norcros

17 November 2016

Norcros plc

Results for the six months ended 30 September 2016

'A robust performance demonstrating the Group's resilience'

Norcros, the market leading supplier of innovative branded showers, taps, bathroom accessories, tiles and adhesives, today announces its results for the six months ended 30 September 2016.

Financial Summary

	2016	2015	% change as reported	% change at constant currency
Revenue	**£128.8m**	£118.7m	+8.5%	+9.2%
Underlying* operating profit	**£11.0m**	£9.9m	+11.1%	
Underlying* profit before tax	**£10.5m**	£9.4m	+11.7%	
Profit before tax	**£7.7m**	£7.0m	+10.0%	
Underlying operating cash flow**	**£16.0m**	£13.3m	+20.3%	
Diluted underlying EPS*	**12.9p**	11.8p	+9.3%	
Net debt	**£27.5m**	£29.2m		
Interim dividend per share	**2.4p**	2.2p	+9.1%	

* Underlying is before IAS 19R administrative expenses, acquisition related costs and exceptional operating items and, where relevant, before non-cash finance costs
** Underlying operating cash flow means cash generated from continuing operations before exceptional cash flows and pension fund deficit recovery contributions

Highlights

- Resilient first half performance
- Revenue increased by 9.2% on a constant currency basis
- Underlying operating profit increased by 11.1% to £11.0m
- Return on sales in South African business increased to 7.2% (2015: 4.9%)
- Profit before tax increased by 10.0% to £7.7m
- Strong underlying operating cash generation: 113% of underlying EBITDA
- Net debt reduced by £5.0m since 31 March 2016
- Interim dividend increased by 9.1% to 2.4p per share

Martin Towers, Chairman, commented:

"I am pleased to announce a robust performance for the six months ended 30 September 2016 which demonstrates the resilience of the Group's business portfolio. The recent acquisitions of Croydex and Abode have been fully integrated into the Group and are delivering performances in line with the Board's expectations, and we remain on course to deliver on our strategy of growing the Group both organically and through complementary acquisitions.

With our strong brands, leading market positions and continued self-help initiatives focused on market share gain the Group is well positioned to make further progress. Given the encouraging performance in the first half of the year, the Board expects the Group to achieve underlying operating profit in line with its expectations for the year to 31 March 2017."

There will be a presentation today at 8.00 am for analysts at the offices of Hudson Sandler, 29 Cloth Fair, London, EC1A 7NN. The supporting slides will be available on the Norcros website at http://www.norcros.com later in the day.

ENQUIRIES:

Norcros plc Nick Kelsall, Group Chief Executive Shaun Smith, Group Finance Director	Tel: 01625 547 700
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Notes to Editors

- Norcros is a leading supplier of high quality and innovative showers, taps, bathroom accessories, ceramic wall and floor tiles and adhesive products with operations primarily in the UK and South Africa.
- Based in the UK, Norcros operates under six brands:
    - Triton Showers - Market leader in the manufacture and marketing of showers in the UK
    - Vado - A leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves
    - Croydex - A market-leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories
    - Abode - A leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks
    - Johnson Tiles - A leading manufacturer and supplier of ceramic tiles in the UK
    - Norcros Adhesives - Manufacturer of tile & stone adhesives, grouts and related products

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

- Norcros is headquartered in Wilmslow, Cheshire and employs around 2,150 people. The Company is listed on the London Stock Exchange. For further information please visit the Company website: http://www.norcros.com/

Chairman's statement

I am pleased to announce a robust performance for the six months ended 30 September 2016 demonstrating the resilience of the Group's business portfolio and the successful execution of the Group's strategy. The recent acquisitions of Croydex and Abode have been seamlessly integrated into the Group and are performing in line with the Board's expectations and we remain on course to deliver on our strategy of growing the Group both organically and through complementary acquisitions.

The uncertainty in the UK following the vote to leave the European Union has brought another dynamic into what was already a challenging market. In South Africa, growth of the economy as a whole has slowed as a result of high inflation and the uncertain political situation. However, our businesses have continued to implement self-help initiatives in response to these challenges enabling the Group to deliver a set of results significantly ahead of last year and in line with the Board's expectations.

Underlying operating profit rose by 11.1% to £11.0m (2015: £9.9m) and the return on sales improved to 8.5% (2015: 8.3%). In the UK, underlying operating profit of £8.0m (2015: £8.0m) was in line with the prior year, with the additional contributions from Croydex and Abode offsetting the reductions at Triton and Johnson Tiles. Our businesses in South Africa continued to perform strongly, with each business improving on the previous year resulting in underlying operating profit 57.9% higher at £3.0m (2015: £1.9m).

Working capital and cash management remain a key area of focus for the Group, and this, combined with strong underlying EBITDA, resulted in underlying operating cash generation of £16.0m (2015: £13.3m), representing 113% of underlying EBITDA (2015: 104%). Net debt at £27.5m was £5.0m lower compared to £32.5m at 31 March 2016 and represents leverage of 1.0 times underlying proforma EBITDA.

Results

Revenue for the six month period to 30 September 2016 at £128.8m (2015: £118.7m) was 9.2% higher on a constant currency basis compared to the prior year, and 8.5% higher on a Sterling reported basis. On a like for like basis (excluding revenues from Abode for the whole period and Croydex for quarter one) revenue decreased on a constant currency basis by 0.2% and 0.8% on a Sterling reported basis.

Underlying operating profit rose by 11.1% to £11.0m (2015: £9.9m) reflecting the incremental contribution from the Croydex and Abode acquisitions and the substantially improved performance of our South African businesses.

Operating profit of £8.8m was in line with the prior period. There were no exceptional operating items in the period (2015: £2.3m income) and acquisition related costs were £1.3m lower than the comparative period, mainly because last year reflected the costs of acquiring Croydex and the final year of the Vado earn out. Administrative expenses in relation to the pension scheme were £0.1m higher at £0.9m (2015: £0.8m).

Underlying profit before taxation increased by 11.7% to £10.5m (2015: £9.4m) principally reflecting the higher underlying operating profit.

Profit before taxation for the period was £7.7m (2015: £7.0m). Interest arising from the pension deficit was £0.3m higher at £1.0m (2015: £0.7m) due to the increase in the liability but was more than offset by the fact that the movement in the fair value of derivative instruments was £0.5m of income in the period, as opposed to a cost of £0.5m in the previous year.

Diluted underlying earnings per share were 9.3% higher at 12.9p (2015: 11.8p), reflecting the improvement in underlying earnings.

Financial

It is pleasing to report that the Group's ability to deliver strong cash conversion continued in the six months to 30 September 2016 with underlying operating cash generation of £16.0m (2015: £13.3m), representing 113% of underlying EBITDA for the period (2015: 104%). There was a working capital inflow of £1.2m in the period which compared to a £0.2m outflow in the prior period, with increases in inventory and receivables being offset by an increase in payables. A pension deficit recovery payment of £1.2m (2015: £1.1m) in the period (as part of the £2.5m plus CPI per annum contribution agreed with the Trustee in 2016) and cash outflows relating to exceptional items and acquisition related costs of £1.0m (2015: inflows of £0.7m) resulted in net cash generated from continuing operations of £13.8m (2015: £12.9m). Investment in capital expenditure in the period amounted to £4.0m (2015: £3.2m) representing 1.3 times depreciation (2015: 1.1 times).

Net debt at 30 September 2016 was £5.0m lower at £27.5m representing 1.0 times underlying proforma EBITDA, even though during the period the final £2.5m Vado deferred consideration payment was made.

Pension scheme

The gross deficit relating to our UK defined benefit pension scheme as calculated under IAS 19R has increased from £55.7m at 31 March 2016 to £97.8m at 30 September 2016. This increase was principally a result of a 1.3% reduction in the discount rate to 2.25% (31 March 2016: 3.55%) reflecting lower bond yields following the outcome of the EU referendum. The calculation of the deficit is particularly sensitive to the movement in bond yields which are at historic low levels. It is estimated that a 0.1% increase in bond yields would reduce the deficit by circa £6.0m.

Whilst the increase in the deficit has been significant it has not impacted the ultimate holding company, Norcros plc, which has a strong balance sheet and significant distributable reserves, in excess of £100m at 31 March 2016. Following completion of the 2015 triennial actuarial valuation and the subsequent agreement with the Trustee of the recovery plan, the Company continues to pay £2.5m per annum plus CPI into the scheme.

Dividend

The Board is declaring an interim dividend of 2.4p per share reflecting the strong first half performance and its confidence in the Group's prospects. This represents an increase of 9.1% over the interim dividend from the previous year of 2.2p per ordinary share. The dividend is payable on 12 January 2017 to shareholders on the register on 16 December 2016. The shares will be quoted ex-dividend on 15 December 2016.

Operating review

UK

For the six months ended 30 September 2016 total revenue in our UK businesses was 8.8% ahead of the prior period at £86.9m (2015: £79.9m). On a like for like basis (excluding revenues from Abode entirely and Croydex for quarter one), total revenue decreased by 5.0%. Underlying operating profit at £8.0m was in line with last year and represents a return on sales of 9.2% (2015: 10.0%). The retail market, particularly in view of the uncertainty surrounding the implications of the EU referendum, has remained extremely challenging, and whilst like for like trade sector revenues were also lower than the prior period, the decline was less marked due to the increased investment our businesses have made in this market sector over recent years.

Triton

Our market leading shower operation, Triton Showers, recorded revenue 12.6% lower for the six month period to 30 September 2016 of £22.9m (2015: £26.2m) reflecting significant destocking across a number of its major customers which was particularly pronounced ahead of the recent national merchant restructuring announcements.

UK revenue was 14.2% lower than last year. The destocking impacted the overall size of the UK electric and total UK shower segments. By contrast the UK mixer shower segment grew, reflecting the demand in private new house build, and the increased relative competitiveness of the product. Notwithstanding these mixed market conditions and destocking, Triton maintained its leading UK market position overall and grew its market share over the last twelve months in both the electric and mixer shower segments. This was achieved through best in class customer service and the continued introduction of innovative new products with a focus on the ‘ease of installation, affordable style and value for money’.

Export revenue was 4.5% lower than the comparative period. Export markets account for around a fifth of Triton’s overall revenue with Eire being the principal export market. In May 2016 Triton introduced the revolutionary T90SR into the Irish market, the world’s first truly silent pumped electric shower. Revenue in the period was held back as customers destocked in anticipation of the launch. Importantly, early consumer feedback has been very promising which will benefit the second half of the year and cement Triton’s market leading position. Triton has also continued to invest in and develop new export business in Latin America. A new low pressure electric shower range has been specifically developed and following a successful trade show in São Paulo, Brazil, in April 2016, Triton received both strong levels of interest and initial orders for this exciting new product from across the region.

Despite a challenging first half, Triton continued to generate good margins, although underlying operating profit was below last year reflecting the reduction in revenue. Nevertheless, we are confident that we will make progress in the second half year as we benefit from recent cost reduction actions and the continued investment in new product and markets.

Vado

Our leading manufacturer of taps, mixer showers, bathroom accessories and valves, Vado, recorded revenue of £16.6m for the period (2015: £15.9m), 4.4% higher than the prior year. UK revenue was 14.3% higher than the prior year, with growth in both the retail and trade segments. Vado continued to benefit from the recent increase in sales and marketing investment into the specification sector with sales to housebuilders and hotel groups showing significant growth. Further growth was also achieved in the retail sector as Vado continued to focus its sales strategy on the independent merchant and boutique retail sectors.

The double-digit revenue growth in the UK more than offset the slower start to the year in our export business where revenue was 19.1% lower than the same period last year. This decline principally reflected some disruption following a change to our distribution arrangements in the Middle East with the appointment of Alshaya Enterprises as the exclusive distributor of Vado products throughout the GCC. Alshaya have a long-established presence in the region and we are confident that this change will yield a return to growth in the second half of the year.

Investment in new product remains a key focus with three new ranges set to launch in the second half of the year. The recent appointment of a senior product and marketing executive will ensure strong momentum in this important area. It is pleasing to report that a re-alignment of our pricing architecture and ranging of Vado products in Tile Africa stores has yielded a significant improvement in revenues.

Underlying operating profit was in line with the same period last year.

Croydex

Croydex, our market-leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories, recorded revenue of £12.2m for the period (2015: £5.8m (3 months contribution)). Whilst not under Norcros ownership for the first quarter of 2015, revenue for the whole of the comparative period was £10.9m, and consequently grew by 11.9% year on year.

UK revenue at £11.4m was 10.7% like for like higher than the same period last year driven by the excellent total service proposition that Croydex provide across a wide range of product categories and channels. This service proposition is further enhanced through the strength of the Croydex brand and through continual product innovation with recent examples including Sit Tight toilet seats, Flexi-Fix accessories and the "5 year Rust Free" guarantee on wire ware storage. The investment in our digital platform, both promoting the Croydex brand and strengthening relationships with our customers, is helping to drive sales both online and offline with our traditional customers.

Export sales of £0.8m were £0.2m higher than the prior period, also reflecting the benefits of product innovation and the strength of our product offer and service proposition. Currently Germany and the USA are our key markets. Growing our export business is a key focus and it is pleasing to report that we have had an encouraging take up following the launch of a range of Croydex products into South Africa through the Group's Tile Africa retail network.

The business has again made solid progress in the period and continues to generate a level of underlying profit and cash in line with the Board's expectations.

Abode

Abode, our niche designer and distributor of high quality kitchen taps, bathroom taps, and kitchen sinks, which was acquired on 31 March 2016, recorded revenue of £5.6m for the period, broadly in line with our expectations.

Whilst it was not under Group ownership in the comparative period, revenue was 2.2% higher than the prior year. Abode's customers are predominantly based in the UK and include a number of well-known names such as John Lewis, AGA Rangemaster and Howdens. During the period since acquisition the business has secured several new accounts including Homebase, Bathstore and Astracast and is well placed to continue to grow revenues in the second half of the year. New products such as the 'Pronteau' hot water tap have been well received by the market.

Consistent with our other recent acquisitions it is pleasing to report that Abode has seamlessly been integrated into the Group. The performance of the business since acquisition has been highly encouraging, with the business generating an underlying profit and cash performance in line with the Board's expectations. We are also progressing the potential synergies available through working with other Group businesses with access to new export markets and alternative sourcing opportunities being the initial areas of focus.

Johnson Tiles

Johnson Tiles, our UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, recorded revenue 9.0% lower than the same period last year at £25.4m (2015: £27.9m).

UK revenue was 10.0% lower than the comparative period last year, with the reduction principally attributable to the retail sector which was 16.4% below prior year. Subdued demand in the DIY sector, particularly since the EU referendum, combined with a number of retailers deciding to import more tiles directly themselves and our withdrawal from some lower margin ranges were the key factors behind this. Trade sector revenue was 3.9% below the same period last year principally reflecting a lower level of activity in the social housing refurbishment sector where available funding remains tightly controlled. Notwithstanding this, we continued to make good progress in the private specification sector, particularly with local and national housing developers such as Barratt David Wilson, Persimmon, Redrow and McCarthy & Stone and we continued to maintain our share of the commercial contracts market including the IBIS Manchester and the Darwin Shopping Centre in Shrewsbury specifications.

Export revenue was in line with the previous period with good project-led growth in the Middle East offsetting weak market conditions in France.

Operationally, the business continued to perform robustly, though the reduction in revenue resulted in underlying operating profit lower than the prior period. A number of new business opportunities including an innovative tile fixing product are being progressed which will benefit the business in the second half of the year.

Norcros Adhesives

Norcros Adhesives, our manufacturer and supplier of tile and stone adhesives and ancillary products, recorded revenue 2.4% higher at £4.2m (2015: £4.1m). Whilst revenue into the UK trade sector held up, UK retail revenue was lower than last year, though this was more than offset by securing some new project business in the Middle East where a local sales presence was recently established. Our position in this important market is now beginning to gain traction, with the development of a meaningful project pipeline which should benefit the remainder of the year.

The business has successfully renewed both its ISO 9001 and ISO 14001 accreditations in the period and managed a smooth transition to a new ERP system which went live at the beginning of the year. Our focus on new product development has continued, with a new moisture suppressant, Pro DPM, to be launched in the second half of the year together with a new range of tile backer boards.

Focus on input costs, particularly around transport and product formulation, has enabled the business to deliver an underlying operating profit performance in line with expectations and marginally ahead of the same period last year.

South Africa

Our South African businesses continued to perform strongly and reported revenue 10.0% higher than prior year on a constant currency basis and 8.0% higher on a Sterling reported basis at £41.9m (2015: £38.8m). Underlying operating profit at £3.0m was 57.9% higher than the previous period (2015: £1.9m). This strong performance builds on the momentum of previous years and represents a significantly higher return on sales of 7.2% (2015: 4.9%), with all three businesses improving on the level of underlying operating profit achieved in the comparative period.

Johnson Tiles South Africa

Our tile manufacturing business, Johnson Tiles South Africa, achieved independent sector revenue of £5.3m (2015: £5.4m), which was equal to the prior year on a constant currency basis, but 1.9% lower on a reported Sterling basis.

Given the business is operating at its maximum level of manufacturing capacity we are having to carefully balance the placing of output across our customer base and at the same time grow volumes of our higher value added larger format tiles. Coupled with a continued focus on plant efficiencies and cost reductions the business generated an underlying operating profit ahead of the prior year. We are continuing to progress a number of capacity expansion options albeit no commitment to significant capital investment has been made.

TAL

Our market leading adhesive business, TAL, delivered constant currency independent sector revenue growth of 8.6% in the period, or a 7.4% increase on a Sterling reported basis to £10.1m (2015: £9.4m) reflecting particularly strong progress in the sub-Saharan export markets where revenue grew by 10.9%. We have continued to invest in manufacturing efficiencies and improved procurement and are also pleased that our main plant in Olifantsfontein was awarded the ISO 14001 certification during the period.

We have continued to drive profitability, through a combination of revenue growth and further operational efficiencies, resulting in another strong underlying operating profit and cash performance in the period.

Tile Africa

Revenue at our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, Tile Africa, increased significantly by 12.8% on a constant currency basis compared to the prior year, and by 10.4% on a Sterling reported basis to £26.5m (2015: £24.0m).

The CX format stores continue to perform strongly with key learnings being retrofitted across the balance of the portfolio, with our bathroom store-within-a-store feature contributing ahead of expectations. A significant part of our growth has resulted from improved ranging and pricing as we continue to procure exclusive ranges directly from source. Our ability to leverage off Vado's sourcing infrastructure in China has been particularly advantageous and we have recently launched a new range of Croydex products which will extend this offering in the second half of the year.

Our new store in Boksburg, which was opened in March 2016, is trading ahead of expectations. A second new store in Southgate is scheduled to open in the second half of the year. We have developed a good new store pipeline and anticipate opening five new stores over the next 36 months. During the period two small underperforming franchise stores were closed. Tile Africa now operates through 30 corporate and two franchise stores.

Our Tile Africa business continued to make solid progress in the period generating an improvement in underlying operating profit and cash compared to the prior year.

Summary and outlook

I am encouraged by the Group's performance in the first half of the year which demonstrates the underlying resilience of our business portfolio approach and the success of our acquisitive growth strategy. In the UK, notwithstanding the softer market conditions following the EU referendum and the lower like for like revenues, the UK business delivered the same level of underlying profitability as in the comparative period.

In South Africa the decisive management action taken in previous years to address the operational challenges is now bearing fruit, with each of our three businesses contributing towards a substantial improvement in underlying operating profit.

With our strong brands, leading market positions and continued self-help initiatives focused on market share gain the Group is well positioned to make further progress. Given the encouraging performance in the first half of the year, the Board remains confident that the Group will achieve underlying operating profit in line with its expectations for the year to 31 March 2017.

Martin Towers
Chairman
17 November 2016

Condensed consolidated income statement
Six months to 30 September 2016

	Notes	**6 months to 30 September 2016 (unaudited) £m**	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Continuing operations				
Revenue		**128.8**	118.7	235.9
Underlying operating profit		**11.0**	9.9	21.3
IAS 19R administrative expenses		**(0.9)**	(0.8)	(1.7)
Acquisition related costs	4	**(1.3)**	(2.6)	(5.2)
Exceptional operating items	4	**—**	2.3	2.3
Operating profit		**8.8**	8.8	16.7
Finance costs	7	**(0.6)**	(1.1)	(1.1)
Finance income	7	**0.5**	—	1.2
IAS 19R finance cost		**(1.0)**	(0.7)	(1.4)
Profit before taxation		**7.7**	7.0	15.4
Taxation	6	**(1.6)**	(1.6)	(2.4)
Profit for the period from continuing operations		**6.1**	5.4	13.0
Earnings per share attributable to the owners of the Company				
Basic earnings per share:				
From profit for the period	5	**10.0p**	9.0p	21.4p
Diluted earnings per share:				
From profit for the period	5	**9.7p**	8.7p	20.8p
Weighted average number of shares for basic earnings per share (millions)	5	**61.0**	60.1	60.6
Non-GAAP measures				
Underlying profit before taxation (£m)	3	**10.5**	9.4	20.4
Underlying earnings (£m)	3	**8.1**	7.3	17.3
Basic underlying earnings per share	5	**13.2p**	12.2p	28.5p
Diluted underlying earnings per share	5	**12.9p**	11.8p	27.8p

Condensed consolidated statement of comprehensive income
Six months to 30 September 2016

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Profit for the period	**6.1**	5.4	13.0
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the income statement			
Actuarial (losses)/gains on retirement benefit obligations	**(35.0)**	1.6	(9.7)
Items that may be subsequently reclassified to the income statement			
Foreign currency translation adjustments	**5.8**	(6.0)	(6.1)
Other comprehensive expense for the period	**(29.2)**	(4.4)	(15.8)
Total comprehensive (expense)/income for the period	**(23.1)**	1.0	(2.8)

Items in the statement are disclosed net of tax.

Condensed consolidated balance sheet
At 30 September 2016

	Notes	**At 30 September 2016 (unaudited) £m**	At 30 September 2015 (unaudited) £m	At 31 March 2016 (restated)* £m
Non-current assets				
Goodwill		**30.8**	29.5	30.4
Intangible assets		**14.2**	12.2	14.8
Property, plant and equipment		**41.6**	37.5	38.2
Deferred tax assets	6	**16.2**	11.2	10.0
		102.8	90.4	93.4
Current assets				
Inventories		**68.6**	56.3	60.1
Trade and other receivables		**52.8**	43.6	50.9
Derivative financial instruments	15	**3.1**	1.0	2.5
Cash and cash equivalents	8	**8.0**	7.8	5.9
		132.5	108.7	119.4
Current liabilities				
Trade and other liabilities		**(70.7)**	(60.5)	(64.7)
Derivative financial instruments	15	**(0.4)**	(0.3)	(0.1)
Current tax liabilities		**(1.9)**	(1.4)	—
Financial liabilities – borrowings	8	**(1.8)**	(4.5)	(2.8)
		(74.8)	(66.7)	(67.6)
Net current assets		**57.7**	42.0	51.8
Total assets less current liabilities		**160.5**	132.4	145.2
Non-current liabilities				
Financial liabilities – borrowings	8	**(33.7)**	(32.5)	(35.6)
Pension scheme liability	12	**(97.8)**	(42.4)	(55.7)
Other non-current liabilities		**(3.4)**	(2.1)	(3.0)
Provisions		**(3.1)**	(3.2)	(3.3)
		(138.0)	(80.2)	(97.6)
Net assets		**22.5**	52.2	47.6
Financed by:				
Ordinary share capital	9	**6.1**	6.1	6.1
Share premium		**1.1**	1.0	1.1
Retained earnings and other reserves		**15.3**	45.1	40.4
Total equity		**22.5**	52.2	47.6

* The balance sheet at 31 March 2016 has been restated to reflect measurement period adjustments in respect of business combinations.

Condensed consolidated statement of cash flow

Six months to 30 September 2016

	Notes	**6 months to 30 September 2016 (unaudited) £m**	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Cash generated from operations	10	**13.8**	12.9	18.5
Income taxes refunded/(paid)		**0.4**	(0.6)	(1.0)
Interest paid		**(0.8)**	(0.5)	(0.9)
Net cash generated from operating activities		**13.4**	11.8	16.6
Cash flows from investing activities				
Purchase of property, plant and equipment		**(4.0)**	(3.2)	(6.6)
Acquisition of subsidiary undertakings (including payment of deferred consideration) net of cash acquired		**(2.7)**	(20.5)	(23.6)
Net cash used in from investing activities		**(6.7)**	(23.7)	(30.2)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**—**	—	0.1
(Repayment)/drawdown of borrowings		**(2.0)**	14.0	17.0
Dividends paid to equity shareholders		**(2.7)**	(2.2)	(3.6)
Net cash (used in)/generated from financing activities		**(4.7)**	11.8	13.5
Net increase/(decrease) in cash at bank and in hand and bank overdrafts		**2.0**	(0.1)	(0.1)
Cash at bank and in hand and bank overdrafts at beginning of the period		**3.1**	4.2	4.2
Exchange movements on cash and bank overdrafts		**1.1**	(0.8)	(1.0)
Cash at bank and in hand and bank overdrafts at end of the period		**6.2**	3.3	3.1

Non-GAAP measures				
Underlying operating cash flow	3	**16.0**	13.3	20.4

Condensed consolidated statements of changes in equity

Six months to 30 September 2016 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 31 March 2016	6.1	1.1	—	(15.2)	55.6	47.6
Comprehensive income:						
Profit for the period	—	—	—	—	6.1	6.1
Foreign currency translation adjustments	—	—	—	5.8	—	5.8
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	—	—	—	—	(35.0)	(35.0)
Total other comprehensive income/(expense)	—	—	—	5.8	(28.9)	(23.1)
Transactions with owners:						
Dividends paid	—	—	—	—	(2.7)	(2.7)
Share option schemes and warrants	—	—	—	—	0.7	0.7
At 30 September 2016	**6.1**	**1.1**	—	**(9.4)**	**24.7**	**22.5**

Six months to 30 September 2015 (unaudited)

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

Year ended 31 March 2016 (audited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings/ (losses) £m	Total £m
At 31 March 2015	6.0	1.0	(0.1)	(9.1)	54.9	52.7
Comprehensive income:						
Profit for the year	—	—	—	—	13.0	13.0
Other comprehensive expense:						
Actuarial loss on retirement benefit obligations	—	—	—	—	(9.7)	(9.7)
Foreign currency translation adjustments	—	—	—	(6.1)	—	(6.1)
Total other comprehensive expense	—	—	—	(6.1)	(9.7)	(15.8)
Transactions with owners:						
Shares issued	0.1	0.1	(0.1)	—	—	0.1
Dividends paid	—	—	—	—	(3.6)	(3.6)
Share option schemes and warrants	—	—	0.2	—	1.0	1.2
At 31 March 2016	6.1	1.1	—	(15.2)	55.6	47.6

Notes to the accounts

Six months to 30 September 2016

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 17 November 2016. This condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has been neither audited nor reviewed.

Basis of preparation

This condensed consolidated interim financial information for the six months to 30 September 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union.

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

The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2016, 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 14 June 2016 and delivered to the Registrar of Companies. The report of the external auditor on the financial statements was unqualified.

Accounting policies

The principal accounting policies applied in the preparation of this condensed consolidated interim financial information are included in the financial report for the year ended 31 March 2016. 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 2016.

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 2016
Amendment to IFRS 11	Joint arrangements	1 April 2016
Amendment to IFRS 12	Disclosure of interests in other entities	1 April 2016
IFRS 14	Regulatory deferral accounts	1 April 2016
Amendment to IAS 1	Presentation of financial statements	1 April 2016
Amendment to IAS 16	Property, plant and equipment	1 April 2016
Amendment to IAS 27	Separate financial statements	1 April 2016
Amendment to IAS 28	Investments in associates and joint ventures	1 April 2016
Amendment to IAS 38	Intangible assets	1 April 2016
Amendment to IAS 41	Agriculture	1 April 2016
Annual improvements to IFRSs 2014	Various	1 April 2016

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 7	Statement of cash flows	1 April 2017
Amendment to IAS 12	Income taxes	1 April 2017
IFRS 9	Financial instruments: classification and measurement	1 April 2018
IFRS 15	Revenue from contracts with customers	1 April 2018
IFRS 16	Leases	1 April 2019

Other than for IFRS 16, the financial impact of which has yet to be assessed, none of these standards or interpretations is expected to have a material impact on the Group.

Risks and uncertainties

The principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 24 to 27 in the 2016 Annual Report, which is available on the Group's website (www.norcros.com), apart from the addition of a risk concerning the potential effect of the UK's exit from the European Union.

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

- market conditions;
- loss of key customers;
- competition;
- reliance on production facilities;
- loss of key supplier, availability of raw materials/components/energy, and supply chain failure
- staff retention and recruitment;
- foreign currency exchange risk;
- interest rate risk;
- performance against banking covenants;
- pension scheme management;
- exit of the UK from the European Union
- acquisition risk.

Exit of UK from the European Union

Although the outcome of the referendum on 23 June 2016 resulted in a vote for an exit from the European Union, the full scope of the political and legal implications is still unclear. As exit negotiations are being completed, this has resulted in uncertainty in many of our UK and European markets and a weakening of the value of Sterling relative to other currencies, principally the US Dollar and the Euro, which is likely to have an impact on the cost of imports. The Board continues to monitor and respond to the situation as the position is clarified.

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

Forward-looking statements

This interim statement 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 have been 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 2016.

2. Segmental reporting

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

		Continuing operations – 6 months to 30 September 2016 (unaudited)		
	Notes	**UK £m**	**South Africa £m**	**Group £m**
Revenue		**86.9**	**41.9**	**128.8**
Underlying operating profit		**8.0**	**3.0**	**11.0**
IAS 19R administrative expenses		**(0.9)**	—	**(0.9)**
Acquisition related costs	4	**(1.3)**	—	**(1.3)**
Operating profit		**5.8**	**3.0**	**8.8**
Finance costs (net)				**(1.1)**
Profit before taxation				**7.7**
Taxation	6			**(1.6)**
Profit from continuing operations				**6.1**
Net debt	10			**(27.5)**

		Continuing operations – 6 months to 30 September 2015 (unaudited)		
	Notes	UK £m	South Africa £m	Group £m
Revenue		79.9	38.8	118.7
Underlying operating profit		8.0	1.9	9.9
IAS 19R administrative expenses		(0.8)	—	(0.8)
Acquisition related costs	4	(2.6)	—	(2.6)
Exceptional operating items	4	2.3	—	2.3
Operating profit		6.9	1.9	8.8
Finance costs (net)				(1.8)
Profit before taxation				7.0
Taxation	6			(1.6)
Profit from continuing operations				5.4
Net debt	10			(29.2)

		Continuing operations – Year ended 31 March 2016 (audited)		
	Notes	UK £m	South Africa £m	Group £m
Revenue		163.0	72.9	235.9
Underlying operating profit		17.2	4.1	21.3
IAS 19R administrative expenses		(1.7)	—	(1.7)
Acquisition related costs	4	(5.2)	—	(5.2)
Exceptional operating items	4	2.3	—	2.3
Operating profit		12.6	4.1	16.7
Finance costs (net)				(1.3)
Profit before taxation				15.4
Taxation	6			(2.4)
Profit for the year from continuing operations				13.0
Net debt	10			(32.5)

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

3. Non-GAAP measures

Condensed Consolidated Income Statement

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Profit before taxation from continuing operations	**7.7**	7.0	15.4
Adjusted for:			
IAS 19R administrative expenses	**0.9**	0.8	1.7
Acquisition related costs	**1.3**	2.6	5.2
Exceptional operating items	**—**	(2.3)	(2.3)
Amortisation of costs of raising debt finance	**0.1**	0.1	0.2
Net movement on fair value of derivative financial instruments	**(0.5)**	0.5	(1.2)
IAS 19R finance cost	**1.0**	0.7	1.4
Underlying profit before taxation	**10.5**	9.4	20.4
Taxation attributable to underlying profit before taxation	**(2.4)**	(2.1)	(3.1)
Underlying earnings	**8.1**	7.3	17.3

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

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Operating profit from continuing operations	**8.8**	8.8	16.7
Adjusted for:			
Depreciation	**3.1**	2.9	5.5
IAS 19R administrative expenses	**0.9**	0.8	1.7
Acquisition related costs	**1.3**	2.6	5.2
Exceptional operating items	**—**	(2.3)	(2.3)
Underlying EBITDA	**14.1**	12.8	26.8

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

Condensed Consolidated Statement of Cash Flow

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Cash generated from continuing operations (note 10)	**13.8**	12.9	18.5
Adjusted for:			
Cash outflows/(inflows) from exceptional items and acquisition related costs	**1.0**	(0.7)	(0.2)
Pension fund deficit recovery contributions	**1.2**	1.1	2.1
Underlying operating cash flow	**16.0**	13.3	20.4

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

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

4. Acquisition related costs and exceptional operating items

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

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Acquisition related costs			
Deferred remuneration[1]	**0.2**	1.2	2.5
Intangible asset amortisation[2]	**0.6**	0.3	0.9
Staff costs and advisory fees[3]	**0.5**	1.1	1.8
	1.3	2.6	5.2

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

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

3 Costs of maintaining an in-house acquisitions department and professional advisory fees incurred in connection with the Group's business combination activities.

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Exceptional operating items			
Legal claim[1]	**—**	(1.9)	(1.9)
Pension scheme settlement gain[2]	**—**	(0.4)	(0.4)
	—	(2.3)	(2.3)

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

2 The Group undertook a number of liability management exercises in 2015 in connection with its principal UK defined benefit pension scheme. This resulted in a settlement gain of £0.4m being recognised in the prior year.

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:

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Profit for the period	**6.1**	5.4	13.0

	6 months to 30 September 2016 (unaudited) Number	6 months to 30 September 2015 (unaudited) Number	Year ended 31 March 2016 (audited) Number
Weighted average number of shares for basic earnings per share	**60,962,939**	60,126,284	60,590,559
Share options and warrants	**1,719,646**	1,902,048	1,639,137
Weighted average number of shares for diluted earnings per share	**62,682,585**	62,028,332	62,229,696

	6 months to 30 September 2016 (unaudited)	6 months to 30 September 2015 (unaudited)	Year ended 31 March 2016 (audited)
Basic earnings per share:			
From profit for the period	**10.0p**	9.0p	21.4p
Diluted earnings per share:			
From profit for the period	**9.7p**	8.7p	20.8p

Basic and diluted underlying earnings per share

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

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Underlying earnings for the period (note 3)	**8.1**	7.3	17.3

	6 months to 30 September 2016 (unaudited)	6 months to 30 September 2015 (unaudited)	Year ended 31 March 2016 (audited)
Basic underlying earnings per share	**13.2p**	12.2p	28.5p
Diluted underlying earnings per share	**12.9p**	11.8p	27.8p

6. Taxation

Taxation comprises:

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Current			
UK taxation	**1.1**	0.5	(0.8)
Overseas taxation	**0.5**	—	—
Deferred			
Origination and reversal of temporary differences	**—**	1.1	3.2
Taxation	**1.6**	1.6	2.4

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

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

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

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (restated) £m
Deferred tax asset at the beginning of the period	**10.0**	13.8	13.8
Charged to the income statement	**—**	(1.1)	(3.2)
Credited/(charged) to the statement of comprehensive income	**6.2**	(0.4)	1.1
Acquisitions	**—**	(0.8)	(1.3)
Exchange movement	**—**	(0.3)	(0.4)
Deferred tax asset at the end of the period	**16.2**	11.2	10.0

	At 30 September 2016 (unaudited) £m	At 30 September 2015 (unaudited) £m	At 31 March 2016 (restated) £m
Accelerated capital allowances	**0.6**	2.6	0.9
Tax losses	**0.7**	2.5	1.1
Other timing differences	**(1.7)**	(2.4)	(2.0)
Deferred tax asset relating to pension deficit	**16.6**	8.5	10.0
	16.2	11.2	10.0

7. Finance income and costs

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Finance costs			
Interest payable on bank borrowings	**0.5**	0.5	0.9
Amortisation of costs of raising debt finance	**0.1**	0.1	0.2
Movement on fair value of derivative financial instruments	**—**	0.5	—
Finance costs	**0.6**	1.1	1.1
Finance income			
Movement on fair value of derivative financial instruments	**(0.5)**	—	(1.2)
Total finance income	**(0.5)**	—	(1.2)

8. Borrowings

	At 30 September 2016 (unaudited) £m	At 30 September 2015 (unaudited) £m	At 31 March 2016 (audited) £m
Non-current			
Bank borrowings (unsecured):			
– bank loans	**34.0**	33.0	36.0
– less: costs of raising finance	**(0.3)**	(0.5)	(0.4)
Total non-current	**33.7**	32.5	35.6
Current			
Bank borrowings (unsecured):			
– bank overdrafts	**1.8**	4.5	2.8
Total borrowings	**35.5**	37.0	38.4

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 2016 (unaudited) £m	At 30 September 2015 (unaudited) £m	At 31 March 2016 (audited) £m
Not later than one year	**1.8**	4.5	2.8
After more than one year:			
– between one and two years	**—**	—	—
– later than two years and not later than five years	**34.0**	33.0	36.0
– costs of raising finance	**(0.3)**	(0.5)	(0.4)
	33.7	32.5	35.6
Total borrowings	**35.5**	37.0	38.4

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

Net debt

The Group's net debt is calculated as follows:

	At 30 September 2016 (unaudited) £m	At 30 September 2015 (unaudited) £m	At 31 March 2016 (audited) £m
Cash and cash equivalents	**(8.0)**	(7.8)	(5.9)
Total borrowings	**35.5**	37.0	38.4
Net debt	**27.5**	29.2	32.5

9. Called up share capital

	At 30 September 2016 (unaudited) £m	At 30 September 2015 (unaudited) £m	At 31 March 2016 (audited) £m
Issued and fully paid			
61,259,666 ordinary shares of 10p each	**6.1**	6.1	6.1

10. Consolidated Cash Flow Statements

(a) Cash generated from continuing operations

	6 months to 30 September 2016 (unaudited) £m	6 months to 30 September 2015 (unaudited) £m	Year ended 31 March 2016 (audited) £m
Profit before taxation	**7.7**	7.0	15.4
Adjustments for:			
– IAS 19R administrative expenses included in the above	**0.9**	0.8	1.7
– acquisition related costs included in the above	**1.3**	2.6	5.2
– exceptional operating items included in the above	**—**	(2.3)	(2.3)
– cash inflows/(outflows) from exceptional items and acquisition related costs	**(1.0)**	0.7	0.2
– depreciation	**3.1**	2.9	5.5
– pension fund deficit recovery plan contributions	**(1.2)**	(1.1)	(2.1)
– loss on disposal of property, plant and equipment	**—**	—	0.1
– finance costs	**0.6**	1.1	1.1
– finance income	**(0.5)**	—	(1.2)
– IAS 19R finance cost	**1.0**	0.7	1.4
– share-based payments	**0.7**	0.7	1.2
Operating cash flows before movements in working capital	**12.6**	13.1	26.2
Changes in working capital:			
– increase in inventories	**(4.9)**	(4.4)	(7.2)
– increase in trade and other receivables	**(1.2)**	(1.0)	(4.9)
– increase in payables	**7.3**	5.2	4.4
Cash generated from continuing operations	**13.8**	12.9	18.5

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

(b) Analysis of net debt

	Cash and overdrafts £m	Debt £m	Total £m
At 1 April 2015	4.2	(18.4)	(14.2)
Cash flow	(0.1)	(17.0)	(17.1)
Other non-cash movements	—	(0.2)	(0.2)
Exchange movement	(1.0)	—	(1.0)
At 31 March 2016	3.1	(35.6)	(32.5)
At 1 April 2015	4.2	(18.4)	(14.2)
Cash flow	(0.1)	(14.0)	(14.1)
Other non-cash movements	—	(0.1)	(0.1)
Exchange movement	(0.8)	—	(0.8)
At 30 September 2015	3.3	(32.5)	(29.2)
At 1 April 2016	3.1	(35.6)	(32.5)
Cash flow	2.0	2.0	4.0
Other non-cash movements	—	(0.1)	(0.1)
Exchange movement	1.1	—	1.1
At 30 September 2016	**6.2**	**(33.7)**	**(27.5)**

11. Dividends

A final dividend in respect of the year ended 31 March 2016 of £2.7m (4.4p per 10p ordinary share) was paid on 28 July 2016. On 17 November 2016 the Board declared an interim dividend in respect of the year ended 31 March 2017 of £1.5m (2.4p per 10p ordinary share). This dividend will be paid on 12 January 2017 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 2016. Scheme assets are stated at their market value at 30 September 2016.

(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 2016	At 30 September 2015	At 31 March 2016
Discount rate	**2.25%**	3.80%	3.55%
Inflation rate (RPI)	**3.00%**	3.00%	2.90%
Inflation (CPI)	**2.00%**	2.00%	1.90%
Salary increases	**2.25%**	2.25%	2.15%

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

	At 30 September 2016 (unaudited) £m	At 30 September 2015 (unaudited) £m	At 31 March 2016 (audited) £m
Total market value of scheme assets	**403.7**	367.8	365.9
Present value of scheme liabilities	**(501.5)**	(410.2)	(421.6)
Pension deficit	**(97.8)**	(42.4)	(55.7)

13. Business combinations

On 31 March 2016, the Group acquired 100% of the ordinary share capital of Abode Home Products Limited (Abode), a leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks. Full details of the acquisition are provided on the Group's website (www.norcros.com) and on page 104 of the Group's 2016 Annual Report.

The consideration payable in respect of the acquisition was as follows:

	£m
Consideration	
Cash	**3.7**
Deferred consideration	**1.1**
	4.8

In accordance with the sale and purchase agreement, an exercise to review the completion balance sheet at the date of acquisition was undertaken and following this a payment of £0.2m was made in line with the Group's expectations. This payment has been disclosed in the Condensed consolidated statement of cash flows within investing activities. There have been no changes to the estimate of the remaining deferred consideration payable in the period.

Due to the fact that the acquisition took place on the last day of the previous accounting period it was not possible for the Group to finalise the fair values of Abode's assets and liabilities. Accordingly, the amounts stated in the 2016 Annual Report were provisional and principally reflected the reported balances of Abode, as adjusted where possible to comply with the accounting policies of the Group.

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

	Provisional amounts recognised £m	**Measurement period adjustments £m**	**Revised amounts recognised £m**
Intangible assets	—	2.6	2.6
Property, plant and equipment	0.4	—	0.4
Inventories	1.1	—	1.1
Trade and other receivables	2.5	—	2.5
Cash	0.6	—	0.6
Trade and other payables	(2.5)	—	(2.5)
Current tax liabilities	(0.2)	—	(0.2)
Deferred tax liability	—	(0.5)	(0.5)
Total identifiable net assets	**1.9**	**2.1**	**4.0**
Goodwill	**2.9**	**(2.1)**	**0.8**
Total	**4.8**	—	**4.8**

The principal adjustment that has been made in the measurement period is to recognise intangible assets of £2.6m. Deferred tax at the prevailing rate of 20% as of the date of acquisition has been applied where appropriate resulting in the recognition of a deferred tax liability of £0.2m. Due to the complex nature of these assets, it was not possible to reliably measure their value in the time available before publishing the 2016 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 as follows:

	At 31 March 2016 as reported	**At 31 March 2016 as restated**
Goodwill	32.5	30.4
Intangible assets	12.2	14.8
Deferred tax assets	10.5	10.0
Total non-current assets	93.4	93.4
Total assets less current liabilities	145.2	145.2

There was no impact on the Condensed consolidated statement of comprehensive income and expense. As the acquisition took place on 31 March 2016 no restatement of the comparative financial information at 30 September 2015 is required.

14. Related party transactions

The remuneration of executive and non-executive Directors will be disclosed in the Group's Annual Report for the year ending 31 March 2017.

15. Financial risk management and financial instruments

Financial risk factors

The Group's operations expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and energy price risk); credit risk; and liquidity risk. An explanation of these risks and how the Group manages them is set out on page 94 of the Group's 2016 Annual Report. The interim financial information does not include all financial risk management information and disclosures required in annual financial statements; they should be read in conjunction with the Group's 2016 Annual Report. There have been no changes in the risk management process or in any risk management policies since the year end.

Derivative financial instruments carried at fair value through profit and loss

	At 30 September 2016		At 30 September 2015		At 31 March 2016	
	Assets (unaudited) £m	**Liabilities (unaudited) £m**	Assets (unaudited) £m	Liabilities (unaudited) £m	Assets (audited) £m	Liabilities (audited) £m
Forward foreign exchange contracts:						
– current	**3.1**	**(0.4)**	1.0	(0.3)	2.5	(0.1)

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

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

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

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 and their respective responsibilities are as listed in the Norcros plc 2016 Annual Report.

By order of the Board

N. P. Kelsall	**S. M. Smith**
Group Chief Executive	***Group Finance Director***
17 November 2016	17 November 2016