norcros

16 November 2017

**Norcros plc**

**Results for the six months ended 30 September 2017**

***'Continuing to deliver in challenging markets'***

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 2017.

## Financial Summary

| | **Six months ended 30 September 2017** | Six months ended 30 September 2016 | % change as reported | % change at constant currency |
|---|---|---|---|---|
| Revenue | **£145.0m** | £128.8m | +12.6% | +7.2% |
| Underlying* operating profit | **£11.7m** | £11.0m | +6.4% | |
| Underlying* profit before tax | **£11.5m** | £10.5m | +9.5% | |
| Profit before tax | **£7.4m** | £7.7m | -3.9% | |
| Underlying operating cash flow** | **£16.2m** | £16.0m | +1.3% | |
| Diluted underlying EPS* | **14.0p** | 12.9p | +8.5% | |
| Net debt | **£20.8m** | £27.5m | -24.4% | |
| Interim dividend per share | **2.6p** | 2.4p | +8.3% | |

* 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

- Revenue increased by 7.2% on a constant currency basis
- Underlying operating profit increased by 6.4% to £11.7m
- Return on sales in South African business increased to 8.5% (2016: 7.2%)
- Strong underlying operating cash generation: 109% of underlying EBITDA
- Net debt reduced by £2.4m since 31 March 2017
- Interim dividend increased by 8.3% to 2.6p per share
- Proposed acquisition of Merlyn Industries Limited – further important strategic step

**Martin Towers, Chairman, commented:**

*"I am pleased to report a resilient performance for the six months ended 30 September 2017 which demonstrates the strength of our market positions and the benefits of the Group's diversified geographical and business portfolio model. We continue to make good progress on our strategy of growing the Group both organically and through complementary acquisitions. The Group has delivered a strong set of financial results in line with the Board's expectations and on 2 November 2017 announced the proposed acquisition of Merlyn Industries Limited, which, subject to shareholder approval, will add another market leading business to the Group and both enhance and complement its bathroom product offer.*

*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 promising 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 2018."*

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

**ENQUIRIES:**


| | |
|---|---|
| **Norcros plc** | **Tel: 01625 547 700** |
| Nick Kelsall, Group Chief Executive | |
| Shaun Smith, Group Finance Director | |
| | |
| **Hudson Sandler** | **Tel: 0207 796 4133** |
| Nick Lyon | |
| Fern Duncan | |


**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 - 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 and 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 2,000 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 report a resilient performance for the six months ended 30 September 2017 which demonstrates the strength of our market positions and the benefits of the Group’s diversified geographical and business portfolio model. We continue to make good progress on our strategy of growing the Group both organically and through complementary acquisitions. The Group has delivered a strong set of financial results in line with the Board’s expectations and on 2 November 2017 announced the proposed acquisition of Merlyn Industries Limited (Merlyn), which, subject to shareholder approval, will add another market leading business to the Group and both enhance and complement its bathroom product offer.

The Group has maintained its focus on continuing to invest in its businesses, through new plant and equipment, new retail stores and display formats, brand marketing initiatives and new product programmes. This has been against a backdrop of rising input costs in the UK and an uncertain political climate in South Africa. Our results for the six months reflect both this investment and the associated benefits with revenue growth both in the UK and South Africa, driven principally by market share gains and price increases.

Underlying operating profit rose by 6.4% to £11.7m (2016: £11.0m). In the UK, underlying operating profit was £7.4m (2016: £8.0m), reflecting investment in the launch of the new innovative Cristalgrip tile fixing system in France, Triton’s national TV advertising campaign and increased sales and marketing resource, targeted at new business opportunities in the domestic market, as well as further developing our business in selective export markets. In South Africa, our businesses maintained their strong progress, delivering an underlying operating profit of £4.3m (2016: £3.0m), reflecting market share gains, ongoing supply chain improvements, including group sourcing synergies and careful management of operating costs.

The Group maintained its focus on working capital and cash management, resulting in underlying operating cash flow of £16.2m (2016: £16.0m), representing 109% (2016: 113%) of underlying EBITDA. Net debt at £20.8m was £2.4m lower than £23.2m at 31 March 2017 representing leverage of 0.7 times underlying EBITDA.

**Results**

For the six month period to 30 September 2017, the Group increased revenue by 7.2% on a constant currency basis from £128.8m to £145.0m. On a reported basis, due to the stronger Rand relative to Sterling, revenue increased by 12.6%.

Underlying operating profit rose by 6.4% to £11.7m (2016: £11.0m) which was principally due to the continued improvement in performance of our South African business. The return on sales was 8.1% (2016: 8.5%).

Operating profit increased to £9.8m (2016: £8.8m). Acquisition related costs were slightly lower than the comparative period at £1.2m (2016: £1.3m) and IAS 19R administrative costs were £0.2m lower at £0.7m (2016: £0.9m) following the restructuring programme that took place in 2016. There were no exceptional items in the six months to 30 September 2017 or in the comparative period.

Underlying profit before taxation increased by 9.5% to £11.5m (2016: £10.5m) reflecting the improvement in underlying operating profit and reduced bank interest payable.

Profit before taxation was £7.4m (2016: £7.7m). The movement in the fair value of derivatives resulted in a charge of £1.3m being recognised in the period, compared with a credit of £0.5m in the prior period, and the IAS 19R finance cost was £0.8m compared with £1.0m, reflecting the lower pension deficit.

Diluted underlying earnings per share were 8.5% higher at 14.0p (2016: 12.9p), reflecting the improvement in underlying earnings.

**Financial**

High cash conversion is one of the strengths of the Group and I am therefore pleased to report that this has continued, with underlying operating cash flow of £16.2m (2016: £16.0m) being achieved. This represents 109% (2016: 113%) of underlying EBITDA for the period. There was a working capital inflow of £0.7m (2016: £1.2m) in the period, with an increase in inventory being offset by a decrease in debtors and an increase in payables. Cash generated from operations was £12.9m, £0.9m lower than last year which was principally due to higher exceptional cash outflows of £1.6m related to the restructuring at Johnson Tiles UK early in the period. Investment in capital expenditure was £4.1m (2016: £4.0m), representing 1.3 times depreciation (2016: 1.3 times).

Net debt at 30 September 2017 was £2.4m lower than at 31 March 2017 at £20.8m, representing 0.7 times underlying EBITDA. Net debt at 30 September 2016 was £27.5m.

**Pension scheme**

The gross deficit relating to our UK defined benefit pension scheme as calculated under IAS 19R has reduced from £62.7m at 31 March 2017 to £52.1m at 30 September 2017, primarily due to a 0.1% increase in the discount rate to 2.70% (31 March 2017: 2.60%) reflecting a slight increase in bond yields. Despite the small improvement, bond yields still remain at historically low levels. We remain confident that our pension obligations continue to be appropriately funded and well managed, with the Company due to pay £2.5m this year into the scheme in accordance with the agreement made with the Trustee in April 2016. The next actuarial valuation date is 31 March 2018.

**Proposed acquisition of Merlyn**

On 2 November 2017, the Group announced the provisional acquisition of Merlyn, a manufacturer and distributor of shower enclosures, screens and trays based in the UK and Republic of Ireland, for a total consideration of £60.0m on a debt free, cash free basis (subject to certain adjustments). Legal completion of the acquisition is subject to shareholder approval at a general meeting of the Company to be held on 22 November 2017.

The consideration of £60.0m (subject to certain adjustments) will be paid in cash on completion. The proposed acquisition represents a further step in the Group's growth strategy and follows on from the successful integration of the Vado, Croydex and Abode businesses which Norcros acquired in March 2013, June 2015 and March 2016 respectively. Merlyn is a growing, profitable and cash generative business which is a compelling strategic fit with our existing portfolio and will increase the breadth of our product range in the bathroom segment. The business will also benefit from the global distribution channels of the enlarged Group.

If approved, the transaction will be funded by a £31.4m firm placing, placing and open offer of ordinary shares and an amendment to the Group's unsecured revolving credit facility from £70m to £120m. Fees associated with the proposed transaction and funding structure are expected to be approximately £4.0m.

Should the resolutions at the general meeting be passed, it is expected that legal completion of the acquisition of Merlyn, admission of new shares to trading on the main market and amendment and restatement of the banking facilities will be effective from 23 November 2017.

A circular and prospectus relating to the acquisition and equity raising was issued by the Company on 2 November 2017, and a supplementary prospectus incorporating by reference these interim results will be issued on or around 16 November 2017. Shareholders who are considering participation in the Capital Raising (as that term is defined in the prospectus) should only do so on the basis of the prospectus and supplementary prospectus.

**Dividend**

The Board is declaring an interim dividend of 2.6p per share reflecting the strong first half performance and its confidence in the Group's prospects. This represents an increase of 8.3% over the interim dividend from the previous year of 2.4p per ordinary share. The dividend is payable on 12 January 2018 to shareholders on the register on 1 December 2017. The shares will be quoted ex-dividend on 30 November 2017. Should the proposed acquisition of Merlyn be approved, the new shares which will be issued before the record date in respect of the Capital Raising (as that term is defined in the prospectus) will qualify for the interim dividend.

**Operating review**

***UK***

Our UK businesses achieved revenue of £94.3m (2016: £86.9m), representing growth of 8.5% in the six month period to 30 September 2017. Underlying operating profit was £7.4m, £0.6m lower than the comparative period, representing a return on sales of 7.8% (2016: 9.2%). This decrease in profit reflects the additional investment in the launch of the new innovative Cristalgrip tile fixing system in France, Triton's national TV advertising campaign and increased sales and marketing resource targeted at new business opportunities. In addition, the full benefits from the Johnson Tiles restructuring programme are planned to be realised in the second half of the year after an initial period of under-recovery of fixed overheads as manufacturing capacity was scaled back, headcount reduced and inventory cut. Market conditions remain challenging, but our UK businesses remain well positioned to grow market share by securing new business opportunities as well as increasing share from our existing customer base.

*Triton*

Our market leading UK shower business, Triton Showers, recorded revenue 7.0% higher for the six month period to 30 September 2017 of £24.5m (2016: £22.9m), building on the improved performance in the second half of the previous financial year where revenue increased by 5.7% over the comparative period.

UK revenue was 4.8% higher than last year despite continued destocking and rationalisation programmes being undertaken by many of our national merchant customers. Growth was achieved in both the trade and retail segments, where revenues were 3.8% and 6.5% ahead of last year, respectively. This reflected our best in class customer service and the continued introduction of innovative new products supported by the significant investment in our recent consumer and trade brand marketing campaign. Under the strap-line 'See you first thing Britain' which was launched through national TV advertising, the brand and marketing activity encompassed digital and social media, trade and consumer press, point of sale and promotions. The ongoing programme reinforces the strong consumer and trade franchise enjoyed by Triton, as well as providing the launch platform for the introduction of an innovative new digital mixer shower range in the second half of the financial year.

Export revenue was 16.7% higher than the comparative period as a result of the success of recent new product launches, such as the T90SR silent pumped electric shower. Export markets, principally the Republic of Ireland, account for around a fifth of Triton's overall revenue.

As a result of the revenue growth and the focus on input costs and margins Triton delivered an underlying operating profit which was ahead of the comparative period, combined with strong cash generation.

*Vado*

Our leading manufacturer of taps, mixer showers, bathroom accessories and valves, Vado, recorded revenue of £20.8m for the period (2016: £16.6m), 25.3% higher than the prior year. Domestic revenue grew by 18.0% with strong progress made in both the retail and trade sectors. The launch of new consumer focussed marketing materials has helped to drive retail revenue growth of 4.7%. In the trade sector, Vado achieved considerable growth of 18.8% through products being specified for new developments by existing major housebuilding customers. Significant business was also won with new customers, such as Renaker, Greystar and Springfield Homes, the benefit of which will be seen in the second half of the financial year.

Export revenue grew substantially, some 50.0% higher than the same period in the prior year. Solid growth was achieved in the Middle East, driven by customer service improvements reflecting the benefits of a direct sales presence in the region and stock holding in the Jebel Ali Freezone. Outside of the Middle East, Vado saw growth in all major export markets with notably strong performances in Africa, Sri Lanka and New Zealand.

Investment in new product has been maintained, with three new tap and shower ranges being introduced during the period, specifically targeting the premium end of the market. Additionally, Vado also received the accolade of "Tap Brand of The Year" in an award voted for by readers of Bathroom and Kitchen Update magazine.

Vado recorded an underlying operating profit in line with the comparative period last year reflecting good margin management with selling price increases secured as input costs have risen. The business continues to invest in additional sales and marketing initiatives and resource to maintain the excellent revenue growth and capture further share gain.

*Croydex*

Croydex, our market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories, recorded revenue of £12.3m (2016: £12.2m) for the period, 0.8% higher than that achieved in the prior year.

UK revenue was 10.8% lower than the comparative period, principally as a result of destocking in a major customer leading to a 17.8% reduction in revenue in the retail sector. Whilst the retail market continues to be soft as inflationary pressures impact consumer confidence, our category expertise and reputation for product innovation continue to differentiate our offer, and we expect to benefit from the roll out of a new range of toilet seats and accessories to DIY outlets and supermarkets in the Autumn. Trade sector revenue grew by 2.8% over last year and was driven principally by new product development.

Since Croydex was acquired by the Group in 2015, one of the key areas of its strategic focus has been to develop overseas markets, and it is pleasing to note that export revenue more than doubled over the comparative period. This reflects continued penetration into Germany, North America and South Africa, where Croydex is now ranged in the Group's Tile Africa retail network.

Underlying operating profit was slightly below last year as a result of increased investment in selling and development, though cash generation remained strong. The business is investing in a digital offering and has established a team to support online sales growth, and is also continuing to focus on its fulfilment capabilities to assist customers in reducing their operational costs and complexity. Consequently, the business remains well positioned for growth in both the UK and export markets.

*Abode*

Abode, our niche designer and distributor of high quality kitchen taps, bathroom taps, and kitchen sinks, recorded a 16.1% increase in revenue to £6.5m for the period (2016: £5.6m).

The business grew revenue in both the trade and retail sectors as a result of new product introductions and range enhancements. The Pronteau hot water tap, which was introduced last year, has been particularly successful, and following investment in sales and marketing resource there are now over 400 working showroom displays across the UK. Utilising the existing relationships the Group has with Travis Perkins, Abode will shortly begin to supply Abode and Pronteau branded products to Wickes and Benchmarx stores, the benefits of which are expected to commence towards the end of the financial year.

Operationally, the business is working with other Group businesses to benefit from their existing product sourcing capabilities, and is evaluating options to increase capacity including relocation to new premises in order to support the next phase of its growth.

The business has generated an underlying operating profit in line with the Board's expectations, though slightly lower than last year as a result of investment in additional sales and marketing resource. Cash generation has been particularly pleasing, with the business maintaining strong discipline over working capital.

*Johnson Tiles*

Johnson Tiles, the UK market leading ceramic tile manufacturer and a market leader in the supply of both own manufactured and imported tiles, recorded revenue 1.6% higher than the same period last year at £25.8m (2016: £25.4m).

UK revenue was 4.0% higher than the comparative period last year. Trade sector performance was broadly consistent with last year, as despite government funding in the social housing market remaining very tightly controlled, the business was able to offset this through sustained success with national house developers and bespoke specifications. Johnson Tiles has continued to work with Barratt David Wilson, Persimmon and Redrow and has also supplied contracts as diverse as the Hilton Garden Inn in Doncaster, Credit Suisse offices in London and the Everton FC Academy. Good progress was made in the retail segment where revenue was 9.8% higher, mainly as a result of the introduction of new ranges in Wickes stores. Export revenue was 16.7% below prior year which reflected the decision to exit lower margin business in the Middle East.

As previously announced, a major restructuring of the tile business was implemented in the early part of the financial year with the aim of increasing manufacturing flexibility, improving operational performance, better aligning capacity with demand and reducing inventory. The restructuring has been executed in line with the plan, with approximately 90 employees leaving the business and a significant reduction in inventory achieved. Whilst operational efficiency was maintained during the period of disruption, the benefits of the next phase of the restructuring to better align capacity to more profitable product formats remain scheduled to be realised in the second half of the financial year.

Cristalgrip, Johnson Tiles' new innovative tile fixing system was recently launched in all 135 Leroy Merlin stores in France and will soon be available in Leroy Merlin stores in Spain and Italy. The launch has progressed well with over 8,000 tiling projects utilising Cristalgrip so far. The results for these six months include the significant marketing and set up costs associated with the launch, and, combined with the weaker mix of tile revenues during the period of restructuring and the under-recovery of fixed manufacturing overheads, this has meant that the business recorded an operating loss compared to an operating profit last year. We remain confident that the benefits of the restructuring will position the tile business on a profitable footing in the second half of the year.

*Norcros Adhesives*

Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, recorded revenue 4.8% higher than the prior year at £4.4m (2016: £4.2m). Revenue in the UK in both the trade and retail sectors was consistent with the comparative period, with the growth originating from increased project momentum in the Middle East market.

Recently, the business won a three year contract to supply Wickes and increased promotional activity with B&Q, both of which are scheduled to commence in the third quarter of the financial year. To support this, investment in the business has continued, including an increase in production capacity and a new warehouse management IT system, both of which will improve the level of customer service. Additionally, a new range of efflorescence resistant grouts which are available in more colours, together with new presenters that are architecturally focused, were launched during the period. Initial feedback from both of these developments has been encouraging.

The business recorded an underlying operating profit which was marginally below last year, principally because of the investment to support the new business wins which will benefit profitability in the second half of the financial year.

***South Africa***

The Group's South African operation has performed well, gaining market share notwithstanding challenging trading conditions. Revenue grew to £50.7m in the six month period compared with £41.9m in the prior year, a 21.0% increase. The improvement in revenue was 4.8% on a constant currency basis. The average exchange rate during the period was ZAR 17.11 (2016: ZAR 19.79). Underlying operating profit for the period was £4.3m (2016: £3.0m) of which £0.5m was due to the stronger Rand. This resulted in an improved return on sales of 8.5% (2016: 7.2%), reflecting careful cost management and ongoing supply chain improvements including the benefits from utilising the Far East sourcing infrastructure of the wider Group.

*Johnson Tiles South Africa*

Johnson Tiles South Africa, our tile manufacturing business in South Africa, continues to operate at maximum capacity. Owing to the increased demand from the growth of Tile Africa, independent sector revenue declined by 3.3% on a constant currency basis but was 11.3% higher at £5.9m (2016: £5.3m) on a Sterling reported basis reflecting the appreciation of the Rand.

Underlying operating profit was ahead of last year reflecting the continued progress in cost reduction and improvements in manufacturing efficiency, in spite of the increased complexity from the production of differing tile formats. Good progress has also been made in new product development including the launch of the "Johnsons White Collection" and a number of other new and updated ranges successfully introduced into the market, resulting in 45% of sales in the period attributable to products launched in the last 24 months.

*TAL*

Our market leading adhesive business in South Africa, TAL, delivered constant currency independent sector revenue growth of 5.1% in the period, or a 21.8% increase on a Sterling reported basis to £12.3m (2016: £10.1m). This was largely due to a number of new product launches and winning a number of large commercial contracts, such as the Ballito Junction Mall in Kwa-Zulu Natal and the Knightsbridge Office Park in Gauteng. New ranges launched in the period include the "Tile-to-Tile" and "Water-Based Epoxy Grout" products. A key focus of the business is in maintaining the new product development pipeline.

The business delivered an improved underlying profit performance, reflecting the revenue growth and the benefits of further manufacturing efficiencies and continues to be highly cash generative.

*Tile Africa*

Tile Africa, our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, recorded revenue of £32.5m (2016: £26.5m), 6.2% higher on a constant currency basis or 22.6% higher on a Sterling reported basis. This improvement was ahead of the market and was driven primarily by accelerated progress in the tap and bathroom categories, resulting from the bathroom "store-within-a-store concept" and improved product ranges, as Tile Africa has increasingly benefitted from Vado's and Croydex's sourcing infrastructure.

The new generation Southgate store was opened at the beginning of the period and is trading in line with expectations, with the most recent new store in Clearwater having opened in October 2017. This takes the total number of stores to 32 corporate stores and two franchise stores. Whilst our focus remains firmly on driving further improvements in the performance of the existing stores, we will continue to sensibly roll-out new stores in selected locations.

Underlying operating profit was slightly below that achieved in the comparative period reflecting very competitive trading conditions albeit strong cash generation was maintained.

**Summary and outlook**

Norcros has delivered an increase in underlying operating profit and a strong cash performance in the six months to 30 September 2017 in spite of challenging trading conditions in our markets. We continue to invest in operating efficiencies, our retail store network, new product development and our customer service offering with the associated medium term benefits. I remain optimistic that as a result of these initiatives we will continue to deliver value for our shareholders. 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 promising 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 2018.

In addition, if the acquisition of Merlyn is approved, we will make a further important step towards achieving our strategic goals. The Merlyn business is a compelling strategic fit with our existing portfolio and will both enhance and increase the breadth of our product offer and stable of brands in the bathroom segment. Together with my colleagues on the Board, I believe that the acquisition, together with the associated equity raise and extension of banking facilities, to be in the best interests of the Company and its shareholders taken as a whole and accordingly, I would recommend that shareholders vote in favour of the transaction.

**Martin Towers**
***Chairman***
16 November 2017

# Condensed consolidated income statement

Six months to 30 September 2017

| | Notes | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | | **145.0** | 128.8 | 271.2 |
| Underlying operating profit | | **11.7** | 11.0 | 23.8 |
| IAS 19R administrative expenses | | **(0.7)** | (0.9) | (2.0) |
| Acquisition related costs | 4 | **(1.2)** | (1.3) | (2.7) |
| Exceptional operating items | 4 | **—** | — | (2.3) |
| **Operating profit** | | **9.8** | 8.8 | 16.8 |
| Finance costs | 7 | **(1.6)** | (0.6) | (3.3) |
| Finance income | 7 | **—** | 0.5 | — |
| IAS 19R finance cost | | **(0.8)** | (1.0) | (2.0) |
| **Profit before taxation** | | **7.4** | 7.7 | 11.5 |
| Taxation | 6 | **(1.9)** | (1.6) | (3.0) |
| **Profit for the period from continuing operations** | | **5.5** | 6.1 | 8.5 |
| **Earnings per share attributable to the owners of the Company** | | | | |
| Basic earnings per share: | | | | |
| From profit for the period | 5 | **8.9p** | 10.0p | 13.9p |
| Diluted earnings per share: | | | | |
| From profit for the period | 5 | **8.7p** | 9.7p | 13.4p |
| Weighted average number of shares for basic earnings per share (millions) | 5 | **61.5** | 61.0 | 61.1 |
| **Alternative performance measures** | | | | |
| Underlying profit before taxation (£m) | 3 | **11.5** | 10.5 | 22.9 |
| Underlying earnings (£m) | 3 | **8.9** | 8.1 | 17.6 |
| Basic underlying earnings per share | 5 | **14.5p** | 13.2p | 28.8p |
| Diluted underlying earnings per share | 5 | **14.0p** | 12.9p | 27.8p |

# Condensed consolidated statement of comprehensive income

Six months to 30 September 2017

| | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| Profit for the period | **5.5** | 6.1 | 8.5 |
| Other comprehensive income and expense: | | | |
| Items that will not subsequently be reclassified to the income statement | | | |
| Actuarial gains/(losses) on retirement benefit obligations | **9.0** | (35.0) | (5.2) |
| Items that may be subsequently reclassified to the income statement | | | |
| Foreign currency translation adjustments | **(3.7)** | 5.8 | 8.5 |
| Other comprehensive income/(expense) for the period | **5.3** | (29.2) | 3.3 |
| Total comprehensive income/(expense) for the period | **10.8** | (23.1) | 11.8 |

Items in the statement are disclosed net of tax.

# Condensed consolidated balance sheet
At 30 September 2017

| | Notes | **At 30 September 2017 (unaudited) £m** | At 30 September 2016 (unaudited) (restated)* £m | At 31 March 2017 (audited) £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | | **30.9** | 30.8 | 31.1 |
| Intangible assets | | **13.0** | 14.2 | 13.7 |
| Property, plant and equipment | | **42.3** | 41.6 | 43.0 |
| Deferred tax assets | 6 | **9.4** | 16.2 | 11.0 |
| | | **95.6** | 102.8 | 98.8 |
| **Current assets** | | | | |
| Inventories | | **71.2** | 68.6 | 70.3 |
| Trade and other receivables | | **54.8** | 52.8 | 56.8 |
| Derivative financial instruments | 14 | **0.3** | 3.1 | 0.7 |
| Cash and cash equivalents | 8 | **17.9** | 32.2 | 37.5 |
| | | **144.2** | 156.7 | 165.3 |
| **Current liabilities** | | | | |
| Trade and other liabilities | | **(73.3)** | (70.7) | (72.0) |
| Derivative financial instruments | 14 | **(1.7)** | (0.4) | (0.8) |
| Current tax liabilities | | **(1.5)** | (1.9) | (2.0) |
| Financial liabilities – borrowings | 8 | **(8.8)** | (26.0) | (30.9) |
| | | **(85.3)** | (99.0) | (105.7) |
| **Net current assets** | | **58.9** | 57.7 | 59.6 |
| **Total assets less current liabilities** | | **154.5** | 160.5 | 158.4 |
| **Non-current liabilities** | | | | |
| Financial liabilities – borrowings | 8 | **(29.9)** | (33.7) | (29.8) |
| Pension scheme liability | 12 | **(52.1)** | (97.8) | (62.7) |
| Other non-current liabilities | | **(3.7)** | (3.4) | (3.6) |
| Provisions | | **(3.6)** | (3.1) | (5.7) |
| | | **(89.3)** | (138.0) | (101.8) |
| **Net assets** | | **65.2** | 22.5 | 56.6 |
| Financed by: | | | | |
| Ordinary share capital | 9 | **6.2** | 6.1 | 6.1 |
| Share premium | | **1.4** | 1.1 | 1.1 |
| Retained earnings and other reserves | | **57.6** | 15.3 | 49.4 |
| **Total equity** | | **65.2** | 22.5 | 56.6 |

* The balance sheet at 30 September 2016 has been restated to reflect the recent guidance regarding the presentation of cash and overdraft balances. Further details are provided in Note 1.

# Condensed consolidated statement of cash flow

Six months to 30 September 2017

| | Notes | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|---|
| **Cash generated from operations** | 10 | **12.9** | 13.8 | 25.5 |
| Income taxes (paid)/refunded | | **(2.5)** | 0.4 | (1.9) |
| Interest paid | | **(0.2)** | (0.8) | (0.9) |
| **Net cash generated from operating activities** | | **10.2** | 13.4 | 22.7 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | | **(4.1)** | (4.0) | (8.0) |
| Acquisition of subsidiary undertakings (including payment of deferred consideration) | | **—** | (2.7) | (2.7) |
| **Net cash used in from investing activities** | | **(4.1)** | (6.7) | (10.7) |
| **Cash flows from financing activities** | | | | |
| Net proceeds from issue of ordinary share capital | | **0.4** | — | — |
| Repayment of borrowings | | **—** | (2.0) | (6.0) |
| Dividends paid to equity shareholders | | **(3.0)** | (2.7) | (4.2) |
| **Net cash used in financing activities** | | **(2.6)** | (4.7) | (10.2) |
| **Net increase in cash at bank and in hand and bank overdrafts** | | **3.5** | 2.0 | 1.8 |
| Cash at bank and in hand and bank overdrafts at beginning of the period | | **6.6** | 3.1 | 3.1 |
| Exchange movements on cash and bank overdrafts | | **(1.0)** | 1.1 | 1.7 |
| **Cash at bank and in hand and bank overdrafts at end of the period** | | **9.1** | 6.2 | 6.6 |

| | | | | |
|---|---|---|---|---|
| **Alternative performance measures** | | | | |
| Underlying operating cash flow | 3 | **16.2** | 16.0 | 29.8 |

# Condensed consolidated statements of changes in equity

Six months to 30 September 2017 (unaudited)

| | Ordinary share capital £m | Share premium £m | Translation reserve £m | Retained earnings/ (losses) £m | Total £m |
|---|---|---|---|---|---|
| At 31 March 2017 | 6.1 | 1.1 | (6.7) | 56.1 | 56.6 |
| Comprehensive income: | | | | | |
| Profit for the period | — | — | — | 5.5 | 5.5 |
| Other comprehensive (expense)/income: | | | | | |
| Actuarial gain on retirement benefit obligations | — | — | — | 9.0 | 9.0 |
| Foreign currency translation adjustments | — | — | (3.7) | — | (3.7) |
| Total other comprehensive (expense)/income | — | — | (3.7) | 9.0 | 5.3 |
| Transactions with owners: | | | | | |
| Shares issued | 0.1 | 0.3 | — | — | 0.4 |
| Dividends paid | — | — | — | (3.0) | (3.0) |
| Share option schemes and warrants | — | — | — | 0.4 | 0.4 |
| **At 30 September 2017** | **6.2** | **1.4** | **(10.4)** | **68.0** | **65.2** |

Six months to 30 September 2016 (unaudited)

| | Ordinary share capital £m | Share premium £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 |
| Other comprehensive income/(expense): | | | | | |
| Actuarial loss on retirement benefit obligations | — | — | — | (35.0) | (35.0) |
| Foreign currency translation adjustments | — | — | 5.8 | — | 5.8 |
| Total other comprehensive income/(expense) | — | — | 5.8 | (35.0) | (29.2) |
| 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** |

Year ended 31 March 2017 (audited)

| | Ordinary share capital £m | Share premium £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 year | — | — | — | 8.5 | 8.5 |
| Other comprehensive income/(expense): | | | | | |
| Actuarial loss on retirement benefit obligations | — | — | — | (5.2) | (5.2) |
| Foreign currency translation adjustments | — | — | 8.5 | — | 8.5 |
| Total other comprehensive income/(expense) | — | — | 8.5 | (5.2) | 3.3 |
| Transactions with owners: | | | | | |
| Dividends paid | — | — | — | (4.2) | (4.2) |
| Share option schemes and warrants | — | — | — | 1.4 | 1.4 |
| **At 31 March 2017** | **6.1** | **1.1** | **(6.7)** | **56.1** | **56.6** |

# Notes to the accounts

Six months to 30 September 2017

### 1. Accounting policies

***General information***

Norcros plc (the Company), and its subsidiaries (together the Group) designs, manufactures and distributes a range of home consumer products in the UK, South Africa and other overseas markets.

The Company is incorporated in England as a public company limited by shares. The shares of the Company are listed on the London Stock Exchange market of listed securities. The address of its registered office is Ladyfield House, Station Road, Wilmslow, SK9 1BU, UK.

This condensed consolidated interim financial information was approved for issue on 16 November 2017. 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 2017 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 2017, 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 2017 and delivered to the Registrar of Companies. The report of the external auditor on the financial statements was unqualified.

***Accounting reference date***

For operational reasons the Company has adopted an accounting period of 26 weeks, and as a result of this, the exact period end date was 1 October 2017 although the Company's accounting reference date is 30 September 2017. All references to the financial period therefore relate to the 26 weeks commencing on 3 April 2017. The accounting period ended 30 September 2016 was 26 weeks long, beginning on 4 April 2016 and ending on 2 October 2016 and the financial year ended 31 March 2017 was 52 weeks long, commencing on 4 April 2016 and ending on 2 April 2017.

***Restatement***

The Group operates two cash-pooling arrangements in respect of its operations based in the UK and South Africa in order to maximise the efficiency of its treasury function. Under each facility, the Group and its bankers have a legal right to offset certain balances, which from time to time may be in an overdraft or positive funds position. In view of this, the Group previously offset the balances in an overdraft and positive funds position in determining the presentation of cash and borrowings in the Group Balance Sheet.

In March 2016, the IFRS Interpretations Committee (IFRIC) issued an agenda decision regarding the treatment of offsetting and cash-pooling arrangements in accordance with IAS 32: 'Financial instruments: Presentation'. This provided additional guidance on when bank overdrafts in cash-pooling arrangements would meet the requirements for offsetting in accordance with IAS 32. Following this additional guidance, the Group reviewed its cash-pooling arrangements and revised its presentation of bank overdrafts in the financial statements for the year ended 31 March 2017.

As a result of this, the comparative figures at 30 September 2016 have been restated with an additional £24.2m of bank overdrafts being reported in borrowings. Consequently, borrowings within current liabilities have increased by this amount to £26.0m, with a corresponding increase in cash from £8.0m, as previously reported, to £32.2m. There was no change in net assets or net debt as a result of this restatement.

***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 2017. 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 2017.

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

| Standard or interpretation | Content | Applicable for financial years beginning on or after |
|---|---|---|
| Amendment to IAS 7 | Statement of cash flows | 1 April 2017 |
| Amendment to IAS 12 | Income taxes | 1 April 2017 |

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 |
|---|---|---|
| IFRS 9 | Financial instruments: classification and measurement | 1 April 2018 |
| IFRS 15 | Revenue from contracts with customers | 1 April 2018 |
| Amendment to IFRS 2 | Share-based payments | 1 April 2018 |
| Amendment to IAS 40 | Investment properties | 1 April 2018 |
| Annual improvements 2014-2016 | Various | 1 April 2018 |
| Amendment to IAS 28 | Investments in associates and joint ventures | 1 April 2019 |
| IFRS 16 | Leases | 1 April 2019 |
| IFRS 17 | Insurance contracts | 1 April 2021 |

Other than for IFRS 15 and IFRS 16, the potential impacts of which are currently being assessed by the Group, none of these standards or interpretations are expected to have a material impact on the Group. Under IFRS 16 the present distinction between operating and finance leases will be removed, resulting in all leases being recognised on the Balance Sheet except for those with a very low value. At inception, a right-of-use asset will be recognised together with an equivalent liability reflecting the discounted lease payments over the estimated term of the lease. Whilst the overall cost of using the asset over the lease term should be the same, it is likely that the weighting of the charge between periods may differ due to the requirement to distinguish between the lease and non-lease elements of the agreement. Adoption of this standard is likely to result in an increase in gross assets and gross liabilities.

***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 2017 Annual Report, which is available on the Group's website (www.norcros.com).

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

- 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;
- interest rate risk;
- performance against banking covenants;
- acquisition risk;
- market conditions;
- foreign currency exchange risk;
- pension scheme management;
- reliance on information technology; and
- uncertainty surrounding Brexit.

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 2017.

**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 2017 (unaudited)** | | |
|---|---|---|---|---|
| | Notes | **UK £m** | **South Africa £m** | **Group £m** |
| **Revenue** | | **94.3** | **50.7** | **145.0** |
| Underlying operating profit | | **7.4** | **4.3** | **11.7** |
| IAS 19R administrative expenses | | **(0.7)** | — | **(0.7)** |
| Acquisition related costs | 4 | **(1.2)** | — | **(1.2)** |
| Operating profit | | **5.5** | **4.3** | **9.8** |
| Finance costs (net) | | | | **(2.4)** |
| Profit before taxation | | | | **7.4** |
| Taxation | 6 | | | **(1.9)** |
| Profit from continuing operations | | | | **5.5** |
| Net debt | 10 | | | **(20.8)** |

| | | 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 – Year ended 31 March 2017 (audited) | | |
|---|---|---|---|---|
| | Notes | UK £m | South Africa £m | Group £m |
| **Revenue** | | 182.3 | 88.9 | 271.2 |
| Underlying operating profit | | 17.4 | 6.4 | 23.8 |
| IAS 19R administrative expenses | | (2.0) | — | (2.0) |
| Acquisition related costs | 4 | (2.7) | — | (2.7) |
| Exceptional operating items | 4 | (2.3) | — | (2.3) |
| Operating profit | | 10.4 | 6.4 | 16.8 |
| Finance costs (net) | | | | (5.3) |
| Profit before taxation | | | | 11.5 |
| Taxation | 6 | | | (3.0) |
| Profit for the year from continuing operations | | | | 8.5 |
| Net debt | 10 | | | (23.2) |

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

### 3. Alternative performance measures

The Group makes use of a number of alternative performance measures to assess business performance and provide additional useful information to shareholders. Such alternative performance measures should not be viewed as a replacement of, or superior to, those defined by Generally Accepted Accounting Principles (GAAP). Definitions of alternative performance measures used by the Group and, where relevant, reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures are provided below.

The alternative performance measures used by the Group are:

| Measure | Definition |
|---|---|
| Underlying operating profit | Operating profit before IAS 19R administrative expenses, acquisition related costs and exceptional operating items |
| Underlying profit before taxation | Profit before taxation before IAS 19R administrative expenses, acquisition related costs, exceptional operating items, 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 |
| Underlying taxation | Taxation before tax associated with those items listed as being excluded from underlying profit before taxation |
| Underlying earnings | Underlying profit before tax less underlying taxation |
| Underlying operating margin | Underlying operating profit expressed as a percentage of revenue |
| Basic underlying earnings per share | Underlying earnings divided by the weighted average number of shares for basic earnings per share |
| Diluted underlying earnings per share | Underlying earnings divided by the weighted average number of shares for diluted earnings per share |
| EBITDA | EBITDA is a measure commonly used by investors and financiers to assess business performance and is derived from operating profit before depreciation and amortisation |
| Underlying EBITDA | Underlying EBITDA reflects EBITDA as adjusted for IAS 19R administrative expenses, acquisition related costs and exceptional operating items |
| Underlying operating cash flow | Cash generated from continuing operations before cash outflows from exceptional items and acquisition related costs and pension fund deficit recovery contributions |

Underlying profit and earnings per share measures provide shareholders with additional useful information on the underlying performance of the Group. This is because these measures are those principally used by the Directors to assess the performance of the Group and are used as the basis for calculating the level of the annual bonus and long-term incentives earned by the Directors. Underlying EBITDA and underlying operating cash flow are also used internally by the Directors in order to assess the Group's cash generation. The term 'underlying' is not recognised under IFRS and consequently the Group's definition of underlying may differ from that used by other companies.

***Reconciliations from GAAP-defined reporting measures to the Group's alternative performance measures***

***Condensed Consolidated Income Statement***

(a) Underlying profit before taxation and underlying earnings

| | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| Profit before taxation from continuing operations | **7.4** | 7.7 | 11.5 |
| Adjusted for: | | | |
| IAS 19R administrative expenses | **0.7** | 0.9 | 2.0 |
| Acquisition related costs | **1.2** | 1.3 | 2.7 |
| Exceptional operating items | **—** | — | 2.3 |
| Amortisation of costs of raising finance | **0.1** | 0.1 | 0.2 |
| Net movement on fair value of derivative financial instruments | **1.3** | (0.5) | 2.2 |
| IAS 19R finance cost | **0.8** | 1.0 | 2.0 |
| **Underlying profit before taxation** | **11.5** | 10.5 | 22.9 |
| Taxation attributable to underlying profit before taxation | **(2.6)** | (2.4) | (5.3) |
| **Underlying earnings** | **8.9** | 8.1 | 17.6 |

(b) Underlying EBITDA

| | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| Operating profit from continuing operations | **9.8** | 8.8 | 16.8 |
| Adjusted for: | | | |
| Depreciation | **3.1** | 3.1 | 6.4 |
| IAS 19R administrative expenses | **0.7** | 0.9 | 2.0 |
| Acquisition related costs | **1.2** | 1.3 | 2.7 |
| Exceptional operating items | **—** | — | 2.3 |
| **Underlying EBITDA** | **14.8** | 14.1 | 30.2 |

***Condensed Consolidated Statement of Cash Flow***

(a) Underlying profit before taxation and underlying earnings

| | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| Cash generated from continuing operations (note 10) | **12.9** | 13.8 | 25.5 |
| Adjusted for: | | | |
| Cash flows from exceptional items and acquisition related costs | **2.0** | 1.0 | 1.8 |
| Pension fund deficit recovery contributions | **1.3** | 1.2 | 2.5 |
| **Underlying operating cash flow** | **16.2** | 16.0 | 29.8 |

### 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 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| **Acquisition related costs** | | | |
| Deferred remuneration[1] | **0.2** | 0.2 | 0.4 |
| Intangible asset amortisation[2] | **0.6** | 0.6 | 1.2 |
| Staff costs and advisory fees[3] | **0.4** | 0.5 | 1.1 |
| | **1.2** | 1.3 | 2.7 |

1 Consideration payable to the former shareholders of 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 acquired intangible assets.

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 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| **Exceptional operating items** | | | |
| Restructuring costs[1] | **—** | — | 2.3 |
| | **—** | — | 2.3 |

1 The Group commenced a restructuring of its UK tiles business in March 2017 at a cost of £2.3m in order to increase manufacturing flexibility and reduce inventory.

## 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 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| **Profit for the period** | **5.5** | 6.1 | 8.5 |

| | **6 months to 30 September 2017 (unaudited) Number** | 6 months to 30 September 2016 (unaudited) Number | Year ended 31 March 2017 (audited) Number |
|---|---|---|---|
| Weighted average number of shares for basic earnings per share | **61,458,138** | 60,962,939 | 61,098,476 |
| Share options and warrants | **1,921,999** | 1,719,646 | 2,042,900 |
| Weighted average number of shares for diluted earnings per share | **63,380,137** | 62,682,585 | 63,141,376 |

| | **6 months to 30 September 2017 (unaudited)** | 6 months to 30 September 2016 (unaudited) | Year ended 31 March 2017 (audited) |
|---|---|---|---|
| Basic earnings per share: | | | |
| **From profit for the period** | **8.9p** | 10.0p | 13.9p |
| Diluted earnings per share: | | | |
| **From profit for the period** | **8.7p** | 9.7p | 13.4p |

### *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 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| Underlying earnings for the period (note 3) | **8.9** | 8.1 | 17.6 |

| | **6 months to 30 September 2017 (unaudited)** | 6 months to 30 September 2016 (unaudited) | Year ended 31 March 2017 (audited) |
|---|---|---|---|
| Basic underlying earnings per share | **14.5p** | 13.2p | 28.8p |
| Diluted underlying earnings per share | **14.0p** | 12.9p | 27.8p |

## 6. Taxation

Taxation comprises:

| | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| **Current** | | | |
| UK taxation | **0.8** | 1.1 | 2.0 |
| Overseas taxation | **1.4** | 0.5 | 1.6 |
| **Total current taxation** | **2.2** | 1.6 | 3.6 |
| **Deferred** | | | |
| Origination and reversal of temporary differences | **(0.3)** | — | (0.6) |
| **Total tax charge** | **1.9** | 1.6 | 3.0 |

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 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| Deferred tax asset at the beginning of the period | **11.0** | 10.0 | 10.0 |
| Credited to the income statement | **0.3** | — | 0.6 |
| (Charged)/credited to the statement of comprehensive income | **(1.9)** | 6.2 | 0.3 |
| Exchange movement | **—** | — | 0.1 |
| Deferred tax asset at the end of the period | **9.4** | 16.2 | 11.0 |

| | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| Accelerated capital allowances | **1.1** | 0.6 | 1.2 |
| Tax losses | — | 0.7 | — |
| Other timing differences | **(0.6)** | (1.7) | (0.9) |
| Deferred tax asset relating to pension deficit | **8.9** | 16.6 | 10.7 |
| | **9.4** | 16.2 | 11.0 |

### 7. Finance income and costs

| | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| **Finance costs** | | | |
| Interest payable on bank borrowings | **0.2** | 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 | **1.3** | — | 2.2 |
| **Finance costs** | **1.6** | 0.6 | 3.3 |
| **Finance income** | | | |
| Movement on fair value of derivative financial instruments | **—** | (0.5) | — |
| **Total finance income** | **—** | (0.5) | — |

### 8. Borrowings

| | **At 30 September 2017 (unaudited) £m** | At 30 September 2016 (unaudited) (restated) £m | At 31 March 2017 (audited) £m |
|---|---|---|---|
| **Non-current** | | | |
| Bank borrowings (unsecured): | | | |
| – bank loans | **30.0** | 34.0 | 30.0 |
| – less: costs of raising finance | **(0.1)** | (0.3) | (0.2) |
| **Total non-current** | **29.9** | 33.7 | 29.8 |
| **Current** | | | |
| Bank borrowings (unsecured): | | | |
| – bank overdrafts | **8.8** | 26.0 | 30.9 |
| **Total borrowings** | **38.7** | 59.7 | 60.7 |

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 2017 (unaudited) £m | At 30 September 2016 (unaudited) (restated) £m | At 31 March 2017 (audited) £m |
|---|---|---|---|
| Not later than one year | **8.8** | 26.0 | 30.9 |
| After more than one year: | | | |
| – between one and two years | **—** | — | — |
| – later than two years and not later than five years | **30.0** | 34.0 | 30.0 |
| – costs of raising finance | **(0.1)** | (0.3) | (0.2) |
| | **29.9** | 33.7 | 29.8 |
| **Total borrowings** | **38.7** | 59.7 | 60.7 |

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, though the Group is seeking to amend and extend this facility as explained in note 15.

***Net debt***

The Group's net debt is calculated as follows:

| | At 30 September 2017 (unaudited) £m | At 30 September 2016 (unaudited) (restated) £m | At 31 March 2017 (audited) £m |
|---|---|---|---|
| Cash and cash equivalents | **(17.9)** | (32.2) | (37.5) |
| Total borrowings | **38.7** | 59.7 | 60.7 |
| **Net debt** | **20.8** | 27.5 | 23.2 |

### 9. Called up share capital

| | At 30 September 2017 (unaudited) £m | At 30 September 2016 (unaudited) £m | At 31 March 2017 (audited) £m |
|---|---|---|---|
| **Issued and fully paid** | | | |
| 61,653,134 ordinary shares of 10p each | **6.2** | 6.1 | 6.1 |

In 2009 the Company executed a warrant instrument in favour of its principal banks of the day over 5% of its fully diluted ordinary share capital excluding any shares issued as part of a capital raising. The remaining warrants were exercised during the period resulting in the Company issuing 371,030 ordinary shares of 10p each. A further 22,438 ordinary shares of 10p were issued during the period to satisfy vestings of options under the Company's Approved Performance Share Plan and SAYE schemes.

### 10. Consolidated Cash Flow Statements

#### *(a) Cash generated from continuing operations*

| | **6 months to 30 September 2017 (unaudited) £m** | 6 months to 30 September 2016 (unaudited) £m | Year ended 31 March 2017 (audited) £m |
|---|---|---|---|
| Profit before taxation | **7.4** | 7.7 | 11.5 |
| Adjustments for: | | | |
| – IAS 19R administrative expenses included in the above | **0.7** | 0.9 | 2.0 |
| – acquisition related costs included in the above | **1.2** | 1.3 | 2.7 |
| – exceptional operating items included in the above | **—** | — | 2.3 |
| – cash flows from exceptional items and acquisition related costs | **(2.0)** | (1.0) | (1.8) |
| – depreciation | **3.1** | 3.1 | 6.4 |
| – pension fund deficit recovery plan contributions | **(1.3)** | (1.2) | (2.5) |
| – finance costs | **1.6** | 0.6 | 3.3 |
| – finance income | **—** | (0.5) | — |
| – IAS 19R finance cost | **0.8** | 1.0 | 2.0 |
| – share-based payments | **0.7** | 0.7 | 1.4 |
| **Operating cash flows before movements in working capital** | **12.2** | 12.6 | 27.3 |
| Changes in working capital: | | | |
| – increase in inventories | **(2.9)** | (4.9) | (5.1) |
| – decrease/(increase) in trade and other receivables | **0.2** | (1.2) | (3.7) |
| – increase in trade and other payables | **3.4** | 7.3 | 7.0 |
| **Cash generated from continuing operations** | **12.9** | 13.8 | 25.5 |

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 2016 | 3.1 | (35.6) | (32.5) |
| Cash flow | 1.8 | 6.0 | 7.8 |
| Other non-cash movements | — | (0.2) | (0.2) |
| Exchange movement | 1.7 | — | 1.7 |
| At 31 March 2017 | 6.6 | (29.8) | (23.2) |
| 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) |
| At 1 April 2017 | 6.6 | (29.8) | (23.2) |
| Cash flow | 3.5 | — | 3.5 |
| Other non-cash movements | — | (0.1) | (0.1) |
| Exchange movement | (1.0) | — | (1.0) |
| **At 30 September 2017** | **9.1** | **(29.9)** | **(20.8)** |

### 11. Dividends

A final dividend in respect of the year ended 31 March 2017 of £3.0m (4.8p per 10p ordinary share) was paid on 3 August 2017. On 16 November 2017 the Board declared an interim dividend in respect of the year ended 31 March 2018 of 2.6p per 10p ordinary share. This dividend will be paid on 12 January 2018 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 the Group's UK 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 2017. Scheme assets are stated at their market value at 30 September 2017.

### *(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 2017** | At 30 September 2016 | At 31 March 2017 |
|---|---|---|---|
| Discount rate | **2.70%** | 2.25% | 2.60% |
| Inflation rate (RPI) | **3.15%** | 3.00% | 3.15% |
| Inflation (CPI) | **2.15%** | 2.00% | 2.15% |
| Salary increases | **2.40%** | 2.25% | 2.40% |

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

| | **At 30 September 2017 (unaudited) £m** | At 30 September 2016 (unaudited) £m | At 31 March 2017 (audited) £m |
|---|---|---|---|
| Total market value of scheme assets | **402.6** | 403.7 | 404.4 |
| Present value of scheme liabilities | **(454.7)** | (501.5) | (467.1) |
| Pension deficit | **(52.1)** | (97.8) | (62.7) |

## 13. 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 2018.

## 14. 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 2017 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 2017 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 2017** | | At 30 September 2016 | | At 31 March 2017 | |
|---|---|---|---|---|---|---|
| | **Assets (unaudited) £m** | **Liabilities (unaudited) £m** | Assets (unaudited) £m | Liabilities (unaudited) £m | Assets (audited) £m | Liabilities (audited) £m |
| Forward foreign exchange contracts: | | | | | | |
| – current | **0.3** | **(1.7)** | 3.1 | (0.4) | 0.7 | (0.8) |

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.

**15. Post balance sheet events**

***Acquisition of Merlyn Industries Limited, capital raising and amendment of banking facilities***

On 2 November 2017, the Group provisionally agreed the acquisition of Merlyn Industries Limited (Merlyn), a manufacturer and distributor of shower enclosures, screens and trays based in the UK and Republic of Ireland, for total consideration of £60.0m on a debt free, cash free basis (subject to certain adjustments). Legal completion of the acquisition is subject to shareholder approval at a general meeting of the Company to be held at the offices of Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE on 22 November 2017 at 10.00 am.

If approved, the transaction will be part-funded by a £31.4m firm placing, placing and open offer of 18,254,161 ordinary shares at 172 pence per share.

Additionally, if the transaction is approved, the Company will enter into an amendment and restatement agreement with its bankers to increase the existing unsecured £70m revolving credit facility (with a £30m accordion facility) to an unsecured £120m revolving credit facility (with a £30m accordion facility). If entered into, the new facility would have a four year tenure with an optional fifth year (subject to bank approval). The increased facility would be used to fund the balance of the consideration payable for Merlyn, together with fees associated with the proposed transaction and funding structure which are expected to be approximately £4.0m.

Should the resolutions at the general meeting be passed, it is expected that legal completion of the acquisition of Merlyn, admission of new shares to trading on the main market and amendment and restatement of the banking facilities will be effective from 23 November 2017.

# 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 2017 Annual Report.

By order of the Board

| | |
|---|---|
| **N. P. Kelsall** | **S. M. Smith** |
| ***Group Chief Executive*** | ***Group Finance Director*** |
| 16 November 2017 | 16 November 2017 |