

*James Halstead*

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JAMES HALSTEAD plc

COVERING THE WORLD

Interim Report 2019



## Key Figures

- Revenue at £126 million (2018: £126 million) – unchanged
- Operating profit at £24.5 million (2018: £23.9 million) – up 2.6%
- Pre-tax profit at £24.5 million (2018: £23.7 million) – up 3.3%
- Basic earnings per ordinary share 9.1p (2018: 8.8p) – up 3.4%
- Interim dividend increased to a record 4.0p (2018: 3.85p) – up 3.9%
- Net cash at £62.8 million

The Chief Executive, Mr Mark Halstead, commented:

“We have supplied flooring to installations as diverse as the Spence Copper Mines in the Atacama Desert in Chile to the Hard Rock Café in Guyana and with profits growth, increased cash and new ranges developing well – a satisfying first half, cemented with a record interim dividend.”



# Chairman's Statement

## Trading

Once again it is pleasing to report a record profit at the interim stage. We are also announcing, once again, a record interim dividend. In terms of sales, every month showed an increase on the comparative with the only exception being December. It is clear that, in December, larger customers were exercising stock control – not least evidenced by the fact that whilst order volume in the UK was lower, the number of orders was up 4.8% in the month. Despite this single poor month, sales in the UK for the six months as a whole were 3.9% ahead of the comparative period. Export markets were in the majority of cases strong but with Central Europe showing a decline of some 1.7% (largely in line with figures published by our competitors). The start to the second half has shown a return of solid growth.

Whilst overall turnover was flat in comparison to the prior year, our gross margin improved as the result of an advantageous product mix (ie higher added value products) and favourable plant performance, though impacted to a degree by raw material price increases. Raw material inflation has been around 3% whereas in the prior year it was around 18%.

As noted in my last report, we made a significant investment in new sheet vinyl ranges and it is pleasing to see that in the important German market we are taking market share, with 15% growth in homogenous sheet vinyl. Palletone, launched in May 2018, continues to gain traction.

Our global reach continues and whether it is the Kenitra Agadir Hospital in Morocco, Tallinn Airport in Estonia or Scania buses in Poland, our products travel far. Closer to home our Voyager maritime flooring has been installed onboard

Cunard's MS Queen Elizabeth, in the duty free area of Knock Airport in County Mayo and, underlining our environmental and sustainability credentials, Polyflor will feature in the "Active Office" – the UK's first energy positive building based at Swansea University.

Investment continues with a new showroom/training facility having been opened in Cologne to provide greater market support to customers.

## Earnings per Share

Our basic earnings per share at 9.1p are above the comparative period of 8.8p by 3.4%.

Having regard to cash, which stands at a record £62.8 million, I am pleased to say that an interim dividend of 4.0p has been declared (2018: 3.85p), representing a 3.9% increase and this reflects both the strength of earnings and the cash reserves of the Company. This will be payable on 6 June 2019 to those shareholders on the register at the close of business on 10 May 2019.

## Outlook

From projects as diverse as Zora Electronics in Bulgaria to the Waterport School in Gibraltar we continue to cover the world. The refurbishment of the Villa Deportiva National in Lima, Peru is a particularly impressive project that will host the Pan American Games later this year. This latter project involved significant volumes of our sheet vinyl and is an example of our focus on repair and renewal work.

At the time of publishing these results Brexit is still in the news and while there continues to be much speculation on the eventual outcome we

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have undertaken our own review and are confident that opportunities continue to present themselves and that our business model is "fit for purpose". We regularly export to far more countries than are members of the European Union and are confident of our credentials as leading flooring manufacturers. That said, there are many complications beyond the practicalities of port of entry delays – for example duty rates (both cross EU borders and external) and certification of standards. Our management has spent extensive time considering the possible implications and we have made appropriate stock adjustments as a contingency.

On a far more positive note the start of the second half has seen a good increase in sales and our newer ranges continue to increase their market penetration. In January we introduced further ranges to the market including our first "loose lay" safety flooring – "QuickLay" and our first fully rigid flooring range – "EnCore Loc". Both have been well received. Against this background I have confidence in our continued progress through 2019.

Anthony Wild  
Chairman  
29 March 2019



# Consolidated Income Statement

for the half-year ended 31 December 2018

	Half-year ended 31.12.18 £'000	Half-year ended 31.12.17 £'000	Year ended 30.06.18 £'000
Revenue	125,786	126,024	249,510
Operating profit	24,528	23,914	47,148
Net finance cost	(52)	(229)	(446)
Profit before income tax	24,476	23,685	46,702
Income tax expense	(5,474)	(5,292)	(9,994)
Profit for the period	19,002	18,393	36,708
Earnings per ordinary share of 5p			
– basic	9.1p	8.8p	17.7p
– diluted	9.1p	8.8p	17.6p

All amounts relate to continuing operations.

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

*James Halstead*

# Consolidated Balance Sheet

as at 31 December 2018

	Half-year ended 31.12.18 £'000	Half-year ended 31.12.17 £'000	Year ended 30.06.18 £'000
<b>Non-current assets</b>			
Property, plant and equipment	36,870	36,539	36,324
Intangible assets	3,232	3,232	3,232
Deferred tax assets	3,267	3,394	2,674
	43,369	43,165	42,230
<b>Current assets</b>			
Inventories	63,664	73,831	71,096
Trade and other receivables	26,911	26,630	32,040
Derivative financial instruments	620	384	971
Cash and cash equivalents	62,795	47,483	50,679
	153,990	148,328	154,786
<b>Total assets</b>	<b>197,359</b>	<b>191,493</b>	<b>197,016</b>
<b>Current liabilities</b>			
Trade and other payables	48,930	51,412	48,721
Derivative financial instruments	428	1,434	119
Current income tax liabilities	4,624	4,775	3,769
	53,982	57,621	52,609
<b>Non-current liabilities</b>			
Retirement benefit obligations	18,491	16,532	14,899
Borrowings	200	200	200
Other payables	475	479	491
	19,166	17,211	15,590
<b>Total liabilities</b>	<b>73,148</b>	<b>74,832</b>	<b>68,199</b>
<b>Net assets</b>	<b>124,211</b>	<b>116,661</b>	<b>128,817</b>
<b>Equity</b>			
Equity share capital	10,404	10,399	10,399
Equity share capital (B shares)	160	160	160
	10,564	10,559	10,559
Share premium account	3,922	3,805	3,805
Capital redemption reserve	1,174	1,174	1,174
Currency translation reserve	5,680	6,021	5,435
Hedging reserve	(130)	(186)	668
Retained earnings	103,001	95,288	107,176
<b>Total equity attributable to shareholders of the parent</b>	<b>124,211</b>	<b>116,661</b>	<b>128,817</b>



## Consolidated Cash Flow Statement

for the half-year ended 31 December 2018

	Half-year ended 31.12.18 £'000	Half-year ended 31.12.17 £'000	Year ended 30.06.18 £'000
Profit for the period	19,002	18,393	36,708
Income tax expense	5,474	5,292	9,994
Profit before income tax	24,476	23,685	46,702
Net finance cost	52	229	446
Operating profit	24,528	23,914	47,148
Depreciation	1,558	1,548	3,055
Loss/(profit) on sale of property, plant and equipment	24	(16)	31
Decrease/(increase) in inventories	7,713	(988)	1,247
Decrease/(increase) in trade and other receivables	5,469	4,340	(1,093)
(Decrease)/increase in trade and other payables	(598)	(7,540)	(11,448)
Defined benefit pension scheme service cost	287	290	497
Defined benefit pension scheme employer contributions paid	(643)	(1,299)	(1,517)
Changes in fair value of financial instruments	89	(41)	250
Share based payments	5	3	5
Cash inflow from operations	38,432	20,211	38,175

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# Consolidated Cash Flow Statement

for the half-year ended 31 December 2018

	Half-year ended 31.12.18 £'000	Half-year ended 31.12.17 £'000	Year ended 30.06.18 £'000
Cash inflow from operations	38,432	20,211	38,175
Net interest received	158	51	114
Taxation paid	(4,581)	(4,337)	(9,642)
Cash inflow from operating activities	34,009	15,925	28,647
Purchase of property, plant and equipment	(2,038)	(2,026)	(3,567)
Proceeds from disposal of property, plant and equipment	34	111	232
Cash outflow from investing activities	(2,004)	(1,915)	(3,335)
Equity dividends paid	(20,080)	(19,238)	(27,245)
Shares issued	122	196	196
Cash outflow from financing activities	(19,958)	(19,042)	(27,049)
Net increase/(decrease) in cash and cash equivalents	12,047	(5,032)	(1,737)
Effect of exchange differences	69	(17)	(116)
Cash and cash equivalents at start of the period	50,679	52,532	52,532
Cash and cash equivalents at end of the period	62,795	47,483	50,679

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# Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2018

	Half-year ended 31.12.18 £'000	Half-year ended 31.12.17 £'000	Year ended 30.06.18 £'000
Profit for the period	19,002	18,393	36,708
Other comprehensive income net of tax:			
Remeasurement of the net defined benefit liability	(3,102)	3,317	4,895
Foreign currency translation differences	245	(173)	(759)
Fair value movements on hedging instruments	(798)	103	957
Other comprehensive income for the period net of tax	(3,655)	3,247	5,093
Total comprehensive income for the period	15,347	21,640	41,801
Attributable to equity holders of the parent	15,347	21,640	41,801

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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 2018.

The figures for the year ended 30 June 2018 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2018, 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 22.4% (2017: 22.3%).

## 3. Earnings per share

	Half-year ended 31.12.18 £'000	Half-year ended 31.12.17 £'000	Year ended 30.06.18 £'000
Profit for the period	19,002	18,393	36,708
Weighted average number of shares in issue	208,031,705	207,957,907	207,965,693
Dilution effect of outstanding share options	45,378	124,938	121,068
Diluted weighted average number of shares	208,077,083	208,082,845	208,086,761
Basic earnings per 5p ordinary share	9.1p	8.8p	17.7p
Diluted earnings per 5p ordinary share	9.1p	8.8p	17.6p



## Notes to the Interim Results

### 4. Dividends

	Half-year ended 31.12.18 £'000	Half-year ended 31.12.17 £'000	Year ended 30.06.18 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2017	–	19,238	19,238
Interim dividend for the year ended 30 June 2018	–	–	8,007
Final dividend for the year ended 30 June 2018	20,080	–	–
	<u>20,080</u>	<u>19,238</u>	<u>27,245</u>
Equity dividends declared/proposed after the end of the period			
Interim dividend	8,324	8,007	–
Final dividend	–	–	20,080

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

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, paid on 6 June 2018

9.65p final dividend for the year ended 30 June 2018, paid on 7 December 2018

4.00p interim dividend for the year ended 30 June 2019, payable on 6 June 2019, to those shareholders on the register at the close of business on 10 May 2019

### 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 at [www.jameshalstead.com](http://www.jameshalstead.com).

*James Halstead*

## Directors and Advisers

### Directors

J A Wild FCA  
M Halstead  
G R Oliver FCA MCT  
S D Hall  
M J Halstead  
R P Whiting

### Secretary

D W Drillingcourt ACA

### Registered office

Beechfield  
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Company registration No.  
140269

### Website

[www.jameshalstead.com](http://www.jameshalstead.com)

### Registrars

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The Registry  
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BR3 4TU

### Auditors

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3 Hardman Street  
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M3 3AT

The signature of James Halstead is written in a cursive, handwritten style in black ink.

*James Halstead*



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