norcros

15 November 2018

Norcros plc

Results for the six months ended 30 September 2018

'Robust performance in a challenging market environment'

Norcros, a market leading supplier of high quality and innovative bathroom and kitchen products, today announces its results for the six months ended 30 September 2018.

Financial Summary

	Six months ended 30 September 2018	Six months ended 30 September 2017	% change as reported	% change at constant currency
Revenue	**£162.6m**	£145.0m	+12.1%	+13.3%
Underlying* operating profit	**£15.2m**	£11.7m	+29.9%	
Underlying* profit before tax	**£14.2m**	£11.5m	+23.5%	
Profit before tax	**£15.2m**	£7.4m	+105.4%	
Diluted underlying EPS*	**13.9p**	14.0p	-0.7%	
Interim dividend per share	**2.8p**	2.6p	+7.7%	
Net debt	**£53.5m**	£20.8m		

* Definitions of alternative performance measures are provided in note 3

Highlights

- Revenue increased by 12.1% and 13.3% on a constant currency basis
- Underlying operating profit increased by 29.9% to £15.2m
- Merlyn performed strongly, in line with our expectations
- Triton's strong momentum sustained
- Johnson Tiles UK returned to profit following restructuring
- South Africa revenue increased by 7.1% on a constant currency basis
- Return on sales increased to 9.3% (2017: 8.1%)
- Interim dividend increased by 7.7% to 2.8p per share

Martin Towers, Chairman, commented:

"I am pleased to report a robust set of results for the six months ended 30 September 2018 in what has been a challenging market environment. This performance continues to demonstrate the strength of our market positions, our leading brands and the financial resilience of our diversified business model. The Board remains confident that these attributes will continue to drive market outperformance and will enable the Group to make further progress in line with its expectations for the year to 31 March 2019."

There will be a presentation today at 9.30 am for analysts at the offices of Hudson Sandler, 25 Charterhouse Square, London, EC1M 6AE. 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
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Nick Lyon
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Notes to Editors

- Norcros is a market leading supplier of high quality and innovative bathroom and kitchen products with operations primarily in the UK and South Africa.

- Based in the UK, Norcros operates under seven brands:
  - Triton - Market leader in the manufacture and marketing of showers in the UK
  - Merlyn - the UK and Ireland's No. 1 supplier of shower enclosures and trays to the residential, commercial and hospitality sectors
  - 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 2,100 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 set of results for the six months ended 30 September 2018 against a backdrop of a challenging market environment. These results continue to demonstrate the resilience of the Group's diversified portfolio and the strength of its market leading positions and brands. The Group has delivered a strong performance in line with the Board's expectations.

Market conditions in the UK retail sector and a number of export markets were particularly challenging. However, given the increasing focus on the UK trade segment and the contribution from Merlyn, UK revenue grew by 16.5% in the first half. In South Africa, despite the general economic slow down and technical recession, constant currency revenue increased by 7.1% in the period.

Underlying operating profit increased by £3.5m to £15.2m (2017: £11.7m). In the UK, underlying operating profit was £11.4m (2017: £7.4m), reflecting the contribution from the Merlyn acquisition, a return to profit at Johnson Tiles UK following the restructuring and a strong performance from Triton building on the benefits from last year's national TV advertising campaign. Our South African business, in a challenging political and economic environment, delivered an underlying operating profit of £3.8m (2017: £4.3m), reflecting the weaker Rand as well as the impact from the planned shutdown at our manufacturing plant at Johnson Tiles South Africa (JTSA) to effect a 10% increase in capacity. We will begin to realise the benefits of this in the second half.

Results

For the six-month period to 30 September 2018, Group revenue increased by 13.3% on a constant currency basis from £145.0m to £162.6m and on a reported basis, due to the weaker Rand relative to Sterling, increased by 12.1%. On a like for like constant currency basis Group revenue was 0.3% lower. This performance reflected strong organic revenue growth of 4.4% in the Group, excluding the significantly lower revenue from Johnson Tiles UK which was anticipated and largely due to the Kingfisher unified programme as previously reported.

Underlying operating profit increased 29.9% to £15.2m (2017: £11.7m) principally reflecting the contribution from the Merlyn business (acquired November 2017), the return to profitability at Johnson Tiles UK and the strong performance at Triton. The return on sales was 9.3% (2017: 8.1%).

Operating profit increased to £12.6m (2017: £9.8m) resulting from the improvement in underlying operating profit offset partly by higher acquisition related costs of £1.9m (2017: £1.2m) reflecting increased intangible amortisation related to the Merlyn acquisition.

Underlying profit before taxation increased by 23.5% to £14.2m (2017: £11.5m) reflecting the improvement in underlying operating profit partly offset by increased bank interest payable following the Merlyn acquisition.

Profit before taxation was £15.2m (2017: £7.4m). The non-cash movement in the fair value of derivatives is mainly due to the weakening of Sterling against the US dollar, resulting in a credit of £4.3m being recognised in the period, compared with a charge of £1.3m in the prior period. The IAS 19R finance cost was £0.6m compared with £0.8m, reflecting the lower pension deficit.

Diluted underlying earnings per share were 0.7% lower at 13.9p (2017: 14.0p), reflecting the short-term impact of the increased number of shares in issue and the additional financing costs related to the Merlyn acquisition.

Financial

The Group generated an underlying operating cash flow of £11.4m (2017: £16.2m). This mainly reflected additional investment in inventory due to planned new product launches, new business wins and lower than expected revenues in a number of export markets. Capital expenditure at £3.6m (2017: £4.1m) included investment in the capacity expansion at JTSA, two store upgrades in TAF and new product development. Net debt at 30 September 2018 was £6.4m higher than at 31 March 2018 at £53.5m, representing pro-forma leverage of 1.4 times underlying EBITDA. Cashflow management remains a key focus in the Group.

Pension scheme

The gross deficit relating to our UK defined benefit pension scheme as calculated under IAS 19R has reduced from £48.0m at 31 March 2018 to £28.8m at 30 September 2018, primarily due to a 0.3% increase in the discount rate to 2.95% (31 March 2018: 2.65%) reflecting an increase in bond yields. We remain confident that our pension obligations continue to be appropriately funded and well managed, with the Company due to pay £2.6m this year into the scheme in accordance with the agreement made with the Trustee in April 2016 based on the triennial valuation dated 1 April 2015. A new triennial valuation dated 1 April 2018 together with an updated deficit recovery plan is in the process of being agreed with the Trustee.

Dividend

The Board is declaring an interim dividend of 2.8p per share reflecting the strong first half performance and its confidence in the Group's prospects. This represents an increase of 7.7% over the interim dividend from the previous year of 2.6p per ordinary share. The dividend is payable on 11 January 2019 to shareholders on the register on 30 November 2018. The shares will be quoted ex-dividend on 29 November 2018.

Brexit

The impact of Brexit on the Group remains an important short term consideration for our businesses with potential consequences ranging from increases in cost prices, additional tariffs, lower consumer confidence levels and supply chain disruption. We have identified specific risks relevant to our business and prepared mitigation plans which are well developed. However, at this stage, the high level of uncertainty of both the financial and political implications of Brexit make the success of mitigation activities difficult to predict.

Operating review

UK

Our UK businesses achieved revenue of £109.9m (2017: £94.3m), representing growth of 16.5% in the six-month period to 30 September 2018. This includes a contribution of £19.5m from the Merlyn business (acquired November 2017). On a like for like basis (excluding revenues from Merlyn), total revenue was 4.1% lower than the prior year. This was largely due to significantly lower retail revenues at Johnson Tiles, which was anticipated and mainly due to the Kingfisher unified programme as previously reported. Johnson Tiles apart, first half UK like for like revenue was 2.5% higher. Underlying operating profit grew by £4.0m to £11.4m (2017: £7.4m) with an operating margin of 10.4% (2017: 7.8%). This mainly reflected the contribution from the Merlyn acquisition, combined with a return to profit at Johnson Tiles following the restructuring, and a strong performance from Triton.

Triton

Our market leading shower operation, Triton, recorded revenue 9.8% higher for the six-month period to 30 September 2018; with revenue of £26.9m (2017: £24.5m). Pleasingly this was achieved by building on the growth of 7.0% from the last financial year and reflects growth in both our UK and export markets.

UK revenue was 10.7% higher than the prior year, with growth in the Retail, Online and Trade segments reflecting new product introductions, continued strong promotional activity and range listing gains across major national customers. With a continued strong performance across its UK customer base, Triton further strengthened its market and brand leading position in showering. This was achieved through best in class customer service, the continued introduction of innovative new products and increased consumer awareness driven by the consumer and trade brand marketing campaign, 'See you first thing Britain'.

Triton continued to grow its business in Ireland and other export markets with export revenue up 6.1% on the prior year driven by the addition of new product lines and range improvements.

Triton delivered strong underlying operating profit growth in the first half and excellent cash conversion.

Merlyn

Merlyn, the UK and Ireland's No. 1 supplier of shower enclosures and trays to the residential, commercial and hospitality sectors continued to perform strongly and recorded revenue of £19.5m for the period, growth of 13.4% on the prior year when it was not under Norcros ownership.

Trade sector revenue grew 20% with the specification channel being the main driver in addition to revenue growth from contracts awarded in the prior year. In the wider trade sector, Wolseley are extending the Merlyn product offering and the product is now being displayed in City Plumbing Supplies showrooms. A major account win with Bloor Homes was also secured in the period.

UK retail revenue grew 9.4% in the period driven by the rollout of new product ranges including Merlyn Black, Series 6 Frameless and Arysto Six & Eight, in addition to strong revenue growth with independent retailers and buying groups. Ireland performed strongly with 12% revenue growth on the prior year. During the period, Merlyn were awarded "Supplier of the Year" by both the PHG buying group and Graham Plumbing Merchants.

Merlyn has invested further in the period, with additional sales resource to target the specification and housebuilder segments, and in customer service and training. The growing emphasis on the bathroom within the home together with a premiumisation trend has led to an increasing share of revenue with Merlyn's top customers. Merlyn achieved ISO14001:2015 certification and was recommended for ISO45001 certification in the period, further enhancing its quality credentials. Merlyn continues to pursue several Group synergy initiatives including new accounts and procurement savings.

Merlyn contributed an underlying operating profit and cash generation in line with the Board's expectations.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded revenue of £19.7m for the period (2017: £20.8m), 5.3% lower than the prior year. UK revenue grew by 6.0% with particularly strong progress in the trade sector where Vado achieved 15% growth in its specification business with contract renewals completed with several key specification clients. Export revenue declined by 35% on the prior year where the markets for non-Vado branded products were more challenging despite seeing Vado branded products demonstrating strong growth.

Investment in new product has been maintained in the period, with the launch of Sensori, an exciting collection of digital showers that is part of a joint new product development initiative with Triton. Market reaction has been positive, providing Vado with an excellent platform to increase share in this growing product category. Additionally, Vado launched 12 new showering products in the period including the Horizon range that features innovative cross spray technology. A strong new product pipeline continues to give further scope for growth.

Despite lower revenue, underlying operating profit was in line with the previous year reflecting tight control of the overhead base in the period.

Croydex

Croydex, our market leading, innovative designer, manufacturer and distributor of high-quality bathroom furnishings and accessories, recorded revenue of £10.8m (2017: £12.3m) for the period, 12.2% lower than the prior year.

UK revenue was 12.1% lower reflecting the challenging UK retail environment. Revenue performance was significantly impacted by the performance and subsequent change in ownership of the Homebase Bunnings business, a major customer of Croydex. The withdrawal of trade credit insurance meant that trading was negligible in the second quarter as the Group actively reduced its exposure. The Group has recently recommenced trading on a significantly reduced credit limit and is continuing to work with Homebase and the trade credit insurers to reintroduce cover and a higher credit limit. Offsetting this to a degree was a robust performance in the trade sector where revenue grew by 5.4% over last year, driven by growth from National merchant groups and new product listings at Screwfix. Additionally, Croydex benefitted from a focussed approach to on-line and E-Commerce channels, with UK revenues growing significantly.

Underlying operating profit was markedly lower than last year reflecting the reduction in UK revenue, albeit cash generation remained strong.

Abode

Abode, our niche designer and distributor of high-quality hot water taps, bathroom brassware, kitchen taps and sinks, recorded a 12.3% increase in revenue to £7.3m for the period (2017: £6.5m).

The business grew revenue across trade, retail and export sectors reflecting a comprehensive programme of new product introductions and range enhancements. The Pronteau hot water tap, which was first introduced in 2016, continues to be a great success and has benefited from range extensions and further innovations expanding the offer. Continued marketing investment in retail displays has expanded the retail footprint to over 900 showroom displays across the UK & Ireland including John Lewis stores. The business also rolled out Abode and Pronteau branded products to Wickes and Benchmarx stores in the latter part of the previous financial year, and the early results are encouraging.

Underlying operating profit was ahead of last year reflecting the strong revenue growth.

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 21.7% lower than the same period last year at £20.2m (2017: £25.8m).

UK retail revenue was 35.7% lower than last year due principally to the previously reported and anticipated impact of the Kingfisher unification programme. In the retail sector new ranges introduced in Wickes in the prior year performed well with revenue with this account increasing by 5%.

UK trade sector revenue was 11.6% lower than last year, resulting from a combination of softer market conditions, a decline in the social housing market as budgets have been diverted away from bathroom refurbishments and the exit of marginal business. The Johnson Tiles service model, coupled with extensive specification expertise, has led to good progress with a number of key customers and the supply to several major contracts including: Royal Wharf in London, Trinity Way in Manchester, Tottenham Hotspur's new stadium and the Manchester Business School.

Softer market conditions in France and the planned exiting of low margin projects in the Middle East impacted export revenue, which was 8.0% lower than last year.

As previously reported, a major restructuring programme was announced at the start of the period. The restructuring has been executed in line with the plan whilst maintaining operational efficiency and improving customer service levels. It is pleasing to report that the actions to cut costs and exit low margin business, have improved gross margins and that the business has returned to profitability.

Johnson Tiles continued to invest significantly in developing the market for Cristal Grip during the year. The product continues to be sold through all Leroy Merlin outlets in France and has been rolled out to 50 Bauhaus stores in Germany in the period. It is also being tested by a number of UK retailers as a display mechanism for showroom displays.

Johnson Tiles returned to profit and cash generation in the period.

Norcros Adhesives

Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, recorded revenue 25.0% higher than the prior year at £5.5m (2017: £4.4m).

Revenue grew by 31% in the retail sector, largely reflecting share gains in Wickes and Travis Perkins in the period. UK trade revenue was 7.7% ahead of last year, reflecting growth in B&Q Tradepoint and growth in the direct fixer segment.

Our Middle East operation continues to gain strong momentum with revenue doubling and has supplied a number of major projects in the region including the prestigious Bahrain Airport, Mansion Villas, Meydan Hotel and Viceroy Dubai.

The business has successfully renewed both its ISO9001 and ISO14001 accreditations to the latest (2015) standards in the period, maintained Gold Standard from the Supply Chain Sustainability School (which is partnered with the housebuilder Barratts) and has won an industry award from The Tile Association relating to the best environmental initiative for the third successive year.

Underlying profit was lower than the previous year reflecting investment in selling resource and new business development in both the UK and the Middle East. This investment and the associated increase in revenue is expected to benefit profitability in the second half.

South Africa

Norcros South Africa has delivered a resilient performance in a difficult trading environment. Following a period of political and policy uncertainty, both in South Africa and internationally, South Africa has experienced lower levels of public and private sector investment which contributed to the country slipping into a technical recession in the first half of the year. Despite this, our revenue grew by 7.1% in constant currency and by 3.9% on a Sterling reported basis to £52.7m in the six-month period compared with £50.7m in the prior year. The average exchange rate during the period was ZAR 17.64 (2017: ZAR 17.11). Underlying constant currency operating profit for the period was lower than the prior year reflecting the impact of a planned and non-comparable plant shutdown at JTSA which enabled a capacity expansion and plant upgrade programme.

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business in South Africa, has delivered strong independent revenue growth of 38.6% in constant currency from new and existing customers reflecting the well-developed new product development pipeline. On a Sterling reported basis, revenue was 33.9% higher at £7.9m (2017: £5.9m). The revenue growth has been driven through both retail and commercial segments, with good growth into the commercial housebuilder segment.

The plant upgrade and expansion programme was successfully completed in the period and will add necessary capacity and improve plant stability in key areas.

Although underlying operating profit in the period was impacted by the planned factory shutdown it is expected that the higher plant capacity and associated revenue growth will deliver full year operating profit growth.

TAL

Our market leading adhesive business in South Africa, TAL, delivered constant currency independent sector revenue growth of 5.0% in the period, despite a general slowdown in the market. On a Sterling reported basis revenue was 2.4% higher at £12.6m (2017: £12.3m). TAL supplied several prestigious projects including the Mams Mall in Gauteng and the Acornhoek Mall in Mpumalanga. Work has also recently commenced on a commercial development called “The Mark” in Sandton, Gauteng.

Our TAL Laboratory in Olifantsfontein was awarded the ISO 17025 accreditation, becoming the first tile adhesive laboratory in Africa to be awarded this certification.

Notwithstanding the tough market conditions, further progress in manufacturing efficiencies and careful control of overheads has helped TAL marginally increase operating profit and maintain an excellent level of cash conversion.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, recorded revenue 2.2% higher on a constant currency basis benefitting from the launch of new tile ranges and excellent bathroom and tap category growth, driven in part by access to the wider-group supply chain. On a Sterling reported basis revenue was 0.9% lower at £32.2m (2017: £32.5m). Our recent entry into commercial bathroom fitting specifications has seen our products specified in sizeable projects, such as in the Marriot Hotel in Pretoria. Our ability to provide a one-stop-shop in the specification sector in terms of bathroom and kitchen floors, walls and fittings will provide further opportunities for growth.

Tile Africa upgraded two stores during the period (Pietermaritzburg and Polokwane South) and closed one store in Pinetown which had reached the end of its lease. Tile Africa currently has 31 owned stores and 2 franchise stores. A new store in Polokwane North will be opened in the second half of this year, and a further two stores are planned in the next financial year.

Underlying operating profit was slightly above last year, reflecting the increased revenue as well as the benefit of the cost savings implemented in the second half of last year.

Summary and outlook

The Group has delivered a substantial increase in underlying operating profit in the six months to 30 September 2018 against the backdrop of a challenging trading environment in our key markets. This growth reflects the successful integration and performance of the recently acquired Merlyn business, the return to profitability of the Johnson Tiles UK business, the strong performance of our market leading Triton business and share gains in a number of our other brands. The robust performance in the first half continues to demonstrate the strength of our market positions, our leading brands and the financial resilience of our diversified business model. The Board remains confident that these attributes will continue to drive market outperformance and will enable the Group to make further progress in line with its expectations for the year to 31 March 2019.

Martin Towers
Chairman
15 November 2018

Condensed consolidated income statement

Six months to 30 September 2018

	Notes	**6 months to 30 September 2018 (unaudited) £m**	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Continuing operations				
Revenue		**162.6**	145.0	300.1
Underlying operating profit		**15.2**	11.7	27.4
IAS 19R administrative expenses		**(0.7)**	(0.7)	(1.4)
Acquisition related costs	4	**(1.9)**	(1.2)	(4.3)
Exceptional operating items	4	**—**	—	(2.1)
Operating profit		**12.6**	9.8	19.6
Finance costs	7	**(1.1)**	(1.6)	(4.5)
Finance income	7	**4.3**	—	—
IAS 19R finance cost		**(0.6)**	(0.8)	(1.6)
Profit before taxation		**15.2**	7.4	13.5
Taxation	6	**(3.2)**	(1.9)	(3.6)
Profit for the period from continuing operations		**12.0**	5.5	9.9
Earnings per share attributable to the owners of the Company				
Basic earnings per share:				
From profit for the period	5	**15.1p**	8.9p	14.5p
Diluted earnings per share:				
From profit for the period	5	**14.9p**	8.7p	14.1p
Weighted average number of shares for basic earnings per share (millions)	5	**80.1**	61.5	68.0
Alternative performance measures				
Underlying profit before taxation (£m)	3	**14.2**	11.5	26.3
Underlying earnings (£m)	3	**11.2**	8.9	20.6
Basic underlying earnings per share	5	**14.0p**	14.5p	30.3p
Diluted underlying earnings per share	5	**13.9p**	14.0p	29.5p

Condensed consolidated statement of comprehensive income

Six months to 30 September 2018

	6 months to 30 September 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Profit for the period	**12.0**	5.5	9.9
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the income statement			
Actuarial gains on retirement benefit obligations	**15.9**	9.0	12.6
Items that may be subsequently reclassified to the income statement			
Foreign currency translation adjustments	**(5.1)**	(3.7)	0.4
Other comprehensive income for the period	**10.8**	5.3	13.0
Total comprehensive income for the period	**22.8**	10.8	22.9

Items in the statement are disclosed net of tax.

Condensed consolidated balance sheet

At 30 September 2018

	Notes	**At 30 September 2018 (unaudited) £m**	At 30 September 2017 (unaudited) £m	At 31 March 2018 (audited) £m
Non-current assets				
Goodwill		**56.3**	30.9	56.6
Intangible assets		**40.3**	13.0	42.3
Property, plant and equipment		**42.8**	42.3	45.0
Deferred tax assets	6	**0.7**	9.4	4.0
		140.1	95.6	147.9
Current assets				
Inventories		**79.8**	71.2	74.9
Trade and other receivables		**65.7**	54.8	64.4
Derivative financial instruments	14	**1.0**	0.3	—
Cash and cash equivalents	8	**22.0**	17.9	25.8
		168.5	144.2	165.1
Current liabilities				
Trade and other liabilities		**(75.0)**	(73.3)	(77.0)
Derivative financial instruments	14	**—**	(1.7)	(3.3)
Current tax liabilities		**(2.5)**	(1.5)	(1.0)
Financial liabilities – borrowings	8	**—**	(8.8)	(8.5)
		(77.5)	(85.3)	(89.8)
Net current assets		**91.0**	58.9	75.3
Total assets less current liabilities		**231.1**	154.5	223.2
Non-current liabilities				
Financial liabilities – borrowings	8	**(75.5)**	(29.9)	(64.4)
Pension scheme liability	12	**(28.8)**	(52.1)	(48.0)
Other non-current liabilities		**(1.1)**	(3.7)	(1.3)
Provisions		**(3.4)**	(3.6)	(4.9)
		(108.8)	(89.3)	(118.6)
Net assets		**122.3**	65.2	104.6
Financed by:				
Ordinary share capital	9	**8.0**	6.2	8.0
Share premium		**29.7**	1.4	29.7
Retained earnings and other reserves		**84.6**	57.6	66.9
Total equity		**122.3**	65.2	104.6

Condensed consolidated statement of cash flow

Six months to 30 September 2018

	Notes	**6 months to 30 September 2018 (unaudited) £m**	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Cash generated from operations	10	**8.7**	12.9	23.5
Income taxes paid		**(1.9)**	(2.5)	(4.9)
Interest paid		**(1.1)**	(0.2)	(1.1)
Net cash generated from operating activities		**5.7**	10.2	17.5
Cash flows from investing activities				
Purchase of property, plant and equipment		**(3.6)**	(4.1)	(7.7)
Proceeds on disposal of property, plant and equipment		**0.1**	—	—
Acquisition of subsidiary undertakings (including payment of deferred consideration)		**(2.0)**	—	(59.1)
Net cash used in from investing activities		**(5.5)**	(4.1)	(66.8)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**—**	0.4	32.1
Costs of equity issue		**—**	—	(1.6)
Purchase of treasury shares		**(1.1)**	—	(0.4)
Costs of raising debt finance		**—**	—	(0.6)
Drawdown of borrowings		**11.0**	—	35.0
Dividends paid to equity shareholders		**(4.1)**	(3.0)	(5.0)
Net cash used in financing activities		**5.8**	(2.6)	59.5
Net increase in cash at bank and in hand and bank overdrafts		**6.0**	3.5	10.2
Cash at bank and in hand and bank overdrafts at beginning of the period		**17.3**	6.6	6.6
Exchange movements on cash and bank overdrafts		**(1.3)**	(1.0)	0.5
Cash at bank and in hand and bank overdrafts at end of the period		**22.0**	9.1	17.3

Alternative performance measures				
Underlying operating cash flow	3	**11.4**	16.2	31.0

Condensed consolidated statements of changes in equity

Six months to 30 September 2018 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 March 2018	8.0	29.7	—	(6.3)	73.2	104.6
Comprehensive income:						
Profit for the period	—	—	—	—	12.0	12.0
Other comprehensive (expense)/income:						
Actuarial gain on retirement benefit obligations	—	—	—	—	15.9	15.9
Foreign currency translation adjustments	—	—	—	(5.1)	—	(5.1)
Total other comprehensive (expense)/income	—	—	—	(5.1)	15.9	10.8
Transactions with owners:						
Purchase of treasury shares	—	—	(1.1)	—	—	(1.1)
Settlement of share option schemes	—	—	0.8	—	(1.4)	(0.6)
Dividends paid	—	—	—	—	(4.1)	(4.1)
Value of employee services	—	—	—	—	0.7	0.7
At 30 September 2018	**8.0**	**29.7**	**(0.3)**	**(11.4)**	**96.3**	**122.3**

Six months to 30 September 2017 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings/ £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 income/(expense):						
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)
Value of employee services	—	—	—	—	0.4	0.4
At 30 September 2017	6.2	1.4	—	(10.4)	68.0	65.2

Year ended 31 March 2018 (audited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings/ £m	Total £m
At 31 March 2017	6.1	1.1	—	(6.7)	56.1	56.6
Comprehensive income:						
Profit for the year	—	—	—	—	9.9	9.9
Other comprehensive income:						
Actuarial loss on retirement benefit obligations	—	—	—	—	12.6	12.6
Foreign currency translation adjustments	—	—		0.4	—	0.4
Total other comprehensive income/(expense)	—	—	—	0.4	12.6	13.0
Transactions with owners:						
Shares issued	1.9	28.6	—	—	—	30.5
Dividends paid	—	—	—	—	(5.0)	(5.0)
Purchase of treasury shares	—	—	(0.4)	—	—	(0.4)
Cash-settled share options	—	—	—	—	(0.9)	(0.9)
Equity-settled share options	—	—	0.4	—	(0.4)	—
Value of employee services	—	—	—	—	0.9	0.9
At 31 March 2018	8.0	29.7	—	(6.3)	73.2	104.6

Notes to the accounts

Six months to 30 September 2018

1. Accounting policies

General information

The principal activities of Norcros plc (“the Company”) and its subsidiaries (together “the Group”) are the design, manufacture and distribution of a range of high quality and innovative bathroom and kitchen products mainly in the UK and South Africa.

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 15 November 2018 and does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has neither been audited nor reviewed.

Basis of preparation

This condensed consolidated interim financial information for the six months to 30 September 2018 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 2018, which has been prepared in accordance with IFRS as adopted by the European Union. The Annual Report and Accounts was approved by the Board on 13 June 2018 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 2018. 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 2018.

The Group has adopted the following new standards, amendments and interpretations now applicable.

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

As at 1 April 2018, the Group adopted IFRS 9 ‘Financial instruments’ and IFRS 15 ‘Revenue from contracts with customers. Apart from these standards, the same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. None of the new or revised standards adopted in the current period have had a material impact on the Group's financial statements.

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 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 16, the potential impacts of which continue to be 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 will result in an increase in gross assets and gross liabilities.

Risks and uncertainties

The principal risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 27 to 30 in the 2018 Annual Report, which is available on the Group's website (www.norcros.com). The principal risks are: cyber risk and data loss, uncertainty surrounding Brexit, market conditions, foreign currency exchange risk, pension scheme management, 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 and acquisition risk.

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 be correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Accounting estimates and judgments

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2018.

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.

		6 months to 30 September 2018 (unaudited)		
	Notes	**UK £m**	**South Africa £m**	**Group £m**
Revenue		**109.9**	**52.7**	**162.6**
Underlying operating profit		**11.4**	**3.8**	**15.2**
IAS 19R administrative expenses		**(0.7)**	**—**	**(0.7)**
Acquisition related costs	4	**(1.8)**	**(0.1)**	**(1.9)**
Operating profit		**8.9**	**3.7**	**12.6**
Finance income (net)				**2.6**
Profit before taxation				**15.2**
Taxation	6			**(3.2)**
Profit from continuing operations				**12.0**
Net debt	10			**(53.5)**

		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)**

	Notes	UK £m	South Africa £m	Group £m
		Year ended 31 March 2018 (audited)		
Revenue		200.6	99.5	300.1
Underlying operating profit		18.6	8.8	27.4
IAS 19R administrative expenses		(1.4)	—	(1.4)
Acquisition related costs	4	(4.3)	—	(4.3)
Exceptional operating items	4	(2.1)	—	(2.1)
Operating profit		10.8	8.8	19.6
Finance costs (net)				(6.1)
Profit before taxation				13.5
Taxation	6			(3.6)
Profit for the year from continuing operations				9.9
Net debt	10			(47.1)

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 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Profit before taxation	**15.2**	7.4	13.5
Adjusted for:			
IAS 19R administrative expenses	**0.7**	0.7	1.4
Acquisition related costs	**1.9**	1.2	4.3
Exceptional operating items	**—**	—	2.1
Amortisation of costs of raising finance	**0.1**	0.1	0.3
Net movement on fair value of derivative financial instruments	**(4.3)**	1.3	3.1
IAS 19R finance cost	**0.6**	0.8	1.6
Underlying profit before taxation	**14.2**	11.5	26.3
Taxation attributable to underlying profit before taxation	**(3.0)**	(2.6)	(5.7)
Underlying earnings	**11.2**	8.9	20.6

(b) Underlying EBITDA

	6 months to 30 September 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Operating profit	**12.6**	9.8	19.6
Adjusted for:			
Depreciation	**3.4**	3.1	6.4
IAS 19R administrative expenses	**0.7**	0.7	1.4
Acquisition related costs	**1.9**	1.2	4.3
Exceptional operating items	**—**	—	2.1
Underlying EBITDA	**18.6**	14.8	33.8

Condensed Consolidated Statement of Cash Flow

(a) Underlying profit before taxation and underlying earnings

	6 months to 30 September 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Cash generated from continuing operations (note 10)	**8.7**	12.9	23.5
Adjusted for:			
Cash flows from exceptional items and acquisition related costs	**1.4**	2.0	5.0
Pension fund deficit recovery contributions	**1.3**	1.3	2.5
Underlying operating cash flow	**11.4**	16.2	31.0

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 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Acquisition related costs			
Deferred remuneration[1]	**—**	0.2	(0.3)
Intangible asset amortisation[2]	**1.8**	0.6	2.2
Advisory fees and staff costs[3]	**0.1**	0.4	2.4
	1.9	1.2	4.3

1 In accordance with IFRS 3R, a proportion of the deferred consideration payable to the former shareholders of certain acquired businesses 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 Professional advisory fees incurred in connection with the Group's business combination activities and the costs of maintaining the in-house acquisitions department. During the period to 30 September 2018 the costs of the in-house acquisitions department have been recognised in underlying operating profit.

	6 months to 30 September 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Exceptional operating items			
Restructuring costs[1]	**—**	—	2.1
	—	—	2.1

1 The Group commenced a further restructuring of its UK tiles business in March 2018 at a cost of £2.1m in order to reduce its cost base

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 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Profit for the period	**12.0**	5.5	9.9

	6 months to 30 September 2018 (unaudited) Number	6 months to 30 September 2017 (unaudited) Number	Year ended 31 March 2018 (audited) Number
Weighted average number of shares for basic earnings per share	**80,112,526**	61,458,138	68,043,628
Share options and warrants	**915,632**	1,921,999	1,778,436
Weighted average number of shares for diluted earnings per share	**81,028,158**	63,380,137	69,822,064

	6 months to 30 September 2018 (unaudited)	6 months to 30 September 2017 (unaudited)	Year ended 31 March 2018 (audited)
Basic earnings per share:			
From profit for the period	**15.1p**	8.9p	14.5p
Diluted earnings per share:			
From profit for the period	**14.9p**	8.7p	14.1p

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 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Underlying earnings for the period (note 3)	**11.2**	8.9	20.6

	6 months to 30 September 2018 (unaudited)	6 months to 30 September 2017 (unaudited)	Year ended 31 March 2018 (audited)
Basic underlying earnings per share	**14.0p**	14.5p	30.3p
Diluted underlying earnings per share	**13.9p**	14.0p	29.5p

6. Taxation

Taxation comprises:

	6 months to 30 September 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Current			
UK taxation	**1.7**	0.8	1.0
Overseas taxation	**1.4**	1.4	2.5
Total current taxation	**3.1**	2.2	3.5
Deferred			
Origination and reversal of temporary differences	**0.1**	(0.3)	0.1
Total tax charge	**3.2**	1.9	3.6

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 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Deferred tax asset at the beginning of the period	**4.0**	11.0	11.0
(Charged)/credited to the income statement	**(0.1)**	0.3	(0.1)
Charged to the statement of comprehensive income	**(3.2)**	(1.9)	(2.6)
Acquisitions	**—**	—	(4.3)
Deferred tax asset at the end of the period	**0.7**	9.4	4.0

	6 months to 30 September 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Accelerated capital allowances	**0.2**	1.1	0.2
Tax losses	—	—	0.1
Other timing differences	**(4.4)**	(0.6)	(4.4)
Deferred tax asset relating to pension deficit	**4.9**	8.9	8.1
	0.7	9.4	4.0

7. Finance income and costs

	6 months to 30 September 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Finance costs			
Interest payable on bank borrowings	**1.0**	0.2	1.1
Amortisation of costs of raising debt finance	**0.1**	0.1	0.3
Movement on fair value of derivative financial instruments	**—**	1.3	3.1
Total finance costs	**1.1**	1.6	4.5
Finance income			
Movement on fair value of derivative financial instruments	**4.3**	—	—
Total finance income	**4.3**	—	—

8. Borrowings

	At 30 September 2018 (unaudited) £m	At 30 September 2017 (unaudited) £m	At 31 March 2018 (audited) £m
Non-current			
Bank borrowings (unsecured):			
– bank loans	**76.0**	30.0	65.0
– less: costs of raising finance	**(0.5)**	(0.1)	(0.6)
Total non-current	**75.5**	29.9	64.4
Current			
Bank borrowings (unsecured):			
– bank overdrafts	**—**	8.8	8.5
Total borrowings	**75.5**	38.7	72.9

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 2018 (unaudited) £m	At 30 September 2017 (unaudited) £m	At 31 March 2018 (audited) £m
Not later than one year	**—**	8.8	8.5
After more than one year:			
– later than two years and not later than five years	**76.0**	30.0	65.0
– costs of raising finance	**(0.5)**	(0.1)	(0.6)
	75.5	29.9	64.4
Total borrowings	**75.5**	38.7	72.9

The Group has an unsecured £120m 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 up to November 2021 with an option to extend for one year (subject to bank approval).

Net debt

The Group's net debt is calculated as follows:

	At 30 September 2018 (unaudited) £m	At 30 September 2017 (unaudited) £m	At 31 March 2018 (audited) £m
Cash and cash equivalents	**(22.0)**	(17.9)	(25.8)
Total borrowings	**75.5**	38.7	72.9
Net debt	**53.5**	20.8	47.1

9. Called up share capital

	At 30 September 2018 (unaudited) £m	At 30 September 2017 (unaudited) £m	At 31 March 2018 (audited) £m
Issued and fully paid			
80,292,082 ordinary shares of 10p each	**8.0**	6.2	8.0

During the period 20,505 and 90,159 ordinary shares of 10p were issued to satisfy vestings of options under the Company's SAYE and deferred bonus plan schemes respectively.

10. Consolidated Cash Flow Statements

(a) Cash generated from continuing operations

	6 months to 30 September 2018 (unaudited) £m	6 months to 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Profit before taxation	**15.2**	7.4	13.5
Adjustments for:			
– IAS 19R administrative expenses included in the above	**0.7**	0.7	1.4
– acquisition related costs included in the above	**1.9**	1.2	4.3
– exceptional operating items included in the above	**—**	—	2.1
– cash flows from exceptional items and acquisition related costs	**(1.4)**	(2.0)	(5.0)
– settlement of share options	**—**	—	(0.9)
– depreciation	**3.4**	3.1	6.4
– pension fund deficit recovery plan contributions	**(1.3)**	(1.3)	(2.5)
– finance costs	**1.1**	1.6	4.5
– finance income	**(4.3)**	—	—
– IAS 19R finance cost	**0.6**	0.8	1.6
– share-based payments	**0.7**	0.7	0.9
Operating cash flows before movements in working capital	**16.6**	12.2	26.3
Changes in working capital:			
– increase in inventories	**(7.5)**	(2.9)	(0.5)
– (increase)/decrease in trade and other receivables	**(4.2)**	0.2	4.8
– decrease/(increase) in trade and other payables	**3.8**	3.4	(7.1)
Cash generated from continuing operations	**8.7**	12.9	23.5

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 2017	6.6	(29.8)	(23.2)
Cash flow	10.2	(34.4)	(24.2)
Other non-cash movements	—	(0.2)	(0.2)
Exchange movement	0.5	—	0.5
At 31 March 2018	17.3	(64.4)	(47.1)
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)
At 1 April 2018	17.3	(64.4)	(47.1)
Cash flow	6.0	(11.0)	(5.0)
Other non-cash movements	—	(0.1)	(0.1)
Exchange movement	(1.3)	—	(1.3)
At 30 September 2018	**22.0**	**(75.5)**	**(53.5)**

11. Dividends

A final dividend in respect of the year ended 31 March 2018 of £4.1m (5.2p per 10p ordinary share) was paid on 2 August 2018.

On 15 November 2018 the Board declared an interim dividend in respect of the year ended 31 March 2019 of 2.8p per 10p ordinary share. This dividend is payable on 11 January 2019 to shareholders on the register on 30 November 2018 and is not reflected in this condensed consolidated interim financial information. The shares will be quoted ex-dividend on 29 November 2018. Norcros operates a Dividend Reinvestment Plan (DRIP). If a shareholder wishes to use the DRIP the latest date to elect for this in respect of this interim dividend is 14 December 2018.

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 2018. Scheme assets are stated at their market value at 30 September 2018.

(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 2018	At 30 September 2017	At 31 March 2018
Discount rate	**2.95%**	**2.70%**	2.65%
Inflation rate (RPI)	**3.20%**	**3.15%**	3.10%
Inflation (CPI)	**2.20%**	**2.15%**	2.10%
Salary increases	**2.45%**	**2.40%**	2.35%

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

	At 30 September 2018 (unaudited) £m	At 30 September 2017 (unaudited) £m	At 31 March 2018 (audited) £m
Total market value of scheme assets	**398.9**	**402.6**	399.6
Present value of scheme liabilities	**(427.7)**	**(454.7)**	(447.6)
Pension deficit	**(28.8)**	**(52.1)**	(48.0)

(c) Events after the balance sheet date

On 26 October, the High Court issued a judgment involving the Lloyds Banking Group's defined benefit pension schemes, whereby it concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. At this early stage our initial assessment is that similar to many other defined benefit pension schemes, the Norcros Security Plan is impacted by this judgement and we are working with the trustees of our pension plan and our advisers to understand the extent to which the judgment increases our pension plan liabilities. This increase has not been reflected in our interim results and any adjustment necessary is expected to be recognised in the second half of the financial year ending 31 March 2019.

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 2019.

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 2018 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 2018 Annual Report. There have been no material 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 2018		At 30 September 2017		At 31 March 2018	
	Assets (unaudited) £m	**Liabilities (unaudited) £m**	Assets (unaudited) £m	Liabilities (unaudited) £m	Assets (audited) £m	Liabilities (audited) £m
Forward foreign exchange contracts:						
– current	**1.0**	**—**	**0.3**	**(1.7)**	—	(3.3)

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 2018 Annual Report.

By order of the Board

N. P. Kelsall	**S. M. Smith**
Group Chief Executive	***Group Finance Director***
15 November 2018	15 November 2018