

Norcros plc

Results for the six months ended 30 September 2020

‘Marked recovery and strong financial position.’

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 2020.

Financial Summary

	Six months ended 30 September 2020 26 Weeks	Six months ended 30 September 2019 27 Weeks	% change	% change Constant Currency LFL ²
Revenue	£135.3m	£181.2m	-25.3%	-17.3%
Underlying operating profit ¹	£12.8m	£17.4m	-26.4%	
Underlying profit before taxation ¹	£10.7m	£15.6m	-31.4%	
Diluted Underlying EPS ¹	10.6p	15.1p	-29.8%	
Underlying operating cash flow ¹	£37.6m	£20.0m	88.0%	
Operating profit	£7.4m	£14.3m	-48.3%	
Net debt ¹	£7.3m	£41.1m		
Interim dividend per share	-	3.1p		

¹ Definitions and reconciliations of alternative performance measures are provided in note 3

² LFL (like for like) at constant currency and adjusting for 27 to 26-week period pro-rating

Highlights

- Marked recovery in demand in the second quarter with 4.5% constant currency like for like revenue growth on prior year largely reflecting an uplift in RMI activity
- Half year revenue of £135.3m (2019: £181.2m), 75% of prior year revenue on a reported basis and 83% on a constant currency like for like basis, principally a result of the impact of COVID-19
- Underlying operating profit of £12.8m (2019: £17.4m) reflecting strong recovery in the second quarter underlining the Group’s resilience
- Significant reduction in net debt to £7.3m (2019: £41.1m) due to continued focus on cost alignment and cash preservation
- Strong financial position with leverage, Net Debt: LTM EBITDA of 0.2 times with significant liquidity and funding headroom

Nick Kelsall, Chief Executive Officer, commented:

“Our business and our employees have responded admirably to the challenges of COVID-19 and we are grateful for their contribution. The resilience and flexibility of our operating model including our well established supply chains and excellent customer service have ensured that we have emerged in a strong position as our markets and customers have reopened. We have recovered strongly with second quarter revenues increasing by 4.5% against prior year on a constant currency like for like basis. Notwithstanding the ongoing uncertainty as governments seek to control COVID-19, including the current lockdowns, Norcros continues to be in a very strong competitive and financial position. All our facilities are operating and the vast majority of our customer base continue to trade. Given this, its leading market positions,

established brands, broad distribution channels and experienced management team the Group remains well positioned to sustain the strong progress and recovery of the second quarter.”

There will be a presentation today at 9.30 am for analysts via a conference call. The supporting slides will be available on the Norcros website at <http://www.norcros.com> later in the day.

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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 - The 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 four brands:
 - Tile Africa - Chain of retail stores focused on ceramic and porcelain tiles, and associated products such as sanitaryware, showers and adhesives
 - Johnson Tiles South Africa - Manufacturer of ceramic and porcelain tiles
 - TAL - The leading manufacturer of ceramic and building adhesives
 - House of Plumbing - Market leading supplier of specialist plumbing materials
- 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>

Overview of Results

The unprecedented COVID-19 pandemic has had a significant impact on these results, especially so in the first quarter where the lockdowns in our two main markets significantly reduced the demand for our products due to the closure of the majority of our customers. During this time, we mothballed our facilities, safeguarding our employees, customers and suppliers whilst continuing to operate our businesses effectively with a skeleton staff working predominantly from their homes where possible. Since the lockdowns have eased the resilience and flexibility of our business model including our well established supply chains and experienced management teams, have ensured that the Group has emerged in a very strong competitive and financial position as our markets and customers have reopened. We have undoubtedly gained market share as we grew second quarter Group revenue by 4.5% against prior year on a constant currency like for like basis.

Our UK business has performed strongly with revenue of £93.7m (2019: £115.6m), reflecting second quarter revenue at 104% and half year revenue at 84% of prior year on a like for like basis. Merlyn, Triton and Vado experienced a marked recovery in the second quarter with revenue ahead of prior year on a like for like basis benefiting from their leading market positions, stock availability and superior service.

Our South African business also continued to make good progress with revenue of £41.6m (2019: £65.6m), reflecting second quarter revenue at 106% and half year revenue at 79% of prior year on a constant currency like for like basis. The performance reflects a strong recovery in the Tile Africa business in the retail renovation market.

Underlying operating profit was £12.8m (2019: £17.4m) reflecting the impact of the COVID-19 pandemic in the first quarter and the strength of the recovery in trading in the second quarter.

Results

Group revenue for the 26-week first half (2019: 27 weeks) was £135.3m (2019: £181.2m), 75% of prior year revenue on a reported basis, 80% on a constant currency basis and 83% on a constant currency like for like basis. First quarter revenue was 55% of prior year on a reported basis and 58% on a constant currency basis. Second quarter revenue was 91% of prior year on a reported basis, 97% on a constant currency basis and 105% on a constant currency like for like basis.

Underlying operating profit was £12.8m (2019: £17.4m) and includes £3.9m of UK Government assistance in respect of the Coronavirus Job Retention Scheme and £0.2m and £0.8m respectively from the Irish and South African governments in relation to similar schemes. The application of IFRS 16 has increased underlying operating profit by £0.5m (2019: £0.3m).

Operating profit was £7.4m (2019: £14.3m) resulting from the reduction in underlying operating profit and £2.4m of exceptional restructuring costs, a result of actions taken to reduce costs to offset the impact of the COVID-19 pandemic. Acquisition related costs of £2.1m (2019: £2.2m) mainly relate to acquired intangible amortisation. IFRS 19R administration expenses are £0.9m (2019: £0.9m) in the period.

Underlying profit before taxation was £10.7m (2019: £15.6m) reflecting the reduction in underlying operating profit and higher interest charges in the current year of £1.2m (2019: £0.9m) on the additional borrowings drawn down to secure the Group's liquidity in this unprecedented period. These additional borrowings have now been repaid. The application of IFRS 16 has reduced underlying profit before taxation by £0.4m (2019: £0.6m), IFRS 16 interest costs on the lease liabilities were £0.9m (2019: £0.9m).

Profit before taxation was £3.4m (2019: £13.3m). The non-cash movement in the fair value of derivatives, mainly due to the strengthening in the period of Sterling against the US dollar from the year-end, was a loss in the current year of £1.3m (2019: gain of £1.3m).

Diluted underlying earnings per share was 10.6p (2019: 15.1p), principally reflecting the reduction in underlying profit before taxation.

The Group generated an underlying operating cash flow of £37.6m (2019: £20.0m) driven largely by a £19.9m inflow from working capital (2019: £3.1m outflow) reflecting a significant reduction in inventory and the deferral of VAT, rates and rent in the period. Capital expenditure was £0.9m in the period (2019: £3.1m) in line with COVID-19 related cash preservation actions. Net debt was £7.3m at 30 September 2020 (30 September 2019: £41.1m), representing pro-forma leverage of 0.2 times underlying EBITDA compared to 0.9 times at 31 March 2020. Inclusive of IFRS 16 lease liabilities, net debt is £33.9m (2019: £70.8m). IFRS 16 has no impact on cash flow nor on the Group's existing bank covenants.

COVID-19 Related Restructurings

The unprecedented COVID-19 pandemic has understandably had a significant impact on our business and as our main economies emerge from the first pandemic wave and some now face a second wave, the shape of the recovery in the demand for our products remains uncertain. In response to this, and as noted in our Annual Report of 31 March 2020, the Group has implemented a number of restructuring programmes during the period resulting in a reduction in employee numbers of approximately 200, associated cash costs of £2m, of which £1m remains to be paid, and £0.4m of non-cash costs, generating over £3m of annualised savings.

Financial Position

As a result of the strong recovery in trading and the continued focus on cost alignment and cash generation across the Group net debt has reduced to £7.3m at the half year (2019: £41.1m). This is a significant reduction on the £36.4m reported at the year end and in leverage with Net Debt: LTM EBITDA of 0.2 times compared to 0.9 times at the year end. The Group is in a strong financial position with significant headroom against all of the financial covenants in its committed £120m RCF financing facility which matures in November 2022, including the recently agreed £95m maximum net debt covenant which remains in place until June 2021.

Pension Scheme

The gross deficit relating to our UK defined benefit pension scheme as calculated under IAS 19R is unchanged at £48.9m (31 March 2020: £48.9m). The pension assets have increased in value during the period to £398m at 30 September 2020 (31 March 2020: £362m) as asset values recovered. The pension liabilities have increased from £411m at 31 March 2020 to £447m at 30 September 2020 due to a reduction in the discount rate to 1.65% (31 March 2020: 2.21%) which was the result of a significant reduction in bond yields and the increase in the RPI inflation rate assumption to 2.90% (31 March 2020: 2.55%). No adjustment has been made for any impact of COVID-19 on the scheme's mortality risk, which we will continue to monitor.

Dividend

The Board believes that given the short term uncertainty including the potential impact of the current lockdowns, optimising the Group's funding and liquidity position needs to remain a key focus and is therefore not proposing to declare an interim dividend. The Board recognises the importance of dividends and will consider recommending a final dividend for the full year subject to the Group's continued strong trading performance, financial position and outlook.

Operating Review

UK

Our UK business has recovered strongly from the COVID-19 lockdowns with half year revenue of £93.7m (2019: £115.6m), 81% of prior year on a reported basis and 84% on a like for like basis. In response to the COVID-19 pandemic and associated lockdowns we suspended our main manufacturing and assembly operations during March in a controlled way to safeguard our employees with c70% of the workforce at its peak furloughed during the first quarter with reported revenue of 62% of prior year. During this time we continued to service our customers, particularly those with online sales capabilities, with a skeleton staff working predominantly from their homes where possible. As the lockdowns eased our UK facilities reopened ensuring COVID-19 secure environments for all our workforce with our manufacturing capacity aligned with our inventory levels and demand. The second quarter witnessed a strong recovery in demand with revenue at 96% of prior year on a reported basis and 104% on a like for like basis as our businesses benefitted from an uplift in RMI activity with strong growth in our retail and online channels. Our leading market positions, strong brands, stock availability and superior service meant we were able to capitalise on the strong rebound in trading and grow market share.

Underlying operating profit was £10.8m (2019: £12.5m) in the period, largely reflecting the impact of COVID-19 on trading in the first quarter, the receipt of £4.1m of coronavirus job retention support from the UK and Irish governments and the strong recovery in the second quarter.

Triton

Triton, the UK's market leader in showers, recorded revenue for the first half of £23.3m (2019: £24.5m), 95% of prior year on a reported basis and 99% on a like for like basis. Despite the COVID-19 lockdown related disruption in the first quarter, Triton increased market share and grew second quarter revenue by 7.6% on a like for like basis on prior year, benefitting from the strength of Triton's brand, stock availability and effective customer service, as some competitors struggled to react to the challenging operating environment.

Retail revenue for the first half in the UK was 18.2% higher on a like for like basis reflecting a rapid post COVID-19 recovery of sales driven by a significant uplift in demand for home renovation products and an increase in online sales. Trade revenue for the first half was significantly lower than the prior year, 75% of prior year on a like for like basis with the contract, housing and local authority business activity pausing during lockdown and recovering more slowly than the retail channel.

Triton's export markets, mainly driven by the Irish retail channel, experienced a similar recovery to UK retail with first half revenue level with prior year on a reported basis and 4.3% higher on a like for like basis.

Despite the COVID-19 related disruption revenue has increased on prior year in key product categories: Instaflow™ Water Heating, Quiet Mark™ approved pumped and power showers and shower accessories; where ongoing investment and new product launches over recent months has proven successful.

Triton's second quarter underlying operating profit was up on prior year on a like for like basis and cash generation for the half year remained strong with tight cost controls and lower working capital, reflected a strong focus on customer cash collection and the optimisation of inventory levels. Triton remains in an excellent position with its robust and proven supply chain, ongoing business responsiveness, flexibility and reliability to ensure new customer and market opportunities are secured and further market share growth is sustained into the second half.

Merlyn

Merlyn, the UK and Ireland's No. 1 supplier of shower enclosures and trays to the residential, commercial and hospitality sectors performed strongly despite the COVID-19 disruption and recorded first half revenue of 83% of prior year on a reported basis and 86% on a like for like basis. Whilst trading in the first quarter reduced to 56% of prior year, revenue recovered in the second quarter to 116% on a like for like basis as Merlyn gained market share as some UK competitors faced difficulty in both sourcing and supplying enclosures and trays creating an opportunity for Merlyn to capitalise on its superior stock availability and leading customer service.

Retail revenue in the first half was 86% of prior year on a like for like basis with second quarter growth of 12.7% against prior year on a like for like basis reflecting a recovery driven by increased renovation led demand and increasing market share with Independent retailers and buying groups.

Trade revenue for the first half was 83% of prior year on a like for like basis reflecting the closure of building sites in April and May. Second quarter revenue however recovered strongly with revenue 22.2% higher than the prior year on a like for like basis reflecting the improved engagement with national merchants, particularly Wolseley and Travis Perkins and a number of contract wins and extensions in the specification sector including Hill Partnership, Lendlease, McCarthy and Stone, Davidson Homes and Countryside properties.

Merlyn's revenue in the period was bolstered by sales of the new frameless Arysto X luxury enclosure alongside a new slip resistant tray design, both having been launched at the March 2020 KBB exhibition continuing the track record of market leading, customer led product innovation.

Merlyn's second quarter underlying operating profit was up on prior year with cash generation for the half year remaining strong. Further growth in the second half will be driven by Merlyn's continued market leading product offering and excellence in customer service and supply chain.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded revenue of £16.1m for the half year (2019: £21.1m), 76% of prior year on a reported basis and 79% on a like for like basis. The first quarter was significantly impacted by the COVID-19 pandemic with revenue 53% of last year, however there was a strong recovery in the second quarter with revenue 3.8% up against prior year on a like-for-like basis driven by the post COVID-19 lockdown recovery in demand. Vado remained open throughout the lockdown and key sales staff continued to support customers enabling the business to win contracts from other manufacturers.

Retail revenue for the first half of the year was 78% of the prior year on a like for like basis with second quarter revenue up 5.1% on prior year on a like for like basis reflecting increased demand in home renovations and prior year second half product launches.

In the trade sector revenue was 76% of the prior year on a like for like basis with second quarter revenue up 4.5% on prior year on a like for like basis as developers adapted to the COVID-19 safe working practices and their customers capitalised on the Government stamp duty holiday.

Export revenue for the first half, mainly into Western Africa and the Middle East, was 89% of the prior year on a like for like basis with second quarter revenue in line with prior year on a like for like basis.

During the first half Vado continued to see strong revenue growth from the ranges launched last year. The "Individual" range, which capitalises on the significant demand for bathroom products in coloured finishes, continued to perform strongly, "Booth and Co", a traditional range, continued to grow, and the "Axces" range, which is aimed at the higher-volume mid-market sector, won opportunities during the period in social housing, student housing, care homes and on new construction projects.

Vado's second quarter underlying operating profit was up on prior year with strong cash generation in the half year. Further product launches planned for the second half of the year will further re-enforce Vado's position at the forefront of market trends.

Croydex

Croydex, our market leading, innovative designer, manufacturer and distributor of high-quality bathroom furnishings and accessories, recorded first half revenue of £10.1m (2019: £11.7m), 86% of prior year on a reported basis and 89% on a like for like basis.

UK retail revenue for the first half of the year was 98% of the prior year on a like for like basis with second quarter revenue up 7.7% on prior year on a like for like basis. Croydex's diverse customer portfolio and e-Commerce strategy has continued to provide good opportunities despite the COVID-19 lockdowns with uninterrupted business to the grocery sector and increased online demand with digitally enabled businesses such as Argos, Wayfair and Very outweighing the reduced activity in our traditional High Street customers as town and city centres remained significantly impacted by COVID-19 restrictions.

UK trade revenue for the first half was 82% of the prior year on a like for like basis with second quarter revenue in line with prior year on a like for like basis. Recovery in demand from some of our more traditional merchants was held back as they struggled to meet social distancing demands.

First half export revenues were 94% of prior year on a like for like basis mainly due to declining revenues in the US and harder lockdowns in Italy being only partially offset by stronger performances in Germany and a new customer furniture rollout in Spain.

New product development continued during the period despite the COVID-19 related disruption with 90 new SKUs due to be launched in the second half of the year including a range of wall mounted accessories, toilet seats and cabinets launched in Wickes during October.

Croydex's second quarter underlying operating profit was up on prior year, with cash generation for the half year remaining strong. The outlook is positive with the diversification of its customer base, online strategy development and continued product development expected to further grow the business in the second half.

Abode

Abode, our leading designer and distributor of high-quality hot water taps, bathroom mixers, kitchen sinks and taps, recorded revenue of £6.5m for the first half (2019: £8.6m), 76% of prior year on a reported basis and 78% on a like for like basis.

Second quarter revenue recovered to 95% of prior year on a like for like basis with distribution being strengthened through a new partnership with national distributor PJH Group further extending the retail display base. From a product perspective the Pronteau steaming water tap proposition has been improved by the launch of a second generation boiler at the KBB 2020 exhibition whilst the home delivery of sinks was also expanded, supporting online sales with a cost effective delivery of single ceramic sinks to consumers' doorsteps.

Abode delivered a second quarter underlying operating profit in line with prior year on a like for like basis in addition to an improved cash performance during the half year. Abode has strong new business momentum going into the second half of the year, particularly with national merchants, and will launch with several new customers including Screwfix.

Johnson Tiles

Johnson Tiles, our UK leading ceramic tile manufacturer and market leading supplier of both own manufactured and imported tiles recorded first half revenue of £14.0m (2019 £21.5m), 65% of prior year on a reported basis and 68% on a like for like basis. As a result of the COVID-19 pandemic Johnson Tiles' manufacturing operations were closed at the end of March with circa 90% of employees furloughed, partially reopening in a COVID-19 safe manner in July, and fully reopening in mid-September albeit with a planned reduction in manufacturing capacity. During this time Johnson Tiles focussed on supporting both commercial and retail contracts, the message 'we remain open for business' further reinforced through the rapid development of the factory outlet website, which saw increased revenue in the period compared to the traditional outlet channel in the prior year period.

UK retail revenue for the first half of the year was 69% of prior year on a like for like basis, recovering to 88% of prior year in the second quarter on a like for like basis with revenue in September further improving.

UK trade revenue was 65% of the prior year on a like for like basis recovering to 89% of prior year in the second quarter on a like for like basis. Trade demand is still to recover to prior year levels as construction activity, especially social housing, is still constrained due to COVID-19 restrictions on some developments. A number of projects were still worked on in the period including the Clayton Hotel in Manchester, Birmingham Airport Holiday Inn, and the Royal Wharf development in London.

Johnson Tiles' recorded an underlying operating loss in the first half of the year as its performance was impacted by lower revenues and the under-recovery of fixed operating costs as production levels were curtailed until mid-September. Notwithstanding, cash generation was particularly strong, reflecting significantly reduced inventory levels in the period. It is expected that the recovery in revenues and the cost reduction measures implemented in the period combined with the strong customer service focus and market leading specification expertise will ensure a return to profit in the second half.

Norcros Adhesives

Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, recorded first half revenue of £5.6m (2019: £6.3m), 89% of prior year on a reported basis and 92% on a like for like basis.

UK trade revenue for the first half was 13% higher than prior year on a like for like basis and 33% higher in the second quarter than prior year on a like for like basis reflecting Norcros Adhesives' ongoing focus on building sales through the specification channel.

UK retail revenue for the first half was 93% of prior year on a like for like basis with 14.3% growth on prior year in the second quarter on a like for like basis reflecting the fast adaption of the larger customers to COVID-19 secure environments and Norcros Adhesives' ability to maintain supply throughout the lockdown period resulting in a number of new customer wins.

Middle East revenues for the first half were 33% of prior year with ongoing COVID-19 lockdown conditions slowing many projects with some paused completely.

Norcros Adhesives continues to drive new product development with several new product launches in the period including a unique fixing system for porcelain tiles, a new levelling product for use on difficult substrates and a new Semi-Rapid adhesive range offering control on setting times.

Norcros Adhesives delivered second quarter underlying operating profit growth on prior year in addition to strong cash generation in the first half. The continued penetration of the trade channel, strong momentum in the retail channel and new product launches are expected to drive further progress in the second half.

South Africa

Revenue for the half year was £41.6m (2019: £65.6m), 79% of prior year on a constant currency like for like basis and 63% on a Sterling reported basis. First quarter revenue was 50% of prior year on a constant currency basis reflecting the COVID-19 lockdown in this period where the business prioritised the safety of employees and customers during which time a peak of circa 88% of employees were furloughed. A phased reopening of the business commenced in May and was fully operational by the end of June. Retail demand recovered strongly resulting in second quarter revenue growth of 6.2% on the prior year on a like for like basis led by residential maintenance and renovations, whilst the commercial development segment has not recovered at the same rate given the longer lead times and increased safety requirements on construction sites, although activity levels had picked up in September.

Underlying operating profit was £2.0m (2019: £4.9m) in the period, largely reflecting the impact of COVID-19 on first quarter trading partially offset by the receipt of £0.8m of coronavirus job retention support from the South African government and the recovery in demand in the second quarter. Cash generation across the South African businesses in the first half was very strong driven by cost mitigation measures and effective working capital management.

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business delivered first half revenue of £4.8m (2019: £8.3m), 73% of prior year on a constant currency like for like basis and 58% of prior year on a Sterling reported basis. Second quarter revenue recovered to 94% of prior year on a constant currency like for like basis as manufacturing recommenced in the middle of June and quickly returned to a high level of performance.

Underlying operating profit recovered strongly in the second quarter, although below prior year reflecting the under recovery of fixed costs and the lower revenue in the period. First half cash generation was strong driven by lower working capital.

The business has a robust new product development pipeline with a strong focus on tile and décor combinations such as the recently launched Barista range. Johnson Tiles has also been specified into several large commercial housing projects in the period including the 19,000m² Lotus Gardens project in Tshwane and the 25,000m² Kikuyu Lifestyle project.

TAL

TAL, our market leading adhesives business recorded revenue of £7.9m (2019: £12.6m) 79% of prior year on a constant currency like for like basis and 63% of prior year on a Sterling reported basis. Second quarter revenue recovered to prior year levels on a constant currency like for like basis reflecting a quick restart after lockdown as TAL's manufacturing flexibility and efficiency enabled the business to get into the market ahead of most of the competitors, gaining market share in both local and export markets.

Underlying operating profit for the period was lower than the prior year as a result of lower revenue albeit recovered strongly in the second quarter. Cash conversion in the period was strong.

New product development has continued in the period with the launch of a new large format tile adhesive and a luxury vinyl tile wet layer adhesive in response to increased market demand.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, recorded first half revenue of £21.5m (2019: £31.7m), 85% of prior year on a constant currency like for like basis and 68% of prior year on a Sterling reported basis. Second quarter revenue recovered strongly increasing by 16% on prior year on a constant currency like for like basis reflecting higher demand in the retail renovation market and the benefit of improved inventory management and availability.

Underlying operating profit rebounded strongly in the second quarter driven by the marked recovery in retail demand, with strong cash generation for the first half as working capital levels were reduced.

New product development continued in the period with range extensions in the private label bath and plumb product category and the development, with the assistance of the Merlyn team, of a directly sourced range of shower enclosures for launch in the second half of the year. Tile Africa continues to invest in its 32 owned and 2 franchise stores, with the Ballito branch planned to be relocated in the second half year together with the retrofit of several existing stores to allow them to better participate in our bath and plumb and alternative covering range extensions.

House of Plumbing

House of Plumbing our market leading supplier of specialist plumbing materials, recorded first half revenue of £7.4m (2019: £13.0m), 71% of prior year on a constant currency like for like basis and 57% of prior year on a Sterling reported basis. House of Plumbing operates mainly in the large commercial project space which was initially disproportionately impacted by COVID-19 as these projects took longer to recover after lockdown. However, as these projects are now picking up and with the opening of a new branch in Polokwane towards the end of the period, second quarter revenue recovered to 96% of prior year on a constant currency like for like basis.

Underlying operating profit recovered in the second quarter, however, it was below the prior year for the half year as the commercial sector took longer to recover.

House of Plumbing, which now operates out of 4 branches in the Gauteng and Limpopo provinces, will resume its growth plan in the second half and expand the branch network nationally.

Summary and outlook

Our businesses have adapted swiftly to ensure that they operate safely and cost effectively and have recovered strongly from the initial impact of the pandemic. Notwithstanding the ongoing uncertainty as governments seek to control COVID-19, including the current lockdowns, Norcros continues to be in a very strong competitive and financial position. All our facilities are operating and the vast majority of our customer base continue to trade. Given this, its leading market positions, established brands, broad distribution channels and experienced management team the Group remains well positioned to sustain the strong progress and recovery of the second quarter.

Nick Kelsall
Chief Executive Officer
12 November 2020

Shaun Smith
Chief Financial Officer
12 November 2020

Condensed consolidated income statement

Six months to 30 September 2020

	Notes	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Revenue		135.3	181.2	342.0
Underlying operating profit		12.8	17.4	32.3
IAS 19R administrative expenses		(0.9)	(0.9)	(1.5)
Acquisition related costs	4	(2.1)	(2.2)	(4.0)
Exceptional operating items	4	(2.4)	—	(9.0)
Operating profit		7.4	14.3	17.8
Finance costs	7	(3.5)	(1.9)	(3.7)
Finance income	7	—	1.3	1.7
IAS 19R finance cost		(0.5)	(0.4)	(0.8)
Profit before taxation		3.4	13.3	15.0
Taxation	6	(0.9)	(3.1)	(4.1)
Profit for the period from continuing operations		2.5	10.2	10.9
Earnings per share attributable to equity holders of the Company				
Basic earnings per share:				
From profit for the period	5	3.1p	12.7p	13.6p
Diluted earnings per share:				
From profit for the period	5	3.1p	12.5p	13.5p
Weighted average number of shares for basic earnings per share (millions)	5	80.4	80.3	80.3
Alternative performance measures				
Underlying profit before taxation (£m)	3	10.7	15.6	28.8
Underlying earnings (£m)	3	8.6	12.3	22.8
Basic underlying earnings per share	5	10.7p	15.3p	28.4p
Diluted underlying earnings per share	5	10.6p	15.1p	28.2p

Condensed consolidated statement of comprehensive income

Six months to 30 September 2020

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Profit for the period	2.5	10.2	10.9
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the Income Statement			
Actuarial (losses)/gains on retirement benefit obligations	(0.2)	2.1	(14.8)
Items that may be subsequently reclassified to the Income Statement			
Foreign currency translation adjustments	3.5	1.2	(9.2)
Other comprehensive income/(loss) for the period	3.3	3.3	(24.0)
Total comprehensive income/(loss) for the period	5.8	13.5	(13.1)

Items in the statement are disclosed net of tax.

Condensed consolidated balance sheet

At 30 September 2020

	Notes	At 30 September 2020 (unaudited) £m	At 30 September 2019 (unaudited) £m	At 31 March 2020 (audited) £m
Non-current assets				
Goodwill		60.4	61.5	60.1
Intangible assets		34.7	38.9	36.4
Property, plant and equipment		28.1	41.3	29.0
Right of use assets		21.7	26.5	20.6
Deferred tax assets	6	4.7	—	4.7
		149.6	168.2	150.8
Current assets				
Inventories		68.9	83.9	78.9
Trade and other receivables		66.7	64.7	60.5
Derivative financial instruments	14	0.7	1.6	2.0
Cash and cash equivalents	8	30.4	22.4	47.3
		166.7	172.6	188.7
Current liabilities				
Trade and other liabilities		(86.8)	(77.7)	(72.9)
Lease liabilities		(6.0)	(5.6)	(5.2)
Current tax liabilities		(1.0)	(1.9)	(1.0)
Financial liabilities – borrowings	8	—	—	(0.1)
		(93.8)	(85.2)	(79.2)
Net current assets		72.9	87.4	109.5
Total assets less current liabilities		222.5	255.6	260.3
Non-current liabilities				
Financial liabilities – borrowings	8	(37.7)	(63.5)	(83.6)
Pension scheme liability	12	(48.9)	(29.0)	(48.9)
Lease liabilities		(20.6)	(24.1)	(19.9)
Other non-current liabilities		(0.3)	(1.9)	(0.3)
Provisions		(4.6)	(3.2)	(3.2)
		(112.1)	(121.7)	(155.9)
Net assets		110.4	133.9	104.4
Financed by:				
Share capital	9	8.1	8.0	8.1
Share premium		29.9	29.9	29.9
Retained earnings and other reserves		72.4	96.0	66.4
Total equity		110.4	133.9	104.4

Condensed consolidated statement of cash flow

Six months to 30 September 2020

	Notes	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Cash generated from operations	10	34.4	18.0	34.8
Income taxes paid		(1.1)	(2.9)	(5.3)
Interest paid		(2.0)	(1.8)	(3.5)
Net cash generated from operating activities		31.3	13.3	26.0
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets		(0.9)	(3.1)	(4.8)
Acquisition of subsidiary undertakings (including payment of deferred consideration) net of cash acquired		—	(9.4)	(9.2)
Net cash used in investing activities		(0.9)	(12.5)	(14.0)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		—	—	0.1
Purchase of treasury shares		—	(0.9)	(0.9)
Principal element of lease payments		(1.9)	(2.0)	(3.8)
(Repayment)/drawdown of borrowings		(46.0)	5.1	25.0
Dividends paid to the Company's shareholders		—	(4.5)	(7.0)
Net cash (used in)/generated from financing activities		(47.9)	(2.3)	13.4
Net (decrease)/increase in cash at bank and in hand and bank overdrafts		(17.5)	(1.5)	25.4
Cash at bank and in hand and bank overdrafts at beginning of the period		47.2	23.4	23.4
Exchange movements on cash and bank overdrafts		0.7	0.5	(1.6)
Cash and cash equivalents net of overdrafts at end of the period		30.4	22.4	47.2
Alternative performance measures				
Underlying operating cash flow	3	37.6	20.0	38.4

Condensed consolidated statements of changes in equity

Six months to 30 September 2020 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 March 2020	8.1	29.9	(0.4)	(21.7)	88.5	104.4
Comprehensive income:						
Profit for the period	—	—	—	—	2.5	2.5
Other comprehensive income/(expense):						
Actuarial loss on retirement benefit obligations	—	—	—	—	(0.2)	(0.2)
Foreign currency translation adjustments	—	—	—	3.5	—	3.5
Total other comprehensive income/(expense)	—	—	—	3.5	(0.2)	3.3
Transactions with owners:						
Purchase of treasury shares	—	—	—	—	—	—
Settlement of share option schemes	—	—	—	—	—	—
Dividends paid	—	—	—	—	—	—
Value of employee services	—	—	—	—	0.2	0.2
At 30 September 2020	8.1	29.9	(0.4)	(18.2)	91.0	110.4

Six months to 30 September 2019 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 March 2019	8.0	29.9	(0.3)	(12.5)	100.6	125.7
Comprehensive income:						
Profit for the period	—	—	—	—	10.2	10.2
Other comprehensive income:						
Actuarial gain on retirement benefit obligations	—	—	—	—	2.1	2.1
Foreign currency translation adjustments	—	—	—	1.2	—	1.2
Total other comprehensive income	—	—	—	1.2	2.1	3.3
Transactions with owners:						
Shares issued	—	—	—	—	—	—
Dividends paid	—	—	—	—	(4.5)	(4.5)
Purchase of treasury shares	—	—	(0.9)	—	—	(0.9)
Settlement of share option schemes	—	—	0.8	—	(1.3)	(0.5)
Value of employee services	—	—	—	—	0.6	0.6
At 30 September 2019	8.0	29.9	(0.4)	(11.3)	107.7	133.9

Year ended 31 March 2020 (audited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 March 2019	8.0	29.9	(0.3)	(12.5)	100.6	125.7
Comprehensive income:						
Profit for the year	—	—	—	—	10.9	10.9
Other comprehensive (expense):						
Actuarial loss on retirement benefit obligations	—	—	—	—	(14.8)	(14.8)
Foreign currency translation adjustments	—	—	—	(9.2)	—	(9.2)
Total other comprehensive (expense)	—	—	—	(9.2)	(14.8)	(24.0)
Transactions with owners:						
Shares issued	0.1	—	—	—	—	0.1
Dividends paid	—	—	—	—	(7.0)	(7.0)
Purchase of treasury shares	—	—	(0.9)	—	—	(0.9)
Settlement of share option schemes	—	—	0.8	—	(1.3)	(0.5)
Value of employee services	—	—	—	—	0.1	0.1
At 31 March 2020	8.1	29.9	(0.4)	(21.7)	88.5	104.4

Notes to the accounts

Six months to 30 September 2020

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 12 November 2020 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 2020 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 2020, 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 25 June 2020 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 2020. 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 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 17	Insurance contracts	1 April 2021

This standard is not expected to have a material impact on the Group.

Risks and uncertainties

The principal risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 30 to 35 in the 2020 Annual Report, which is available on the Group's website (www.norcros.com). The principal risks are: coronavirus (COVID-19) pandemic, cyber risk and data loss, uncertainty surrounding Brexit, market conditions, exchange rate risk, pension scheme risk, funding and liquidity, loss of key customers, competition, reliance on production and assembly facilities, loss of key supplier, staff retention and recruitment and acquisition.

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 judgements

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

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2020.

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 2020 (unaudited)		
	Notes	UK £m	South Africa £m	Group £m
Revenue		93.7	41.6	135.3
Underlying operating profit		10.8	2.0	12.8
IAS 19R administrative expenses		(0.9)	—	(0.9)
Acquisition related costs	4	(1.8)	(0.3)	(2.1)
Exceptional operating items	4	(2.2)	(0.2)	(2.4)
Operating profit		5.9	1.5	7.4
Finance costs (net)				(4.0)
Profit before taxation				3.4
Taxation	6			(0.9)
Profit from continuing operations				2.5
Net debt	8			(7.3)

		6 months to 30 September 2019 (unaudited)		
	Notes	UK £m	South Africa £m	Group £m
Revenue		115.6	65.6	181.2
Underlying operating profit		12.5	4.9	17.4
IAS 19R administrative expenses		(0.9)	—	(0.9)
Acquisition related costs	4	(1.8)	(0.4)	(2.2)
Operating profit		9.8	4.5	14.3
Finance income (net)				(1.0)
Profit before taxation				13.3
Taxation	6			(3.1)
Profit from continuing operations				10.2
Net debt	8			(41.1)

		Year ended 31 March 2020 (audited)		
	Notes	UK £m	South Africa £m	Group £m
Revenue		225.4	116.6	342.0
Underlying operating profit		24.4	7.9	32.3
IAS 19R administrative expenses		(1.5)	—	(1.5)
Acquisition related costs	4	(4.5)	0.5	(4.0)
Exceptional operating items	4	(9.0)	—	(9.0)
Operating profit		9.4	8.4	17.8
Finance income (net)				(2.8)
Profit before taxation				15.0
Taxation	6			(4.1)
Profit for the year from continuing operations				10.9
Net debt	8			(36.4)

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 operating profit (pre IFRS 16)	Operating profit before IAS 19R administrative expenses, acquisition related costs, exceptional operating items and excluding the impact of IFRS16
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 on underlying profit before tax
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
Underlying EBITDA	Underlying EBITDA is derived from underlying operating profit before depreciation and amortisation excluding the impact of IFRS16 in line with our banking covenants.
Net debt	Net debt is the net of cash, capitalised costs of raising finance and total borrowings. IFRS16 lease commitments are not included in line with our banking covenants.
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 underlying 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 annual bonus and long-term incentives earned by the Directors. 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 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Profit before taxation	3.4	13.3	15.0
Adjusted for:			
IAS 19R administrative expenses	0.9	0.9	1.5
Acquisition related costs	2.1	2.2	4.0
Exceptional operating items	2.4	—	9.0
Amortisation of costs of raising finance	0.1	0.1	0.2
Net movement on fair value of derivative financial instruments	1.3	(1.3)	(1.7)
IAS 19R finance cost	0.5	0.4	0.8
Underlying profit before taxation	10.7	15.6	28.8
Taxation attributable to underlying profit before taxation	(2.1)	(3.3)	(6.0)
Underlying earnings	8.6	12.3	22.8

Underlying profit before taxation, underlying earnings and diluted underlying earnings per share (pre-IFRS 16 basis)

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Profit before taxation (pre-IFRS 16)	3.8	13.9	16.4
Adjusted for:			
IAS 19R administrative expenses	0.9	0.9	1.5
Acquisition related costs	2.1	2.2	4.0
Exceptional operating items	2.4	—	9.0
Amortisation of costs of raising finance	0.1	0.1	0.2
Net movement on fair value of derivative financial instruments	1.3	(1.3)	(1.7)
IAS 19R finance cost	0.5	0.4	0.8
Underlying profit before taxation (pre-IFRS 16)	11.1	16.2	30.2
Taxation attributable to underlying profit before taxation (pre-IFRS 16)	(2.2)	(3.4)	(6.3)
Underlying earnings (pre-IFRS 16)	8.9	12.8	23.9
Diluted underlying earnings per share (pre-IFRS 16)	11.0p	15.7p	29.5p

(b) Underlying operating profit

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Underlying operating profit (pre-IFRS 16)	12.3	17.1	31.8
Adjusted for:			
Lease costs (excluding onerous lease payments)	2.6	2.5	5.0
Depreciation of leased assets	(2.1)	(2.2)	(4.5)
Underlying operating profit	12.8	17.4	32.3

(c) Underlying EBITDA

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Operating profit	7.4	14.3	17.8
Adjusted for:			
Depreciation and amortisation (owned assets)	2.6	3.5	6.8
Depreciation of leased assets	2.1	2.2	4.5
Lease Costs (excluding onerous lease payments)	(2.6)	(2.5)	(5.0)
IAS 19R administrative expenses	0.9	0.9	1.5
Acquisition related costs	2.1	2.2	4.0
Exceptional operating items	2.4	—	9.0
Underlying EBITDA	14.9	20.6	38.6

Underlying EBITDA (pre-IFRS 16 basis)

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Operating profit (pre-IFRS 16)	6.9	14.0	17.3
Adjusted for:			
Depreciation and amortisation (owned assets)	2.6	3.5	6.8
IAS 19R administrative expenses	0.9	0.9	1.5
Acquisition related costs	2.1	2.2	4.0
Exceptional operating items	2.4	—	9.0
Underlying EBITDA	14.9	20.6	38.6

Condensed Consolidated Statement of Cash Flow

Underlying operating cash flow

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Cash generated from continuing operations (note 10)	34.4	18.0	34.8
Adjusted for:			
Cash flows from exceptional items and acquisition related costs	1.5	0.4	0.3
Pension fund deficit recovery contributions	1.7	1.6	3.3
Underlying operating cash flow	37.6	20.0	38.4

Underlying operating cash flow (pre-IFRS 16 basis)

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Cash generated from continuing operations (note 10)	34.4	18.0	34.8
Adjusted for:			
Lease costs (excluding onerous lease payments)	(2.6)	(2.5)	(5.0)
Cash flows from exceptional items and acquisition related costs	1.5	0.4	0.3
Pension fund deficit recovery contributions	1.7	1.6	3.3
Underlying operating cash flow (pre-IFRS 16)	35.0	17.5	33.4

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 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Acquisition related costs			
Deferred remuneration ¹	0.2	0.3	0.6
Intangible asset amortisation ²	1.9	1.9	3.7
Release of deferred consideration ³	—	—	(1.1)
Advisory fees ⁴	—	—	0.8
	2.1	2.2	4.0

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 Contingent consideration in relation to the acquisition of House of Plumbing was fair valued under IFRS 9 at 31 March 2020 with subsequent release of the provision

4 Professional advisory fees incurred in connection with the Group's business combination activities.

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Exceptional operating items			
COVID-19 related restructuring ¹	2.4	—	—
COVID-19 related impairment ²	—	—	9.0
	2.4	—	9.0

1. Exceptional costs of £2.4m were incurred in the period in relation to COVID-19 related restructuring programmes across the Group comprising of £2.0m in cash costs and £0.4m of non-cash costs.

2. As at 31 March 2020 a one-off, non-cash impairment charge of £9.0m was recognised in relation to the impact of COVID-19 on the assets of Johnson Tiles UK.

5. Earnings per share

Basic and diluted earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, 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 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Profit for the period	2.5	10.2	10.9

	6 months to 30 September 2020 (unaudited) Number	6 months to 30 September 2019 (unaudited) Number	Year ended 31 March 2020 (audited) Number
Weighted average number of shares for basic earnings per share	80,416,583	80,262,938	80,300,209
Share options	622,623	1,060,929	668,944
Weighted average number of shares for diluted earnings per share	81,039,206	81,323,867	80,969,153

	6 months to 30 September 2020 (unaudited)	6 months to 30 September 2019 (unaudited)	Year ended 31 March 2020 (audited)
Basic earnings per share:			
From profit for the period	3.1p	12.7p	13.6p
Diluted earnings per share:			
From profit for the period	3.1p	12.5p	13.5p

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 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Underlying earnings for the period (note 3)	8.6	12.3	22.8

	6 months to 30 September 2020 (unaudited)	6 months to 30 September 2019 (unaudited)	Year ended 31 March 2020 (audited)
Basic underlying earnings per share	10.7p	15.3p	28.4p
Diluted underlying earnings per share	10.6p	15.1p	28.2p

6. Taxation

Taxation comprises:

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Current			
UK taxation	0.6	1.7	1.7
Overseas taxation	0.3	1.4	2.9
Prior year adjustment	—	—	—
Total current taxation	0.9	3.1	4.6
Deferred			
Origination and reversal of temporary differences	—	—	(0.5)
Total tax charge	0.9	3.1	4.1

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 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Deferred tax asset at the beginning of the period	4.7	0.8	0.8
Credited to the Consolidated Income Statement	—	—	0.5
(Charged)/credited to the Consolidated Statement of Comprehensive Income	—	(0.3)	3.5
Acquisitions	—	(0.5)	(0.4)
Exchange differences	—	—	0.3
Deferred tax asset at the end of the period	4.7	—	4.7

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Accelerated capital allowances	0.2	(0.2)	0.4
Other timing differences	(4.7)	(4.8)	(4.9)
Deferred tax asset relating to pension deficit	9.2	5.0	9.2
Deferred tax asset at the end of the period	4.7	—	4.7

7. Finance income and costs

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Finance costs			
Interest payable on bank borrowings	(1.2)	(0.9)	(1.6)
Interest on lease liabilities	(0.9)	(0.9)	(1.9)
Amortisation of costs of raising debt finance	(0.1)	(0.1)	(0.2)
Loss on fair value of derivative financial instruments	(1.3)	—	—
Finance costs	(3.5)	(1.9)	(3.7)
Gain on fair value of derivative financial instruments	—	1.3	1.7
Net finance costs	(3.5)	(0.6)	(2.0)

8. Borrowings

	At 30 September 2020 (unaudited) £m	At 30 September 2019 (unaudited) £m	At 31 March 2020 (audited) £m
Non-current			
Bank borrowings (unsecured):			
– bank loans	38.0	64.0	84.0
– less: costs of raising finance	(0.3)	(0.5)	(0.4)
Total non-current	37.7	63.5	83.6
Current			
Bank borrowings (unsecured):			
– bank overdrafts	—	—	0.1
Total borrowings	37.7	63.5	83.7

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 2020 (unaudited) £m	At 30 September 2019 (unaudited) £m	At 31 March 2020 (audited) £m
Not later than one year	—	—	0.1
After more than one year:			
– later than two years and not later than five years	38.0	64.0	84.0
– costs of raising finance	(0.3)	(0.5)	(0.4)
	37.7	63.5	83.6
Total borrowings	37.7	63.5	83.7

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 place up to November 2022.

Net debt

The Group's net debt is calculated as follows:

	At 30 September 2020 (unaudited) £m	At 30 September 2019 (unaudited) £m	At 31 March 2020 (audited) £m
Cash and cash equivalents	(30.4)	(22.4)	(47.3)
Total borrowings	37.7	63.5	83.7
Net debt	7.3	41.1	36.4

9. Called up share capital

	At 30 September 2020 (unaudited) £m	At 30 September 2019 (unaudited) £m	At 31 March 2020 (audited) £m
Issued and fully paid			
80,571,654 ordinary shares of 10p each	8.1	8.0	8.1

During the period 14,384 ordinary shares of 10p were issued to satisfy vesting of options under the Company's SAYE schemes.

10. Consolidated Cash Flow Statements

(a) Cash generated from operations

	6 months to 30 September 2020 (unaudited) £m	6 months to 30 September 2019 (unaudited) £m	Year ended 31 March 2020 (audited) £m
Profit before taxation	3.4	13.3	15.0
Adjustments for:			
– IAS 19R administrative expenses included in the Income Statement	0.9	0.9	1.5
– acquisition related costs included in the Income Statement	2.1	2.2	4.0
– exceptional operating items included in the Income Statement	2.4	—	9.0
– cash flows from exceptional items and acquisition related costs	(1.5)	(0.4)	(0.3)
– settlement of share options	—	(0.5)	(0.5)
– depreciation of property, plant and equipment	2.5	3.4	6.6
– underlying amortisation	0.1	0.1	0.2
– depreciation of right of use assets	2.1	2.2	4.5
– finance costs included in the Income Statement	3.5	0.6	2.0
– pension fund deficit recovery contributions	(1.7)	(1.6)	(3.3)
– IAS 19R finance cost included in the Income Statement	0.5	0.4	0.8
– share-based payments	0.2	0.5	0.1
Operating cash flows before movements in working capital	14.5	21.1	39.6
Changes in working capital:			
– decrease/(increase) in inventories	12.0	(2.0)	(2.4)
– (increase)/decrease in trade and other receivables	(5.5)	2.2	3.6
– increase/(decrease) in trade and other payables	13.4	(3.3)	(6.0)
Cash generated from operations	34.4	18.0	34.8

Cash flows from exceptional items and acquisition related costs 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

	Net cash and current borrowings £m	Non-current borrowings £m	Net debt £m
At 1 April 2019	23.4	(58.4)	(35.0)
Cash flow	25.4	(25.0)	0.4
Other non-cash movements	—	(0.2)	(0.2)
Exchange movement	(1.6)	—	(1.6)
At 31 March 2020	47.2	(83.6)	(36.4)
At 1 April 2019	23.4	(58.4)	(35.0)
Cash flow	(1.5)	(5.1)	(6.6)
Exchange movement	0.5	—	0.5
At 30 September 2019	22.4	(63.5)	(41.1)
At 1 April 2020	47.2	(83.6)	(36.4)
Cash flow	(17.5)	46.0	28.5
Other non-cash movements	—	(0.1)	(0.1)
Exchange movement	0.7	—	0.7
At 30 September 2020	30.4	(37.7)	(7.3)

11. Dividends

No final dividend in respect of the year ended 31 March 2020 was proposed. No interim dividend for the year ended 31 March 2021 is proposed.

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 Isio (formerly 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 2020. Scheme assets are stated at their market value at 30 September 2020.

(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 2020	At 30 September 2019	At 31 March 2020
Discount rate	1.65%	1.90%	2.21%
Inflation rate (RPI)	2.90%	3.10%	2.55%
Inflation (CPI)	1.95%	2.10%	1.60%
Salary increases	2.20%	2.35%	1.85%

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

	At 30 September 2020 (unaudited) £m	At 30 September 2019 (unaudited) £m	At 31 March 2020 (audited) £m
Total market value of scheme assets	397.9	418.4	361.9
Present value of scheme liabilities	(446.8)	(447.4)	(410.8)
Pension deficit	(48.9)	(29.0)	(48.9)

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 2021.

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 109 of the Group's 2020 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 2020 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 2020		At 30 September 2019		At 31 March 2020	
	Assets (unaudited) £m	Liabilities (unaudited) £m	Assets (unaudited) £m	Liabilities (unaudited) £m	Assets (audited) £m	Liabilities (audited) £m
Forward foreign exchange contracts:						
– current	0.7	—	1.6	—	2.0	—

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).

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 2020 Annual Report.

By order of the Board

N. P. Kelsall

Chief Executive Officer

12 November 2020

S. M. Smith

Chief Financial Officer

12 November 2020