

James Halstead

*James Halstead*

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JAMES HALSTEAD plc

Interim Report 2009



## Key Figures

James Halstead plc, manufacturer and international distributor of commercial floor coverings, reports:

- Turnover increased to a record £86.7 million – an increase of 10.4%
- Operating profit increased to a record £15.1 million – an increase of 19.7%
- Pre-tax profit increased to a record £15.4 million – an increase of 17.5%
- Basic earnings per ordinary 5p share increased to a record 20.8p – an increase of 19.5%
- Proposed interim dividend increased to a record 7.25p – an increase of 16%
- Nil net gearing

The Chairman, Mr Geoffrey Halstead, commenting said:

"We have yet again achieved record results in very challenging market conditions. Our cash generation, market penetration and productivity have all moved forward. Many economies at the moment are in a difficult position but our conservative strategy of building our businesses solidly should allow us to weather these storms and this gives us the confidence to raise the interim dividend 16%."

*James Halstead*

## Chairman's Statement

I am pleased to report, once again, a record set of interim results. Whilst the economic backdrop has been challenging we have charted a successful course in the first six months of the trading year.

### Trading

The first half year trading was very solid with record turnover of £86.65 million (2007: £78.45 million) representing an increase of 10.4%. The majority of the sales growth was derived from our flooring activities though I would note Phoenix Distribution (our motorcycle accessories subsidiary) increased sales by 4% in difficult retail conditions.

Turnover growth was consistent in both UK and overseas markets, both achieving double digit growth with our international sales continuing to be in excess of UK sales.

Projects as diverse as Bombardier's Regina Trains in Sweden; the Cooking School in Halifax and the Mozart Betting Hall in Serbia have continued to broaden our customer base for products traditionally sold into our core hospital and education markets. We are seeing increasing interest from specifiers and architects as a result of the high quality of our designs in high profile installations such as these.

Gross margins improved as raw material and energy costs softened in the second quarter. However, this was offset to an extent by the increased cost of factored products and some raw materials and consumables caused by adverse exchange rates. Overall the effect was marginally positive.

The profit before tax at £15.37 million (2007: £13.08 million) is another record performance and is a 17.5% increase on the comparative period. Finance income has fallen as a result of declines in interest rates. Cash inflow from operations was very positive increasing by 18.8% to £16.82 million (2007: £14.15 million).

### Earnings per Share and Interim Dividend

Our basic earnings per share have increased to a record 20.8p (2007: 17.4p) an uplift of 19.5% and having regard to these results and our strong cash balances the Board propose to pay an interim dividend of 7.25p (2007: 6.25p) representing a 16% increase on last year and yet another record.

### Outlook

The half year result is encouraging. Looking forward we have range changes and updates taking place in the second half and we continue to focus on productivity. Sterling weakness will, on balance, be a positive with our export performance more than compensating for higher cost of imported items. In addition, we are seeing reduced energy prices and this cost area is being targeted for efficiency improvement. These factors give us confidence for the coming months. However what cannot be ignored, is the general decline in global trade and widespread recessionary worries, which to date we have not experienced in terms of trading in our market sector, except for some smaller territories.

*James Halstead*

With talk of an economic "Pearl Harbour" we must remain alert to potential problems, whether they are deferred spending or credit risks. I am confident we have the management skills, products and reputation to strengthen market share in these difficult times in key territories.

Whilst projects such as the Nevis Alexandra Hospital in Barbados, the Dubai Rugby Seven Stadium and VDL buses for Israel augment our breadth of expansion, there are significant projects such as Manchester and Birmingham schools closer to home that are targeted to underpin our second half budgets. Indeed, in the area of healthcare we have even managed to supply flooring to the BBC's "Casualty 1909", a new drama series.

The second half will be a hard challenge but we face it from a position of strength.

## **Geoffrey Halstead**

Chairman

30 March 2009

*James Halstead*

# Consolidated Income Statement

for the half-year ended 31 December 2008

	Half-year ended 31.12.08 £'000	Half-year ended 31.12.07 £'000	Year ended 30.06.08 £'000
Revenue	86,650	78,453	158,740
Operating profit	15,052	12,579	29,088
Finance income	316	500	769
Profit before income tax	15,368	13,079	29,857
Income tax expense	(4,668)	(4,208)	(9,502)
Profit for the period	10,700	8,871	20,355
Earnings per ordinary share of 5p:			
– basic	20.8p	17.4p	39.7p
– diluted	20.7p	17.2p	39.5p

All the above figures relate to continuing operations.

Details of dividends paid and proposed are given in Note 3.

*James Halstead*

# Consolidated Balance Sheet

as at 31 December 2008

	Half-year ended 31.12.08 £'000	Half-year ended 31.12.07 £'000	Year ended 30.06.08 £'000
<b>Non-current assets</b>			
Property, plant and equipment	22,804	19,905	19,671
Intangible assets	3,232	3,232	3,232
Deferred tax assets	5,832	3,850	5,737
	<b>31,868</b>	<b>26,987</b>	<b>28,640</b>
<b>Current assets</b>			
Inventories	33,121	24,884	30,641
Trade and other receivables	25,835	24,045	23,034
Derivative financial instruments	741	59	149
Cash and cash equivalents	31,764	25,922	29,521
	<b>91,461</b>	<b>74,910</b>	<b>83,345</b>
<b>Current liabilities</b>	<b>53,722</b>	<b>50,104</b>	<b>48,631</b>
Net current assets	<b>37,739</b>	<b>24,806</b>	<b>34,714</b>
<b>Non-current liabilities</b>			
Retirement benefit obligations	12,227	7,158	12,505
Deferred tax liabilities	992	1,063	992
Other payables	594	662	550
	<b>13,813</b>	<b>8,883</b>	<b>14,047</b>
<b>Net Assets</b>	<b>55,794</b>	<b>42,910</b>	<b>49,307</b>
<b>Equity</b>			
Equity share capital	2,574	2,556	2,574
Equity share capital (B shares)	160	160	160
	<b>2,734</b>	<b>2,716</b>	<b>2,734</b>
Share premium account	1,738	824	1,708
Retained earnings	39,941	34,883	36,455
Other reserves	11,381	4,487	8,410
<b>Total equity attributable to shareholders of the parent</b>	<b>55,794</b>	<b>42,910</b>	<b>49,307</b>

*James Halstead*

## Consolidated Cash Flow Statement

for the half-year ended 31 December 2008

	Half-year ended 31.12.08 £'000	Half-year ended 31.12.07 £'000	Year ended 30.06.08 £'000
Cash inflow from operations	16,818	14,151	27,298
Interest received	606	624	1,261
Interest paid	(94)	(120)	(243)
Taxation paid	(5,410)	(3,428)	(8,081)
Cash inflow from operating activities	11,920	11,227	20,235
Purchase of property, plant and equipment	(3,015)	(2,702)	(3,370)
Proceeds from disposal of property, plant and equipment	73	117	205
Cash outflow from investing activities	(2,942)	(2,585)	(3,165)
Equity dividends paid	(7,465)	(5,751)	(8,946)
Shares issued	30	22	924
Interest paid	(6)	(6)	(117)
Repayment of debt	–	–	(2,653)
Cash outflow from financing activities	(7,441)	(5,735)	(10,792)
Net increase in cash and cash equivalents	1,537	2,907	6,278
Effect of exchange differences	706	259	487
Cash and cash equivalents at start of period	29,521	22,756	22,756
Cash and cash equivalents at end of period	31,764	25,922	29,521

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# Consolidated Statement of Recognised Income and Expense

for the half-year ended 31 December 2008

	Half-year ended 31.12.08 £'000	Half-year ended 31.12.07 £'000	Year ended 30.06.08 £'000
Foreign currency translation differences	3,286	827	2,053
Actuarial gain/(loss) on the pension scheme	251	(537)	(4,683)
Fair value movements on hedged items	(315)	(213)	(169)
Net income/(expense) recognised directly in equity	3,222	77	(2,799)
Profit for the year	10,700	8,871	20,355
Total recognised income for the period	13,922	8,948	17,556
Attributable to:			
Equity holders of the company	13,922	8,948	17,556

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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 1985.

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 2008.

The figures for the year ended 30 June 2008 are an abridged statement of the Group audited accounts for that year. The financial statements for the year ended 30 June 2008, 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 IAS34 '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 30.4% (2007: 32.2%).

### 3. Dividends

	Half-year ended 31.12.08 £'000	Half-year ended 31.12.07 £'000	Year ended 30.06.08 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2007	–	5,751	5,751
Interim dividend for the year ended 30 June 2008	–	–	3,195
Final dividend for the year ended 30 June 2008	7,465	–	–
	<u>7,465</u>	<u>5,751</u>	<u>8,946</u>
Equity dividends proposed at the end of the period			
Interim dividend	3,732	3,195	–
Final dividend	–	–	7,465

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

- 11.25p final dividend for the year ended 30 June 2007, paid on 7 December 2007
- 6.25p interim dividend for the year ended 30 June 2008, paid on 23 May 2008
- 14.5p final dividend for the year ended 30 June 2008, paid on 12 December 2008
- 7.25p interim dividend for the year ended 30 June 2009, payable on 22 May 2009 to those shareholders on the register at the close of business on 22 April 2009

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## Notes to the Interim Results

### 4. Calculation of earnings per ordinary share

	Half-year ended 31.12.08 £'000	Half-year ended 31.12.07 £'000	Year ended 30.06.08 £'000
Basic earnings	10,700	8,871	20,355
Weighted average number of ordinary shares in issue	51,480,630	51,113,192	51,305,038
Weighted average number of ordinary shares in issue (diluted for the effect of outstanding share options)	51,624,129	51,558,120	51,519,840
Basic earnings per 5p ordinary share	20.8p	17.4p	39.7p
Diluted earnings per 5p ordinary share	20.7p	17.2p	39.5p

### 5. Copies of the interim results

Copies of the interim results have been sent to shareholders. Further copies can be obtained from the company's registered office, Beechfield, Hollinhurst Road, Radcliffe, Manchester M26 1JN.

*James Halstead*

## Directors and Advisers

### Directors

G Halstead  
M Halstead  
G R Oliver ACA MCT  
J A Wild FCA  
E K Lotz

### Secretary

G R Oliver ACA MCT

### Registered Office

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Company Registration No. 140269

### Registrars

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### Auditors

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### Website

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JAMES HALSTEAD PLC



2006-2007

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