

James Halstead

JAMES HALSTEAD plc

COVERING THE WORLD

Interim Report 2018

Key Figures

- Revenue higher at £126.0 million – an increase of 5.4%
- Operating profit higher at £23.9 million – an increase of 1.6%
- Pre-tax profit higher at £23.7 million – an increase of 2.0%
- Basic earnings per ordinary share 8.8p – an increase of 3.5%
- Interim dividend increased to a record 3.85p – an increase of 2.7%
- Net cash at £47.5 million

The Chief Executive, Mr Mark Halstead, commented:

“Yet another record half-year for sales and profit and once again an increase in dividend.”



Chairman's Statement

Trading

In my first announcement as Chairman, I am greatly pleased to be able to continue the long tradition of reporting not only a record level of sales at the interim but more gratifyingly increased profit and an increased interim dividend.

Group turnover at £126.0 million (2016: £119.6million) was some 5.4% ahead. The mix and range of customers continues to be as diverse as it is global, whether it is the Kitéa Furniture stores across Morocco, the Tullibardine Whisky Distillery located in Perth & Kinross or the The University of Corsica founded by Pasquale Paoli in 1765. Our sales encompass new buildings, extensions and refurbishment. The UK turnover is one third of total sales and was some 2.6% ahead of the comparative period. Given the tumult in the facilities management sector, not least the demise of Carillion, this is to my mind, commendable. Objectflor, reported just over 2% growth in sales in local currency which is creditable against the strong competition. In sterling terms Europe overall fared well with 4.4% sales growth in Germany and just over 14% in France.

Our pre-tax profit at £ 23.7 million (2016: £23.2 million) is some 2% ahead of the prior year comparative and is creditable against the raw material cost increases in this six months' trading, some 13.9% ahead of the comparable period. We noted in our preliminary results (issued 2 October 2017) that we had commenced utilising bulk storage for raw materials in Teesside to more easily source raw materials from Asia. This has not only mitigated European shortages but has also led to lower raw material prices than those available from

local sources. Up to 50% of our polymer requirements are sourced this way and are a hedge against pricing/exchange rate issues with European supply. In addition, we can offset customs import duty as around 25% of our exports are outside the EU customs area.

One of the many positives in this trading period is that our sales in Australia have grown 7%. Having moved our Queensland warehouse to larger premises, opened our first warehouse in South Australia and augmented our sales force with representatives in Far North Queensland and Tasmania, the business continues to drive bottom line growth.

I am pleased to report that continued investment in sales representation at Polyflor Canada Inc. is bearing fruit with over a 25% increase in turnover in the period. Falck Design, based in Sweden, posted 9% growth. Polyflor India, having made a good start last year, has slipped backward with a decline in sales that resulted from the introduction of general sales tax (GST) in July 2017 which disrupted construction activity and purchasing particularly in our core healthcare sector. Current trading is now back up at prior year levels and growing. Our sales in the Middle East have also more than doubled with numerous healthcare and education sector projects completing together with projects in Qatar such as the Al Bayt and Khalifa Stadiums.

The Company will soon reach another milestone in its history- seventy years as a publicly quoted company. James Halstead floated on the LSE on 4th May 1948. At float there were 700,000 shares of 10 shillings in issue and anyone who followed the buy advice of W I Carr (stockbrokers) in November 1948 would have seen an approximate 300,000%

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return on their investment (not including dividends). One month after our flotation, one of our major customers of today also came into being – the National Health Service. These days our healthcare sales extend far and wide from Mediclinic Dubai, to Guizhou Provincial Cancer Hospital in China.

In addition to healthcare, our presence in retail continues to expand with global partners such as Montblanc stores (globally), Marc Dorcel stores across France, Thalia book stores across Germany and Freshii restaurants in Canada. Further examples of the breadth of applications of our flooring are the Indian Space Research Organisation (ISRO) semi-conductor laboratories, in Dehli, the Universal Church of San Paolo in Brazil and Central Bark dog hotel in Auckland.

We continue to focus on customer service to maintain market penetration and to be industry leaders, for example in responsible sourcing. BES6001 certification is the “gold” standard for the responsible sourcing of construction products and in recent months Polyflor was awarded an “excellent” rating by the independent certifying body. We continue to trail blaze in our approach to PVC waste collection and recycling and Polyflor are proud to announce the 8th annual Recofloor Awards event, which will soon take place at Anfield Football Stadium, hosted by footballing legend Kevin Keegan.

Earnings per Share

Our basic earnings per share at 8.8p are above the comparative period of 8.5p by 3.5%.

Having regard to cash, which stands at £47.5 million, I am pleased to say that an interim dividend of 3.85p has been declared (2017:

3.75p), representing a 2.7% increase and this reflects both the strength of earnings and the cash reserves of the Company. This will be payable on 6 June 2018 to those shareholders on the register at the close of business on 4 May 2018.

Outlook

The three months leading up to the half-year end saw us preparing for range updates and new product launches at the major European exhibitions held in January and February and I am pleased to report an encouragingly strong reception for these which should underpin the second half of the year.

We noted in our pre-close trading update (29 January 2018) that a German competitor had entered administration and would be closing its resilient vinyl manufacturing facility and this has now happened. In consequence we have received multiple enquires from customers of that business. To date, we have converted many of these enquiries into sales across the European market and more will follow.

Looking at the period since the half-year it is pleasing to note that January trading was a particularly strong sales month and February and March also compared well to last year such that, to date, sales are ahead of the comparative by some 10%.

Against this background I have confidence in continued progress.

Anthony Wild

Chairman

27 March 2018



Consolidated Income Statement

for the half-year ended 31 December 2017

	Half-year ended 31.12.17 £'000	Half-year ended 31.12.16 £'000	Year ended 30.06.17 £'000
Revenue	126,024	119,558	240,784
Operating profit	23,914	23,532	47,284
Net finance cost	(229)	(311)	(668)
Profit before income tax	23,685	23,221	46,616
Income tax expense	(5,292)	(5,533)	(10,106)
Profit for the period	18,393	17,688	36,510
Earnings per ordinary share of 5p			
– basic	8.8p	8.5p	17.6p
– diluted	8.8p	8.5p	17.6p

All amounts relate to continuing operations.

Details of dividends paid and declared/proposed are given in note 4.

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Consolidated Balance Sheet

as at 31 December 2017

	Half-year ended 31.12.17 £'000	Half-year ended 31.12.16 £'000	Year ended 30.06.17 £'000
Non-current assets			
Property, plant and equipment	36,539	35,176	36,103
Intangible assets	3,232	3,232	3,232
Deferred tax assets	3,394	5,704	4,151
	<u>43,165</u>	<u>44,112</u>	<u>43,486</u>
Current assets			
Inventories	73,831	61,948	72,936
Trade and other receivables	26,630	24,851	31,176
Derivative financial instruments	384	1,670	416
Cash and cash equivalents	47,483	51,607	52,532
	<u>148,328</u>	<u>140,076</u>	<u>157,060</u>
Total assets	<u>191,493</u>	<u>184,188</u>	<u>200,546</u>
Current liabilities			
Trade and other payables	51,412	51,361	59,321
Derivative financial instruments	1,434	636	1,362
Current income tax liabilities	4,775	5,287	3,860
	<u>57,621</u>	<u>57,284</u>	<u>64,543</u>
Non-current liabilities			
Retirement benefit obligations	16,532	28,127	21,257
Deferred tax liabilities	–	603	–
Borrowings	200	200	200
Other payables	479	476	486
	<u>17,211</u>	<u>29,406</u>	<u>21,943</u>
Total liabilities	<u>74,832</u>	<u>86,690</u>	<u>86,486</u>
Net assets	<u>116,661</u>	<u>97,498</u>	<u>114,060</u>
Equity			
Equity share capital	10,399	10,381	10,393
Equity share capital (B shares)	160	160	160
	<u>10,559</u>	<u>10,541</u>	<u>10,553</u>
Share premium account	3,805	3,256	3,615
Capital redemption reserve	1,174	1,174	1,174
Currency translation reserve	6,021	5,472	6,194
Hedging reserve	(186)	530	(289)
Retained earnings	95,288	76,525	92,813
	<u>116,661</u>	<u>97,498</u>	<u>114,060</u>
Total equity attributable to shareholders of the parent	<u>116,661</u>	<u>97,498</u>	<u>114,060</u>



Consolidated Cash Flow Statement

for the half-year ended 31 December 2017

	Half-year ended 31.12.17 £'000	Half-year ended 31.12.16 £'000	Year ended 30.06.17 £'000
Cash inflow from operations	20,211	31,194	47,478
Net interest received	51	81	101
Taxation paid	(4,337)	(4,548)	(10,682)
Cash inflow from operating activities	15,925	26,727	36,897
Purchase of property, plant and equipment	(2,026)	(2,141)	(4,234)
Proceeds from disposal of property, plant and equipment	111	82	234
Cash outflow from investing activities	(1,915)	(2,059)	(4,000)
Equity dividends paid	(19,238)	(17,646)	(25,438)
Shares issued	196	167	538
Cash outflow from financing activities	(19,042)	(17,479)	(24,900)
Net (decrease)/increase in cash and cash equivalents	(5,032)	7,189	7,997
Effect of exchange differences	(17)	322	439
Cash and cash equivalents at start of the period	52,532	44,096	44,096
Cash and cash equivalents at end of the period	47,483	51,607	52,532

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Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2017

	Half-year ended 31.12.17 £'000	Half-year ended 31.12.16 £'000	Year ended 30.06.17 £'000
Profit for the period	18,393	17,688	36,510
Other comprehensive income net of tax:			
Remeasurement of the net defined benefit liability	3,317	(2,853)	2,404
Foreign currency translation differences	(173)	1,446	2,168
Fair value movements on hedging instruments	103	1,229	410
Other comprehensive income for the period net of tax	3,247	(178)	4,982
Total comprehensive income for the period	21,640	17,510	41,492
Attributable to equity holders of the parent	21,640	17,510	41,492

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Notes to the Interim Results

1. Basis of preparation

The interim financial statements are unaudited and do not constitute statutory accounts as defined within the Companies Act 2006.

The principal accounting policies applied in the preparation of the consolidated interim statements are those set out in the annual report and accounts for the year ended 30 June 2017.

The figures for the year ended 30 June 2017 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2017, were audited and have been delivered to the Registrar of Companies.

As is permitted by the AIM rules, the directors have not adopted the requirements of IAS 34 'Interim Financial Reporting' in preparing the interim financial statements. Accordingly the interim financial statements are not in full compliance with IFRS.

2. Taxation

Income tax has been provided at the rate of 22.3% (2016: 23.8%).

3. Earnings per share

	Half-year ended 31.12.17 £'000	Half-year ended 31.12.16 £'000	Year ended 30.06.17 £'000
Profit for the period	18,393	17,688	36,510
Weighted average number of shares in issue	207,957,907	207,544,288	207,620,432
Dilution effect of outstanding share options	124,938	381,936	216,506
Diluted weighted average number of shares	208,082,845	207,926,224	207,836,938
Basic earnings per 5p ordinary share	8.8p	8.5p	17.6p
Diluted earnings per 5p ordinary share	8.8p	8.5p	17.6p

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Notes to the Interim Results

4. Dividends

	Half-year ended 31.12.17 £'000	Half-year ended 31.12.16 £'000	Year ended 30.06.17 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2016	–	17,646	17,646
Interim dividend for the year ended 30 June 2017	–	–	7,792
Final dividend for the year ended 30 June 2017	19,238	–	–
	<u>19,238</u>	<u>17,646</u>	<u>25,438</u>
Equity dividends declared/proposed after the end of the period			
Interim dividend	8,007	7,792	–
Final dividend	–	–	19,238

Equity dividends per share, paid and declared/proposed, are as follows:

8.5p final dividend for the year ended 30 June 2016, paid on 2 December 2016

3.75p interim dividend for the year ended 30 June 2017, paid on 6 June 2017

9.25p final dividend for the year ended 30 June 2017, paid on 1 December 2017

3.85p interim dividend for the year ended 30 June 2018, payable on 6 June 2018, to those shareholders on the register at the close of business on 4 May 2018

5. Copies of the interim results

Copies of the interim results have been sent to shareholders who requested them. Further copies can be obtained from the Company's registered office, Beechfield, Hollinhurst Road, Radcliffe, Manchester, M26 1JN and on the Company's website – www.jameshalstead.com.



Directors and Advisers

Directors

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J A Wild FCA
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M J Halstead
R P Whiting

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D W Drillingcourt ACA

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140269

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