NORCROS

9 November 2022

Norcros plc

Results for the six months ended 30 September 2022

'Resilient performance reflecting strength of business model.'

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 2022.

Financial Summary

	Six months ended 30 September 2022 26 Weeks	Six months ended 30 September 2021 26 Weeks	Six months ended 30 September 2019 27 Weeks[2]	% change 2022 Vs. 2021	% change 2022 Vs. 2019[2]
Revenue	£219.9m	£200.9m	£181.2m	9.5%	21.4%
Revenue – constant currency like for like[3]				1.1%	19.8%
Underlying operating profit[1]	£22.0m	£22.0m	£17.4m	-	26.4%
Underlying profit before taxation[1]	£19.9m	£20.9m	£15.6m	(4.8%)	27.6%
Diluted underlying EPS[1&4]	17.8p	20.0p	15.1p	(11.0%)	17.9%
Operating profit	£16.1m	£19.2m	£14.3m	(16.1%)	12.6%
Underlying net (debt)/cash[1]	(£58.9m)	£1.0m	(£41.1m)		
Interim dividend per share	3.4p	3.1p	3.1p		

[1] Definitions and reconciliations of alternative performance measures are provided in note 3
[2] 2019 period data presented to provide a more meaningful pre-COVID-19 baseline for performance comparisons
[3] LFL (like for like) excludes Grant Westfield acquired 31 May 2022 and adjusts 2019 revenue from a 27 to a 26 week basis
[4] Reflects the increase in share capital to part fund the Grant Westfield acquisition

Highlights

- Resilient performance with record first half revenue. An increase compared to the pre-pandemic 2019 comparative period of 19.8% on a constant currency like for like[3] basis; above the prior year by 9.5% on a reported basis and 1.1% on a constant currency like for like basis[3]
- The Group benefited from its geographical spread, market share gains and trade channel resilience, offset by softer retail demand and customer destocking
- Underlying operating profit increased by 26.4% against 2019 to a record equalling £22.0m, in line with the record result in 2021
- Grant Westfield acquisition completed and seamlessly integrated in the period
- Strong financial position – low leverage and £130m of committed banking facilities maturing October 2025; significant liquidity and funding headroom
- Interim dividend of 3.4p per share, reflecting the Board's confidence in the Group's prospects

Nick Kelsall, Chief Executive Officer, commented:

"We have again delivered a resilient first half performance against a challenging macroeconomic backdrop. Whilst activity levels normalised following the exceptional post pandemic demand in 2021, the Board remains confident that the Group's successful strategy, proven business model, leading brands, excellent service proposition and its commitment to new product introductions will continue to offer strong differentiation and deliver further progress in line with the Board's expectations for the year to 31 March 2023."

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.

Enquiries

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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 eight 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
  - Multipanel - Grant Westfield is a leading manufacturer of high-end waterproof bathroom wall panels
  - 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 & hot water taps, bathroom taps, and kitchen sinks
  - Johnson Tiles - The leading manufacturer and supplier of ceramic tiles in the UK
  - Norcros Adhesives - Manufacturer of tile and stone adhesives, grouts and related products

- Based in South Africa, Norcros operates under 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 2,400 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 Board is pleased to record a resilient performance for the six months ended 30 September 2022, once again reflecting the strength of the Group's strategy, its focussed business model, geographical spread, market leading brands, broad distribution channels, well-developed supply chain infrastructure and financial strength.

Our UK business performed well with revenue of £142.8m (2021: £130.8m, 2019: £115.6m), 9.2% above the prior year, and 13.5% above 2019 on a like for like basis. Domestic market revenue was 12.9% above the prior year and 16.3% ahead of 2019 on a like for like basis. Merlyn and Triton delivered a marked increase in revenue relative to 2019, benefitting from their leading market positions, stock availability and superior service. Grant Westfield has now been seamlessly integrated into the Group and contributed revenue of £16.5m in the four months following acquisition.

Our South African business continued to make strong progress with revenue of £77.1m (2021: £70.1m, 2019: £65.6m), 10.0% above prior year on a reported basis and 31.8% above 2019 on a constant currency like for like basis. The business continued to benefit from its strong competitive and financial position leading to further market share gains in the period.

We achieved a record level of underlying operating profit of £22.0m for the period (2021: £22.0m, 2019: £17.4m), equal to the record result in the prior year.

Results

Group revenue for the 26-week first half was £219.9m (2021: £200.9m, 2019: £181.2m) (2021: 26 weeks, 2019: 27 weeks), a 9.5% increase on the prior year on a reported basis. It was 1.1% above prior year on a constant currency like for like basis and a 19.8% increase on a 2019 constant currency like for like basis adjusting from a 27 week to a 26-week period. The performance reflected the strength of our customer proposition over the period and the benefits of our geographical exposure and breadth of distribution channels.

Underlying operating profit was £22.0m (2021: £22.0m, 2019: £17.4m) reflecting the increased revenue in the period and the recovery of increased input costs, principally through the management of selling prices. The underlying operating profit margin was 10.0% (2021: 11.0%, 2019: 9.6%).

Operating profit was £16.1m (2021: £19.2m, 2019: £14.3m) after deducting acquisition related costs of £4.9m (2021: £1.9m, 2019: £2.2m). Acquisition related costs represent amortisation of acquired intangibles of £2.8m (2021: £1.9m, 2019: £1.9m) which has increased as a result of the acquisition of Grant Westfield, acquisition related advisory fees of £1.5m (2021: nil, 2019: nil) and deferred remuneration of £0.3m (2021: nil, 2019: £0.3m). IFRS 19R administration expenses were £1.0m (2021: £0.9m, 2019: £0.9m) in the period.

Underlying profit before taxation was £19.9m (2021: £20.9m, 2019: £15.6m) reflecting the increase in bank interest costs to £1.2m (2021: £0.3m, 2019: £0.9m) due to an increase in bank borrowings in the period and higher bank base rates. IFRS 16 interest costs in the period on lease liabilities were £0.9m (2021: £0.8m, 2019: £0.9m). The application of IFRS 16 had a nil impact on underlying profit before taxation (2021: reduction of £0.1m, 2019: reduction of £0.6m).

Profit before taxation was £14.0m (2021: £17.7m, 2019: £13.3m). During the period there were no exceptional costs (2021: nil, 2019: nil).

Diluted underlying earnings per share were 17.8p (2021: 20.0p, 2019: 15.1p), reflecting the reduction in underlying profit before taxation and the increased share capital following the £18.1m (8.1m shares) equity placing to part fund the Grant Westfield acquisition.

The Group generated an underlying operating cash inflow of £16.1m (2021: £8.0m, 2019: £20.0m) post a working capital outflow of £11.0m (2021: £19.3m outflow, 2019: £3.1m outflow), reflecting investment into inventory and the revenue growth in the period. Capital expenditure was £3.3m in the first half (2021: £2.5m, 2019: £3.1m), reflecting our commitment to investing in our overall proposition and a return to pre-pandemic levels.

Financial Position

Group net debt (pre-IFRS 16) was £58.9m at the half year (31 March 2022: £8.6m net cash) following the acquisition of Grant Westfield in May 2022. Inclusive of IFRS 16 lease liabilities, net debt was £84.3m (31 March 2022: £15.4m). IFRS 16 has no impact on cash flow nor on the Group's existing bank covenants. The Group continues to be in a strong financial position with significant headroom within its committed £130m RCF financing facility maturing October 2025.

Pension Scheme

The gross surplus relating to our UK defined benefit pension scheme as calculated under IAS 19R has decreased from £19.6m at 31 March 2022 to £8.2m. This decrease in the surplus is primarily due to an increase in the discount rate to 5.25% (31 March 2022: 2.75%), offset by a reduced value of assets. Notwithstanding the recent volatility in financial markets, and in particular the movement in gilt yields, the Group's UK defined benefit pension scheme obligations continue to be well managed.

Dividend

The Board is declaring an interim dividend of 3.4p per share reflecting the strong first half performance and its confidence in the Group's prospects. The dividend is payable on 10 January 2023 to shareholders on the register on 25 November 2022. The shares will be quoted ex-dividend on 24 November 2022.

Environment, social and governance

The Board is committed to high standards of corporate responsibility, employee engagement and sustainability. We continue to prioritise a number of activities that look to reduce the Group's impact on the environment and support the communities in which we operate, and we strive to provide our employees with a safe and positive working environment. During the first half of the year we have completed our first annual ESG report and TCFD disclosures and established an ESG Forum of key sustainability leaders across our business to work on our ESG strategy. We have started work on our Net Zero Transition Plan which will include setting baselines and targets for our Scope 1, 2 and 3 carbon footprint. We have been working across the business on our wider ESG framework which will develop the KPIs and management information we will use to drive our ESG strategy. We continue to deliver our "Project Yes" (Youth Employment Service) initiative in South Africa to provide work experience for unemployed young people. Within the Group, Triton and Croydex have achieved accreditation with Carbon Trust, Croydex have become the latest of our businesses to achieve ISO14001 in July 2022 and Triton won the Screwfix Sustainable 2022 Award for Product of the Year.

Operating Review

UK

Our UK businesses achieved first half revenue of £142.8m (2021: £130.8m, 2019: £115.6m), representing growth of 13.5% against 2019 on a like for like basis reflecting the growth in RMI activity over that period, market share gains and selling price increases to recover higher input costs.

Against the strong prior year, total revenue was 3.4% lower on a like for like basis with domestic market revenue 0.9% lower. Trade sector revenue proved particularly resilient, offsetting the combination of softer retail demand and destocking in some of our larger retail customers. Export revenue was significantly lower reflecting softer demand in many of our export markets. Grant Westfield grew revenue on a like for like basis and contributed revenue of £16.5m in the four months following acquisition.

Underlying operating profit for the first half was £16.3m (2021: £17.0m, 2019: £12.5m), the improvement on 2019 largely reflecting the contribution of Grant Westfield and the operational leverage resulting from the significant growth in revenue. The reduction in profit compared to prior year is largely due to the normalisation of retail channel activity levels following the exceptional pandemic related peaks in 2021, partly offset by the contribution of Grant Westfield. Operating cash conversion was ahead of the prior year but below 2019 reflecting the investment into inventory to support service levels.

Triton

Triton, the UK's market leader in showers, recorded revenue for the first half of £30.0m (2021: £30.9m, 2019: £24.5m), 2.9% below the prior year but 27.7% up against 2019 on a like for like basis. The business grew its overall market share, particularly in the trade sector but was impacted by a normalisation of demand across the retail channel. Triton continued to secure market share gains, driven by excellent customer service and market leading products.

Retail sector revenue in the first half was up 38.4% on 2019 on a like for like basis, benefitting from a significant uplift in demand for DIY, home renovation and maintenance projects over the last three years. Destocking from some of the larger retail customers and softer retail demand resulted in a year on year reduction of 8.7% against the strong prior year comparator.

Trade sector revenue in the first half was 28.0% higher than 2019 on a like for like basis (up 14.3% on prior year) with the business continuing to particularly benefit from the return of contract, social housing and local authority business.

As in the UK retail channel, export market revenue also performed strongly versus 2019 through the first half and was 10.6% higher on a like for like basis, albeit this was 17.5% below prior year, impacted by the destocking by some export customers and a general retail slowdown.

During the first half of the year Triton introduced a number of new products, including the new DuElec Shower which gives overhead and/or hand shower options, and won the inaugural Screwfix sustainability award for its Enrich electric shower range. Triton also launched its "Every Drop Makes A Difference" campaign which raises awareness about the efficiency of electric showers. This included a Good Morning Britain advertisement that reached almost 21 million consumers.

Triton delivered a strong underlying operating profit performance ahead of 2019, albeit behind prior year.

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 during the first half recording revenue of £28.5m (2021: £29.1m, 2019: £21.9m), 2.1% below prior year but a 35.1% increase on 2019 on a like for like basis.

Merlyn benefitted from strong trade revenue growth with the national merchant and housebuilder channels remaining resilient.

Retail revenue in the first half was 14.4% higher than 2019 on a like for like basis reflecting a buoyant RMI market and market share gains driven by Merlyn's quality service offering, stock availability and customer centric service. Against the prior year, retail sector revenue was 5.2% lower reflecting the softer retail market.

Trade revenue in the first half was 75.0% higher than 2019 on a like for like basis, mainly reflecting strong growth within the national merchant and small format segments, particularly with Screwfix and Wickes. Merlyn also secured specifications with Vistry, St Modwen and Anwyl and also new business with large regional housebuilders such as Larkfleet and Penny Farthing Homes. Against the prior year, trade sector revenue remained strong and grew by 8.1%.

Export revenue in the first half increased by 4.2% on 2019 on a like for like basis reflecting growth in Ireland and France, albeit revenue was 26.5% lower than the prior year reflecting a normalisation of activity levels in these markets

NPD remains a key focus with the well-received launch of the Sleek modern shower enclosure range in Ireland with the UK launch planned for January 2023.

Merlyn delivered a strong underlying operating profit in line with 2019 albeit behind the prior year due principally to the normalisation of demand in its retail and export segments.

Grant Westfield

Grant Westfield, a market leading manufacturer of high-end waterproof bathroom wall panels, recorded revenue for the four months post acquisition in line with expectations at £16.5m growing revenue on a stand-alone year on year basis. The business has been seamlessly integrated and is trading strongly.

The majority of Grant Westfield's revenue is through the trade channel with a small level of export revenue. Sales through national merchants such as Travis Perkins and City Plumbing were strong, supported by the UK contracts business.

Since acquisition, Grant Westfield has launched the Multipanel Tile collection, a grout free alternative to ceramic tiles. This product is the only one of its kind made in Britain and further differentiates the premium brand for product innovation and quality.

We remain confident that we can realise significant new business wins on the back of the strength of the new product introductions and also leveraging off the broader Norcros Group distribution channels.

Grant Westfield delivered an underlying operating profit performance in line with expectations.

Vado

Vado, our leading manufacturer of taps, mixer showers, bathroom accessories and valves, recorded first half revenue of £19.8m (2021: £22.4m, 2019: £21.1m), 11.6% below the prior year and marginally down on 2019 on a like for like basis.

Retail sector revenue in the first half was 6.3% lower than 2019 on a like for like basis (16.9% lower than prior year), driven by softer market conditions in the period.

Trade sector revenue in the first half was 2.2% lower than 2019 on a like for like basis. The reduced availability of some key building materials delayed some projects, which in turn impacted our contract completions in the first quarter of the year but this improved towards the end of the first half. Notwithstanding, Vado has retained all its key customers and has secured new specifications such as The

Cocoa Works in York and the new apartments at Silverstone to be completed in the second half. Trade revenue was in line with the prior year.

Export revenue in the first half increased by 2.8% on 2019 on a like for like basis benefitting from increased sales in Europe. Export revenue was 22.9% below prior year, largely reflecting lower activity levels in the Middle East.

Investment in NPD has continued with the successful launch of the Arrondi range in the period, designed in collaboration with Conran and Partners, which has been well received across the market.

Vado contributed an underlying operating profit below 2019 levels and prior year due largely to lower revenue in the retail sector.

Croydex

Croydex, our market leading, innovative designer, manufacturer and distributor of high-quality bathroom furnishings and accessories, recorded first half revenue of £11.8m (2021: £14.2m, 2019: £11.7m), 16.9% below the prior year but 4.4% up on 2019 on a like for like basis.

Retail sector revenue in the first half was 18.0% lower than 2019 on a like for like basis and 36.9% lower than the prior year. Retail revenue was particularly impacted by softer market conditions and some customer destocking.

Trade sector revenue grew strongly in the first half, 29.5% higher than 2019 on a like for like basis and also 5.6% ahead of prior year mainly reflecting good growth in Screwfix and national and independent merchants.

Export revenue in the first half increased by 11.8% on 2019 on a like for like basis, mainly driven by the introduction of new cabinets (including black storage options) and shower rods for the key export markets. Against the prior year, export revenue was 9.5% lower driven by reduced demand from the USA.

NPD continued with a number of new products launched in the first half including further patented solutions within the shower rod, toilet seat and medicine cabinet categories. Croydex also achieved ISO14001 (Environment) in the period and is reviewing options to further reduce packaging waste in the supply chain.

Croydex contributed an underlying operating profit performance marginally below 2019 levels and behind the prior year.

Abode

Abode, our leading designer and distributor of high quality kitchen and hot water taps, bathroom taps and kitchen sinks, recorded revenue of £9.9m for the first half (2021: £9.3m, 2019: £8.6m), 6.5% ahead of the prior year and 19.3% up on 2019 on a like for like basis.

The business continued to benefit from its strong market positions with key customers and invested in new design studio display space, focused on the trade channel, in London and Manchester. The brand is also promoted on the NBS online platform for architects and the wider construction industry, showcasing the Abode range of products including the Pronteau hot water tap.

The business celebrated its twentieth anniversary in the period and also launched further initiatives and NPD focused on sustainability. Abode introduced a scheme for recycling used water filters, the Swich water filter in natural wood and the Naturale filter tap.

Abode's underlying operating profit was ahead of 2019 and prior year.

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 £19.0m (2021: £17.6m, 2019: £21.5m), 8.0% ahead of the prior year but 8.2% lower than 2019 on a like for like basis. Input cost rises, particularly energy, have been successfully managed through a series of selling price increases.

Retail sector revenue in the first half was 15.0% lower than 2019 on like for like basis reflecting the planned exit of lower margin ranges in the prior year. Despite challenging market conditions and destocking in some larger retail customers, retail sector revenue was 6.2% higher than the prior year benefitting from the selling price increases and good stock availability.

Trade sector revenue in the first half was 1.8% higher than 2019 on a like for like basis and 12% ahead of prior year. Johnson Tiles' strong relationships in the national housebuilding sector were maintained, supplying Barratt David Wilson, Persimmon, Redrow, Countryside, Lovell and L&Q. The business also supplied a number of major contracts in the first half including the Capital Quarter and Fitzalan High School in Cardiff, Yo Sushi and Albert Schloss in Liverpool, Halesowen Leisure Centre and the living quarters at two RAF stations.

Export revenue in the first half was 41.2% lower than 2019 on a like for like basis and 16.7% lower than prior year. This follows a decision to withdraw from low margin business in the Middle East.

During the period Johnson Tiles continued to develop its product offering by launching 22 new ranges. To further differentiate the business, Johnson Tiles also achieved Gold status at the Supply Chain Sustainability School, introduced Environmental Product Declaration certificates for all products manufactured in the UK and became the first tile factory in the world to achieve BES6001 (Responsible Sourcing in Construction).

Johnson Tile's underlying operating profit was marginally behind 2019 and the prior year.

Norcros Adhesives

Norcros Adhesives, our UK manufacturer and supplier of tile and stone adhesives and ancillary products, recorded first half revenue of £7.3m (2021: £7.3m, 2019: £6.3m), in line with the prior year and 19.7% higher than 2019 on a like for like basis.

Retail sector revenue in the first half was 72.4% higher than 2019 on a like for like basis driven by the growth of product lines into larger DIY customers. Against the prior year, retail sector revenue was 5.7% lower reflecting the softer retail market.

Trade sector revenue in the first half was in line with 2019 on a like for like basis. Against the prior year, trade sector revenue was 15.0% higher as larger private and public commercial specification projects slowly recover.

During the period Norcros Adhesives renewed its ISO9001 (Quality) and ISO14001 (Environment) accreditations.

The business has experienced frequent and significant increases in raw material costs which have been matched by a series of selling price increases although there has been a lag in implementing these and consequently in margin recovery.

As a result, Norcros Adhesives made an underlying operating loss in the period compared to a loss in 2019 and a small profit in the prior year. Management is determined to get the business back into profit and have implemented a programme of measures which should improve the second half performance.

South Africa

Our South African business achieved first half revenue of £77.1m (2021: £70.1m, 2019: £65.6m), representing growth of 9.7% on a constant currency basis compared to the strong prior year comparator. The business benefited from continued market share gains despite a backdrop of reduced consumer confidence due to the rising cost of living expenses. Against the pre-pandemic comparator of 2019, revenue was 31.8% higher on a like for like constant currency basis with Tile Africa in particular continuing to take market share by capitalising on its superior offering and customer service.

Underlying operating profit was £5.7m (2021: £5.0m, 2019: £4.9m) in the period, an increase on both the strong prior year and the pre-pandemic 2019 levels. Operating cash conversion was below the prior year and 2019 comparators reflecting the investment in working capital to support business growth.

Johnson Tiles South Africa

Johnson Tiles South Africa, our tile manufacturing business, delivered first half revenue of £9.4m (2021: £8.2m, 2019: £8.3m), 13.3% higher than the prior year on a constant currency basis and 27.0% higher than 2019 on a constant currency like for like basis. The business delivered growth from 2019, particularly driven by robust RMI demand. First half revenue remained resilient due to a resilient housebuilding segment partly offset by softer retail and export markets.

Our products were specified in several developments across the country including Central Development Properties and Balwin Properties in Johannesburg, Cape Town and Durban.

Johnson Tiles South Africa’s underlying operating profit was ahead of prior year, albeit below 2019.

TAL

TAL, our market leading adhesives business recorded revenue of £11.6m (2021: £11.3m, 2019: £12.6m) 2.7% higher than the prior year on a constant currency basis and 3.6% higher than 2019 on a constant currency like for like basis. This performance reflects the slower recovery of the commercial new build project segment of the market which has lagged the recovery in RMI. In addition, there is considerable competitor activity to win market share.

Notwithstanding market conditions, TAL remains the leading supplier of tile adhesive and construction products with the business continuing to invest in technical expertise, customer service and new product development. Projects in the period include the William Moffett Shopping Centre in Cape Town and Shoprite stores in Cape Town and KwaZulu-Natal and luxury student accommodation at Lover’s Walk and the Sitari Residential Apartments. The “Sureproof” and “Superflex” shower offerings released in the prior year have performed strongly in the period.

TAL’s underlying operating profit was below prior year and 2019.

Tile Africa

Tile Africa, our leading retailer of wall and floor tiles, adhesives, showers, sanitaryware and bathroom fittings, recorded first half revenue of £39.5m (2021: £37.8m, 2019: £31.7m), 4.2% higher than the prior year on a constant currency basis and 39.6% higher than 2019 on a constant currency like for like basis. Further improved operating disciplines and superior stock availability have led to both retail and commercial sector market share gains. Tile Africa also responded quickly to assist with repair projects in KwaZulu-Natal following the destructive floods in April of this year.

The first half has benefited from the success of the exclusive upmarket Nuvo bathroom range launched last year, which has been recently expanded to include a complementary bathroom furniture offer. The successful Vitra range of bathroom furniture has also been refined and enhanced. The commercial sector recovery remains slow but projects in the period include Fairview and Dimensdal Wines, Alexander Forbes and Madokero Mall.

Tile Africa currently operates from 33 owned stores and two franchise stores. Capital investment has been maintained, with the ongoing rollout of the bathroom store-within-a-store concept and bespoke alternative floorcoverings departments, which have been successful in the flagship Greenstone store and Ballito stores. The upgrade of the market leading retail store in Mbombela (formerly Nelspruit) was also completed in the period.

Tile Africa's underlying operating profit was ahead of prior year and significantly ahead of 2019.

House of Plumbing

House of Plumbing, our market leading supplier of specialist plumbing materials into the commercial segment, recorded first half revenue of £16.6m (2021: £12.8m, 2019: £13.0m), 29.7% higher than the prior year on a constant currency basis and 43.1% higher than 2019 on a constant currency like for like basis.

Despite the slow recovery in the commercial segment, House of Plumbing has utilised its increased national footprint to deliver revenue growth. House of Plumbing now operates out of eight branches with a focus on providing expert technical plumbing advice to the civil engineering, mining and agriculture segments in addition to the traditional plumbing offering.

House of Plumbing's underlying operating profit was below 2019 and marginally behind the prior year reflecting the sluggish commercial sector and the investment in new branches in the period.

Summary and outlook

Our resilient performance in the first half continues to reflect the benefits of the Group's strategy, its focussed business model, geographical spread, broad distribution channels, market leading brands, well-developed supply chain infrastructure and financial strength.

Notwithstanding the ongoing macroeconomic uncertainties and current market conditions, the Board remains confident that the Group will continue to make further progress and perform in line with the Board's expectations for the year to 31 March 2023.

Nick Kelsall
Chief Executive Officer
9 November 2022

James Eyre
Chief Financial Officer
9 November 2022

Condensed consolidated income statement

Six months to 30 September 2022

	Notes	**6 months to 30 September 2022 (unaudited) £m**	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Revenue		**219.9**	200.9	396.3
Underlying operating profit		**22.0**	22.0	41.8
IAS 19R administrative expenses		**(1.0)**	(0.9)	(1.7)
Acquisition related costs	4	**(4.9)**	(1.9)	(4.8)
Exceptional operating items	4	**—**	—	0.9
Operating profit		**16.1**	19.2	36.2
Finance costs	7	**(2.3)**	(1.3)	(2.8)
IAS 19R finance income/(cost)		**0.2**	(0.2)	(0.4)
Profit before taxation		**14.0**	17.7	33.0
Taxation	6	**(3.0)**	(4.4)	(7.3)
Profit for the period from continuing operations		**11.0**	13.3	25.7
Earnings per share attributable to equity holders of the Company				
Basic earnings per share:				
From profit for the period	5	**12.6p**	16.4p	31.8p
Diluted earnings per share:				
From profit for the period	5	**12.4p**	16.1p	31.2p
Weighted average number of shares for basic earnings per share (millions)	5	**87.1**	80.9	80.9
Alternative performance measures				
Underlying profit before taxation (£m)	3	**19.9**	20.9	39.3
Underlying earnings (£m)	3	**15.8**	16.5	31.5
Basic underlying earnings per share	5	**18.1p**	20.4p	38.9p
Diluted underlying earnings per share	5	**17.8p**	20.0p	38.2p

Condensed consolidated statement of comprehensive income

Six months to 30 September 2021

	6 months to 30 September 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Profit for the period	**11.0**	13.3	25.7
Other comprehensive income and expense:			
Items that will not subsequently be reclassified to the Income Statement			
Actuarial (losses)/gains on retirement benefit obligations	**(9.4)**	9.4	27.5
Items that may be subsequently reclassified to the Income Statement			
Cash flow hedges – fair value gain in year net of taxation	**2.8**	2.1	3.0
Foreign currency translation adjustments	**(2.4)**	—	3.6
Other comprehensive (expense)/income for the period	**(9.0)**	11.5	34.1
Total comprehensive income for the period attributable to equity holders of the Company	**2.0**	24.8	59.8

Items in the statement are disclosed net of tax.

Condensed consolidated balance sheet
At 30 September 2022

	Notes	**At 30 September 2022 (unaudited) £m**	At 30 September 2021 (unaudited) £m	At 31 March 2022 (audited) £m
Non-current assets				
Goodwill		**108.1**	60.8	61.2
Intangible assets		**68.0**	30.9	29.1
Property, plant and equipment		**30.3**	27.6	29.0
Pension scheme asset	12	**8.2**	—	19.6
Right of use assets		**21.4**	19.4	19.9
		236.0	138.7	158.8
Current assets				
Inventories		**112.7**	94.6	100.6
Trade and other receivables		**80.0**	73.6	71.1
Derivative financial instruments		**5.3**	0.8	1.6
Cash and cash equivalents	8	**31.1**	26.8	27.4
		229.1	195.8	200.7
Current liabilities				
Trade and other payables		**(114.0)**	(102.0)	(102.4)
Lease liabilities		**(5.7)**	(5.4)	(5.7)
Current tax liabilities		**(1.9)**	(2.8)	(2.7)
		(121.6)	(110.2)	(110.8)
Net current assets		**107.5**	85.6	89.9
Total assets less current liabilities		**343.5**	224.3	248.7
Non-current liabilities				
Financial liabilities – borrowings	8	**(90.0)**	(25.8)	(18.8)
Pension scheme liability	12	**—**	(6.1)	—
Lease liabilities		**(19.7)**	(18.3)	(18.3)
Deferred tax liabilities	6	**(17.3)**	(3.0)	(9.4)
Other non-current liabilities		**(0.5)**	(0.3)	(0.3)
Provisions		**(1.5)**	(3.5)	(1.6)
		(129.0)	(57.0)	(48.4)
Net assets		**214.5**	167.3	200.3
Financed by:				
Share capital	9	**8.9**	8.1	8.1
Share premium		**47.6**	30.2	30.3
Retained earnings and other reserves		**158.0**	129.0	161.9
Total equity		**214.5**	167.3	200.3

Condensed consolidated statement of cash flow
Six months to 30 September 2022

	Notes	**6 months to 30 September 2022 (unaudited) £m**	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Cash generated from operations	10	**11.6**	6.0	23.6
Income taxes paid		**(4.3)**	(2.9)	(6.5)
Interest paid		**(2.1)**	(1.1)	(2.5)
Net cash generated from operating activities		**5.2**	2.0	14.6
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets		**(3.3)**	(2.5)	(5.4)
Acquisition of subsidiary – cash paid (net of cash acquired)	13	**(78.3)**	—	—
Net cash used in investing activities		**(81.6)**	(2.5)	(5.4)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**18.1**	—	0.1
Principal element of lease payments		**(2.4)**	(2.4)	(4.7)
Drawdown of borrowings		**71.0**	8.0	2.0
Dividends paid to the Company’s shareholders		**(6.1)**	(6.6)	(9.1)
Net cash used in financing activities		**80.6**	(1.0)	(11.7)
Net increase/(decrease) in cash at bank and in hand and bank overdrafts		**4.2**	(1.5)	(2.5)
Cash at bank and in hand and bank overdrafts at beginning of the period		**27.4**	28.3	28.3
Exchange movements on cash and bank overdrafts		**(0.5)**	—	1.6
Cash and cash equivalents net of overdrafts at end of the period		**31.1**	26.8	27.4

Alternative performance measures				
Underlying operating cash flow	3	**16.1**	8.0	28.6

Condensed consolidated statements of changes in equity

Six months to 30 September 2022 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Hedging Reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 March 2022	**8.1**	**30.3**	**(0.1)**	**1.5**	**(12.8)**	**173.3**	**200.3**
Comprehensive income:							
Profit for the period	—	—	—	—	—	11.0	11.0
Other comprehensive income/(expense):							
Actuarial loss on retirement benefit obligations	—	—	—	—	—	(9.4)	(9.4)
Fair value gain on currency hedges	—	—	—	2.8	—	—	2.8
Foreign currency translation adjustments	—	—	—	—	(2.4)	—	(2.4)
Total other comprehensive income/(expense)	**—**	**—**	**—**	**2.8**	**(2.4)**	**(9.4)**	**(9.0)**
Transactions with owners:							
Shares Issued	0.8	17.3	—	—	—	—	18.1
Dividends paid	—	—	—	—	—	(6.1)	(6.1)
Value of employee services	—	—	—	—	—	0.2	0.2
At 30 September 2022	**8.9**	**47.6**	**(0.1)**	**4.3**	**(15.2)**	**169.0**	**214.5**

Six months to 30 September 2021 (unaudited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Hedging Reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 March 2021	8.1	30.2	(0.1)	(1.5)	(16.4)	128.1	148.4
Comprehensive income:							
Profit for the period	—	—	—	—	—	13.3	13.3
Other comprehensive income/(expense):							
Actuarial gain on retirement benefit obligations	—	—	—	—	—	9.4	9.4
Fair value gain on currency hedges	—	—	—	2.1	—	—	2.1
Total other comprehensive income	—	—	—	2.1	—	9.4	11.5
Transactions with owners:							
Dividends paid	—	—	—	—	—	(6.6)	(6.6)
Value of employee services	—	—	—	—	—	0.7	0.7
At 30 September 2021	8.1	30.2	(0.1)	0.6	(16.4)	144.9	167.3

Year ended 31 March 2022 (audited)

	Ordinary share capital £m	Share premium £m	Treasury reserve £m	Hedging Reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 March 2021	8.1	30.2	(0.1)	(1.5)	(16.4)	128.1	148.4
Comprehensive income:							
Profit for the year	—	—	—	—	—	25.7	25.7
Other comprehensive income:							
Actuarial gain on retirement benefit obligations	—	—	—	—	—	27.5	27.5
Fair value gain on cash flow hedges	—	—	—	3.0	—	—	3.0
Foreign currency translation adjustments	—	—	—	—	3.6	—	3.6
Total other comprehensive income	—	—	—	3.0	3.6	27.5	34.1
Transactions with owners:							
Shares issued	—	0.1	—	—	—	—	0.1
Dividends paid	—	—	—	—	—	(9.1)	(9.1)
Value of employee services	—	—	—	—	—	1.1	1.1
At 31 March 2022	8.1	30.3	(0.1)	1.5	(12.8)	173.3	200.3

Notes to the accounts

Six months to 30 September 2022

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 9 November 2022 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 2022 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting'.

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 2022, which has been prepared in accordance with IFRS as adopted by the UK. The Annual Report and Accounts was approved by the Board on 8 June 2022 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 2022. 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.

Risks and uncertainties

The principal risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 36 to 40 in the 2022 Annual Report, which is available on the Group's website (www.norcros.com). The principal risks stated were: coronavirus (COVID-19) pandemic, acquisition risk, environmental, social and governance (ESG), staff retention and recruitment, market conditions, loss of key customers, competition, reliance on production facilities, loss of a key supplier, information security and cyber risk, exchange rate risk, funding and liquidity risk and pension scheme risk.

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 2022.

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.

	Notes	6 months to 30 September 2022 (unaudited)		
		UK £m	South Africa £m	Group £m
Revenue		**142.8**	**77.1**	**219.9**
Underlying operating profit		**16.3**	**5.7**	**22.0**
IAS 19R administrative expenses		**(1.0)**	**—**	**(1.0)**
Acquisition related costs	4	**(4.8)**	**(0.1)**	**(4.9)**
Operating profit		**10.5**	**5.6**	**16.1**
Finance costs (net)				**(2.1)**
Profit before taxation				**14.0**
Taxation	6			**(3.0)**
Profit for the period				**11.0**
Net debt	8			**(58.9)**

	Notes	6 months to 30 September 2021 (unaudited)		
		UK £m	South Africa £m	Group £m
Revenue		130.8	70.1	200.9
Underlying operating profit		17.0	5.0	22.0
IAS 19R administrative expenses		(0.9)	—	(0.9)
Acquisition related costs	4	(1.8)	(0.1)	(1.9)
Operating profit		14.3	4.9	19.2
Finance costs (net)				(1.5)
Profit before taxation				17.7
Taxation	6			(4.4)
Profit for the period				13.3
Net cash	8			1.0

	Notes	Year ended 31 March 2022 (audited)		
		UK £m	South Africa £m	Group £m
Revenue		256.7	139.6	396.3
Underlying operating profit		30.9	10.9	41.8
IAS 19R administrative expenses		(1.7)	—	(1.7)
Acquisition related costs	4	(4.6)	(0.2)	(4.8)
Exceptional operating items	4	0.9	—	0.9
Operating profit		25.5	10.7	36.2
Finance costs (net)				(3.2)
Profit before taxation				33.0
Taxation	6			(7.3)
Profit for the period				25.7
Net cash	8			8.6

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 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
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 net (debt)/cash	Underlying net (debt)/cash 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 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 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Profit before taxation	**14.0**	17.7	33.0
Adjusted for:			
IAS 19R administrative expenses	**1.0**	0.9	1.7
Acquisition related costs	**4.9**	1.9	4.8
Exceptional operating items	**—**	—	(0.9)
Amortisation of costs of raising finance	**0.2**	0.1	0.2
Discounting of property lease provisions	**—**	0.1	0.1
IAS 19R finance (income)/cost	**(0.2)**	0.2	0.4
Underlying profit before taxation	**19.9**	20.9	39.3
Taxation attributable to underlying profit before taxation	**(4.1)**	(4.4)	(7.8)
Underlying earnings	**15.8**	16.5	31.5

(b) Underlying EBITDA

	6 months to 30 September 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Operating profit	**16.1**	19.2	36.2
Adjusted for:			
IAS 19R administrative expenses	**1.0**	0.9	1.7
Acquisition related costs	**4.9**	1.9	4.8
Exceptional operating items	**—**	—	(0.9)
Underlying operating profit	**22.0**	22.0	41.8
Depreciation and amortisation (owned assets)	**2.5**	2.5	5.2
Depreciation of leased assets	**2.4**	2.1	4.1
Lease costs (excluding onerous lease payments)	**(3.3)**	(2.8)	(5.7)
Underlying EBITDA (pre-IFRS 16)	**23.6**	23.8	45.4

Condensed Consolidated Statement of Cash Flow

Underlying operating cash flow

	6 months to 30 September 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Cash generated from continuing operations (note 10)	**11.6**	6.0	23.6
Adjusted for:			
Cash flows from exceptional items and acquisition related costs	**2.6**	0.3	1.7
Pension fund deficit recovery contributions	**1.9**	1.7	3.3
Underlying operating cash flow	**16.1**	8.0	28.6

4. Acquisition related costs

An analysis of acquisition related costs is shown below.

	6 months to 30 September 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Acquisition related costs			
Intangible asset amortisation[1]	**3.1**	1.9	3.7
Advisory Fees[2]	**1.5**	—	1.1
Deferred remuneration[3]	**0.3**	—	—
	4.9	1.9	4.8

1 Non-cash amortisation charges in respect of acquired intangible assets.
2 Professional advisory fees incurred in connection with the Group's business combination activities.
3 Deferred consideration payable to the divisional employees of the acquired business is required to be treated as remuneration, and, accordingly, is expensed to the Income Statement as incurred over the period of the related agreement.

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 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Profit for the period	**11.0**	13.3	25.7

	6 months to 30 September 2022 (unaudited) Number	6 months to 30 September 2021 (unaudited) Number	Year ended 31 March 2022 (audited) Number
Weighted average number of shares for basic earnings per share	**87,121,128**	80,851,862	80,887,240
Share options	**1,443,078**	1,542,475	1,504,604
Weighted average number of shares for diluted earnings per share	**88,564,206**	82,394,337	82,391,844

	6 months to 30 September 2022 (unaudited)	**6 months to 30 September 2021 (unaudited)**	Year ended 31 March 2022 (audited)
Basic earnings per share:			
From profit for the period	**12.6p**	16.4p	31.8p
Diluted earnings per share:			
From profit for the period	**12.4p**	16.1p	31.2p

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 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Underlying earnings for the period (note 3)	**15.8**	16.5	31.5

	6 months to 30 September 2022 (unaudited)	6 months to 30 September 2021 (unaudited)	Year ended 31 March 2022 (audited)
Basic underlying earnings per share	**18.1p**	20.4p	38.9p
Diluted underlying earnings per share	**17.8p**	20.0p	38.2p

6. Taxation

Taxation comprises:

	6 months to 30 September 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Current			
UK taxation	**1.3**	1.8	3.6
Overseas taxation	**2.0**	2.3	4.7
Prior year adjustment	**—**	—	(0.1)
Total current taxation	**3.3**	4.1	8.2
Deferred			
Origination and reversal of temporary differences	**(0.3)**	0.3	(0.9)
Total tax charge	**3.0**	4.4	7.3

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

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021 and deferred tax balances were remeasured to either 19% or 25% depending on when the Directors expect these timing differences to reverse, in the year ended 31 March 2022.

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.

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

	6 months to 30 September 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Deferred tax liability at the beginning of the period	**(9.4)**	(0.5)	(0.5)
Credited/(charged) to the Consolidated Income Statement	**0.3**	(0.3)	0.9
Credited to the Consolidated Statement of Comprehensive Income	**2.5**	(2.2)	(9.8)
Deferred tax liability recognised on acquisition	**(10.7)**	—	—
Deferred tax liability at the end of the period	**(17.3)**	(3.0)	(9.4)

	6 months to 30 September 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Accelerated capital allowances	**(0.1)**	—	(0.1)
Other timing differences	**1.3**	1.6	2.0
Deferred tax liability relating to intangible assets	**(16.5)**	(6.1)	(6.4)
Deferred tax (liability)/asset relating to pension surplus/deficit	**(2.0)**	1.5	(4.9)
Deferred tax liability at the end of the period	**(17.3)**	(3.0)	(9.4)

7. Finance costs

	6 months to 30 September 2022 (unaudited) £m	**6 months to 30 September 2021 (unaudited) £m**	Year ended 31 March 2022 (audited) £m
Finance costs			
Interest payable on bank borrowings	**1.2**	0.3	0.8
Interest on lease liabilities	**0.9**	0.8	1.7
Amortisation of costs of raising debt finance	**0.2**	0.1	0.1
Discounting of property lease provisions	—	0.1	0.2
Finance costs	**2.3**	1.3	2.8

8. Borrowings

	At 30 September 2022 (unaudited) £m	At 30 September 2021 (unaudited) £m	At 31 March 2022 (audited) £m
Non-current			
Bank borrowings (unsecured):			
– bank loans	**91.0**	26.0	20.0
– less: costs of raising finance	**(1.0)**	(0.2)	(1.2)
Total non-current	**90.0**	25.8	18.8

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 2022 (unaudited) £m	At 30 September 2021 (unaudited) £m	At 31 March 2022 (audited) £m
Not later than one year	**—**	—	—
After more than one year:			
– between one and two years	**—**	26.0	—
– between two and five years	**91.0**	—	20.0
– costs of raising finance	**(1.0)**	(0.2)	(1.2)
Total borrowings	**90.0**	25.8	18.8

The Group has a multicurrency £130m revolving credit facility (plus a £70m uncommitted accordion facility) with four lenders. The facility has a maturity date of October 2025.

Net debt

The Group's net debt is calculated as follows:

	At 30 September 2022 (unaudited) £m	At 30 September 2021 (unaudited) £m	At 31 March 2022 (audited) £m
Cash and cash equivalents	**31.1**	26.8	27.4
Total borrowings	**(90.0)**	(25.8)	(18.8)
Net (debt)/cash	**(58.9)**	1.0	8.6

9. Called up share capital

	At 30 September 2022 (unaudited) £m	At 30 September 2021 (unaudited) £m	At 31 March 2022 (audited) £m
Issued and fully paid			
89,271,813 (September 2021: 80,975,309, March 2022: 81,052,426) ordinary shares of 10p each	8.9	8.1	8.1

During the period 8,088,700 ordinary shares were issued as an equity placing ahead of the Grant Westfield acquisition resulting in a share premium of £17.2m. 130,687 ordinary shares of 10p were also issued to satisfy vesting of options under the Company's SAYE and DBP share schemes.

10. Consolidated Cash Flow Statements

(a) Cash generated from operations

	6 months to 30 September 2022 (unaudited) £m	6 months to 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Profit before taxation	**14.0**	17.7	33.0
Adjustments for:			
– IAS 19R administrative expenses included in the Income Statement	**1.0**	0.9	1.7
– acquisition related costs included in the Income Statement	**4.9**	1.9	4.8
– exceptional operating items included in the Income Statement	**—**	—	(0.9)
– cash flows from exceptional items and acquisition related costs	**(2.6)**	(0.3)	(1.7)
– settlement of share options	**—**	—	—
– depreciation of property, plant and equipment	**2.4**	2.3	5.1
– underlying amortisation	**0.1**	0.2	0.1
– depreciation of right of use assets	**2.4**	2.1	4.1
– finance costs included in the Income Statement	**2.3**	1.3	2.8
– pension fund deficit recovery contributions	**(1.9)**	(1.7)	(3.3)
– IAS 19R finance (income)/cost included in the Income Statement	**(0.2)**	0.2	0.4
– IFRS2 Charges	**0.2**	0.7	1.1
Operating cash flows before movements in working capital	**22.6**	25.3	47.2
Changes in working capital:			
– increase in inventories	**(8.3)**	(18.2)	(22.7)
– decrease/(increase) in trade and other receivables	**0.1**	(8.2)	(5.1)
– (decrease)/increase in trade and other payables	**(2.8)**	7.1	4.2
Cash generated from operations	**11.6**	6.0	23.6

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)/cash

	Net cash and current borrowings £m	Non-current borrowings £m	**Underlying net cash/ (debt) £m**	Lease Liabilities £m	**Net debt £m**
At 1 April 2022	27.4	(18.8)	8.6	(24.0)	(15.4)
Cash flow	4.2	(71.0)	(66.8)	3.3	(63.5)
Non-cash finance costs	—	(0.2)	(0.2)	(0.9)	(1.1)
Other non-cash movements	—	—	—	(4.3)	(4.3)
Exchange movements	(0.5)	—	(0.5)	0.5	—
At 30 September 2022	**31.1**	**(90.0)**	**(58.9)**	**(25.4)**	**(84.3)**

	Net cash and current borrowings £m	Non-current borrowings £m	**Underlying net cash/ (debt) £m**	Lease Liabilities £m	**Net debt £m**
At 1 April 2021	28.3	(17.8)	10.5	(24.2)	(13.7)
Cash flow	(1.5)	(8.0)	(9.5)	3.2	(6.3)
Non-cash finance costs	—	—	—	(0.9)	(0.9)
Other non-cash movements	—	—	—	(1.8)	(1.8)
At 30 September 2021	26.8	(25.8)	1.0	(23.7)	(22.7)

	Net cash and current borrowings £m	Non-current borrowings £m	**Underlying net cash/ (debt) £m**	Lease Liabilities £m	**Net debt £m**
At 1 April 2021	28.3	(17.8)	10.5	(24.2)	(13.7)
Cash flow	(2.5)	(2.0)	(4.5)	6.4	1.9
Non-cash finance costs	—	1.0	1.0	(1.7)	(0.7)
Other non-cash movements	—	—	—	(3.8)	(3.8)
Exchange movements	1.6	—	1.6	(0.7)	0.9
At 1 April 2022	27.4	(18.8)	8.6	(24.0)	(15.4)

11. Dividends

A final dividend in respect of the year ended 31 March 2022 of £6.1m (6.9p per 10p ordinary share) was paid on 29 July 2022.

On 9 November 2022 the Board declared an interim dividend in respect of the year ended 31 March 2023 of 3.4p per 10p ordinary share. This dividend is payable on 10 January 2023 to shareholders on the register on 25 November 2022 and is not reflected in this condensed consolidated interim financial information. The shares will be quoted ex-dividend on 24 November 2022. 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 16 December 2022.

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 scheme is closed to new members and future accrual with effect from 1 April 2013, although active members retain a salary link.

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 2022. Scheme assets are stated at their market value at 30 September 2022.

(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 2022	At 30 September 2021	At 31 March 2022
Discount rate	**5.25%**	2.05%	2.75%
Inflation rate (RPI)	**3.55%**	3.45%	3.70%
Inflation (CPI)	**2.75%**	2.55%	2.90%
Salary increases	**3.00%**	2.80%	3.15%

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

	At 30 September 2022 (unaudited) £m	**At 30 September 2021 (unaudited) £m**	At 31 March 2022 (audited) £m
Total market value of scheme assets	**287.3**	**410.5**	387.9
Present value of scheme liabilities	**(279.1)**	**(416.6)**	(368.3)
Pension surplus/(deficit)	**8.2**	**(6.1)**	19.6

13. Business combinations

On 31 May 2022, the Group acquired 100% of the ordinary share capital of Granfit Holdings Ltd and subsidiaries (Grant Westfield), a market leading designer, manufacturer and supplier of waterproof bathroom panels in the UK. Full details of the acquisition are provided on the Group's website (www.norcros.com).

The following table summarises the consideration paid for Grant Westfield and the provisional fair value of the assets acquired and the liabilities assumed:

	£m
Consideration	
Cash paid	78.3
Cash acquired	38.4
Deferred consideration	9.0
	125.7

	£m
Recognised amounts of identifiable assets and liabilities	
Intangible assets	42.2
Property, plant and equipment	1.1
Right of use assets	2.0
Inventories	4.8
Trade and other receivables	10.7
Cash	38.4
Trade and other payables	(7.8)
Current tax liabilities	(0.3)
Deferred tax liability	(10.7)
Lease liabilities	(2.0)
Total identifiable net assets	**78.4**
Goodwill	**47.3**
Total	**125.7**

The Group has determined the provisional fair values of Grant Westfield's assets and liabilities with intangible assets recognised of £42.2m and a deferred tax liability of £10.7m mainly arising from the recognition of acquired intangible assets.

In most business combinations there is an element of cost which cannot be allocated against the individual assets and liabilities acquired. This residual amount is recognised as goodwill and is supported by a number of factors which do not meet the criteria required for them to be treated as intangible assets. In this case the most significant elements relate to Grant Westfield's unique product portfolio and its knowledgeable workforce. It is not expected at this stage that any of the goodwill will be deductible for tax purposes.

Total costs relating to the transaction of £2.6m have been expensed to the Consolidated Income Statement and included within acquisition related costs of £1.1m recognised in the year ended 31 March 2022 and the remaining £1.5m recognised in the year to 31 March 2023.

The deferred consideration of £9m is dependent on the financial performance of Grant Westfield over the next three years and to the extent that performance criteria are met will be paid in the year ended 31 March 2026. As part of the transaction, a long-term incentive scheme has been put in place for key Grant Westfield management staff which is also dependent on the financial performance of Grant Westfield over the next three years. The maximum amount and current expectation is that £3.0m will be payable under this scheme which will be treated as deferred remuneration and included within acquisition related costs in the Consolidated Income Statement.

The revenue included in the Condensed Consolidated Statement of Comprehensive Income since 31 May 2022 contributed by Grant Westfield is £16.5m.

The net cash outflow from the transaction reported within investing activities was as follows:

	£m
Cash consideration	116.7
Cash acquired	(38.4)
Net cash outflow reported in the Condensed Consolidated Statement of Cash Flow	**78.3**

In addition to the above, a cash outflow of £2.6m relating to costs incurred in respect of the transaction has been included within cash generated from continuing operations, such that the total net cash outflow from the acquisition in the period was £80.9m. Net proceeds from the equity raise were £18.1m resulting in an overall impact on net debt of £62.8m.

14. Related party transactions

The remuneration of executive and non-executive Directors will be disclosed in the Group's Annual Report for the year ending 31 March 2023.

15. Financial risk management and financial instruments

Financial risk factors

The Group's operations expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and energy price risk); credit risk; and liquidity risk. An explanation of these risks and how the Group manages them is set out on page 130 and 131 of the Group's 2022 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 2022 Annual Report. There have been no material changes in the risk management process or in any risk management policies since the year end.

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 presented on our website www.norcros.com.

By order of the Board

Nick Kelsall	**James Eyre**
Chief Executive Officer	***Chief Financial Officer***
9 November 2022	9 November 2022