.8	5.5	10.6
Expenses	(1.8)	(5.3)	(10.4)
Profit before tax and loss recognised on remeasurement to fair value less costs to sell	—	0.2	0.2
Loss recognised on remeasurement to fair value less costs to sell	—	—	(1.5)
Tax charge on loss recognised on remeasurement to fair value less costs to sell	—	—	(0.1)
Loss on disposal	(1.5)	—	—
Reversal of loss recognised on remeasurement to fair value (including associated tax charge)	1.6	—	—
Profit/(loss) for the period from discontinued operations	0.1	0.2	(1.4)

The net cash flows of NIPL reported in the Condensed Consolidated Cash Flow Statement are as follows.

	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Operating activities (note 10(b))	0.1	(0.1)	(0.3)
Investing activities	3.8	—	—
Net cash inflow/(outflow)	3.9	(0.1)	(0.3)

The total comprehensive income and expense of NIPL reported in the Condensed Consolidated Statement of Comprehensive Income are as follows:

	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Profit/(loss) for the year from discontinued operations	0.1	0.2	(1.4)
Foreign currency translation adjustments	0.1	(0.8)	(0.9)
Total comprehensive income/(expense) from discontinued operations	0.2	(0.6)	(2.3)

14. 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 (incorporated in the United Kingdom)

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.

15. Related party transactions

The following transactions were carried out with related parties:

Purchases of goods and services

	26 weeks ended 30 September 2014 (unaudited) £m	26 weeks ended 30 September 2013 (unaudited) £m	52 weeks ended 31 March 2014 (audited) £m
Purchases of goods:			
– Prism Cement Limited	N/A	0.6	0.6

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 the divestment, dividends of £0.4m were paid to Lifestyle Investments PVT Limited.

16. Post-balance sheet events

As announced on 7 November 2014 the Group exited its legacy lease and acquired the freehold of the property at Orgreave Drive, Sheffield, for a consideration of £3.4m including costs. The lease had 68 years to run and the exit will reduce annual cash outflows by £0.4m. It is anticipated that an exceptional charge of approximately £2.5m relating to this transaction will be recognised in the second half of the year.

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 31 of this Interim Report.

By order of the Board

N. P. Kelsall
Group Chief Executive
13 November 2014

M. K. Payne
Group Finance Director
13 November 2014

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
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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 2015
Annual Report and Accounts	Available to shareholders June 2015
Annual General Meeting	July 2015

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