



JAMES HALSTEAD PLC

31 March 2011

**JAMES HALSTEAD PLC**

**INTERIM RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**Key Figures**

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

- Revenue increased to a record £106.1 million – an increase of 15.2%
- Operating profit increased to a record £18.4 million – an increase of 11.0%
- Pre-tax profit increased to a record £18.5 million – an increase of 9.1%
- Basic earnings per ordinary 5p share increased to a record 24.8p – an increase of 8.8%
- Interim dividend increased to a record 4.5p – an increase of 12.5%
- Nil net gearing

Chairman, Mr Geoffrey Halstead, commenting said:

“Our success continues with export performance surpassing even prior achievements”.

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## **CHAIRMAN'S STATEMENT**

It gives me pleasure, once again, to present a record set of interim results. Though the weakness of sterling has helped and raw material prices hindered, I believe our solid reputation and determined approach around the globe have enabled us to continue growing our sales. This achievement is built upon steady year on year progress around the world.

### **Trading**

The first half year trading was very solid with record revenue of £106.13 million (2009: £92.11 million) representing an increase of 15.2% and taking us through the £100 million barrier for the first time at the interim stage. The majority of the Group's activities are commercial flooring and the growth in many of our markets has been very encouraging.

As ever, the breadth of our sales in the six months to December 2010 is widespread from the Al Agalat Hospital in Libya, the Rush Hospital in Chicago, South African railways to the Inegem Laboratories in Mexico. In the UK, East Midlands Airport has installed Polyflor in its baggage reclaim area which is testimony to the durability of our flooring.

Our revenue in the UK has held up very well in the prevailing climate with sales 3.5% ahead of last year; but within this flooring turnover was 6.7% ahead of last year. Overseas revenue increased 22.8% against the corresponding period. Looking at our principal markets there has been good growth: Germany up 26%, Australia (where the government has targeted expenditure on education build and refurbishment) up 45%, and North America up 39%. In other territories there are some very good growth trends, for example in France we are ahead 16% (assisted by increased sales into the transport sector), and in Asia and Hong Kong we are ahead of even last year's exceptional level. It is worth noting that markets that are regarded as difficult are offering growth; in Ireland we have seen positive growth over the last year with refurbishment work in prisons and hospitals progressing well as spending cuts have put new builds on hold. Likewise, Spain is 20% ahead of the corresponding period.

Gross margins were affected by raw material price increases, which have continued to impinge on industry. In mitigation to the cost pressure, we have had the benefits of favourable product sales mix and savings from the increased use of recycled material.

Our vinyl flooring "take-back" scheme continues to be market leading in Europe and at the annual CIWM (Chartered Institution of Wastes Management) Awards for Environmental Excellence held in November we were delighted that Recofloor won the award for Innovative Practice in Waste Management and Resource Recovery. Recognition for our environmental achievements is most welcome but at a time of raw material price inflation it is also an important offset to cost increases.

It was pleasing to receive our 5<sup>th</sup> successive award from the Independent Flooring Distributors Association as the "Manufacturer of the Year". The UK has faced a tough year and whilst refurbishment work has held up as new builds slow down it has been a challenging marketplace. Declining government spend has been the major news story and the demise of Connaught and Rok are examples of the difficulties that even the more robust refurbishment sector faced. We grew sales in this market place, an achievement that our sales force is rightly proud of.

In November 2010, we launched the updated Camaro collection in the UK. The comprehensive marketing package around this range has contributed to the most successful re-launch we have undertaken and this commercial quality luxury vinyl tile is well-suited to being sold in the domestic marketplace.

Riverside Flooring Ltd, located in Teesside, is the latest addition to our Group. In November 2010 we acquired a 40 acre site including warehousing facilities and the machinery and equipment of a cushion vinyl plant that had recently been closed. Our immediate plans are to expand our warehousing to support growth in Europe and the site has further potential for expansion. The plant is fully capable of manufacturing each year 15 – 20 million square metres of domestic cushion vinyl. With development of our manufacturing base in Manchester increasingly impractical due to its physical boundaries this is a key step that not only enhances our capabilities but also widens the options for growth.

The profit before tax at £18.49 million (2009: £16.94 million) is another record performance and is 9.1% ahead of the comparative period. Cash inflow from operations was very positive at £19.27 million (2009: £24.52 million), with a resulting £30.05 million of cash on the balance sheet (2009: £41.27 million). The cash at the end of the period is after significant outlays over the last 12 months notably on capital expenditure of £12.21 million, dividends of £21.65 million and taxation of £9.62 million.

The balance sheet remains solid.

### **Earnings per Share and Interim Dividend**

Our basic earnings per share have increased to a record 24.8p (2009: 22.8p) an uplift of 8.8% and having regard to these results and our strong cash balances the Board has the pleasant task of announcing, once again, an increased interim dividend.

On 14 January 2011 we made a bonus issue of 1 new share for every share held which has the effect of restating the earnings per share to 12.4p (2009: 11.4p) and we are proposing a dividend of 4.5p (2009: 4.0p) which represents a 12.5% increase on last year and is yet another record.

### **Outlook**

The half year result is most encouraging. Localised issues have given us problems but overall the global marketplace is solid and we continue at the forefront of commercial flooring specifications on new builds and in refurbishments. Our solid foundation in healthcare and education is renowned but our products are far more widely installed and our success in the sports sector continues. The Bayern Munich Allianz Arena and the FC Köln Stadium are just two examples of recent refurbishments. I think it worthy of note that we have added a new country to our list of customers with deliveries to Belize for the first time and there are few nations that we have not at some time delivered to.

At the BAU exhibition, held at Munich in January, and at Euroshop, held in Düsseldorf in February we exhibited our ranges and customer interest was very encouraging, and following being voted by “Eurodecor” readers as best for customer service we expect to capitalise on this interest over the coming months.

In summary, we are continuing our success of the last two decades both in our home market and overseas with continually improved product offering and an ongoing focus on customer service. I have every confidence that we will continue to forge ahead through our second half.

**Geoffrey Halstead**

**Chairman**

**31 March 2011**

## Consolidated Income Statement for the half-year ended 31 December 2010

	<b>Half-year ended 31.12.10 £'000</b>	Half-year ended 31.12.09 £'000	Year ended 30.06.10 £'000
Revenue	<b>106,131</b>	92,114	186,424
Operating profit	<b>18,387</b>	16,567	35,853
Finance income/(expense)	<b>98</b>	371	(102)
Profit before income tax	<b>18,485</b>	16,938	35,751
Income tax expense	<b>(5,641)</b>	(5,206)	(10,072)
Profit for the period	<b>12,844</b>	11,732	25,679
Earnings per ordinary share of 5p:			
-basic	<b>24.8p</b>	22.8p	49.7p
-diluted	<b>24.7p</b>	22.7p	49.6p

All the above figures relate to continuing operations.

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

## Consolidated Balance Sheet

as at 31 December 2010

	Half-year ended 31.12.10 £'000	Half-year ended 31.12.09 £'000	Year ended 30.06.10 £'000
<b>Non current assets</b>			
Property, plant and equipment	35,063	26,466	26,120
Intangible assets	3,232	3,232	3,232
Deferred tax assets	7,144	7,296	7,837
	<b>45,439</b>	<b>36,994</b>	<b>37,189</b>
<b>Current assets</b>			
Inventories	40,792	34,036	35,926
Trade and other receivables	28,284	22,966	28,561
Derivative financial instruments	184	386	1,230
Cash and cash equivalents	30,054	41,268	33,364
	<b>99,314</b>	<b>98,656</b>	<b>99,081</b>
<b>Current liabilities</b>	<b>55,962</b>	<b>49,866</b>	<b>50,700</b>
<b>Net current assets</b>	<b>43,352</b>	<b>48,790</b>	<b>48,381</b>
<b>Non current liabilities</b>			
Retirement benefit obligations	13,896	16,096	17,170
Deferred tax liabilities	957	992	992
Other payables	606	807	566
	<b>15,459</b>	<b>17,895</b>	<b>18,728</b>
<b>Net Assets</b>	<b>73,332</b>	<b>67,889</b>	<b>66,842</b>
<b>Equity</b>			
Equity share capital	2,597	2,592	2,594
Equity share capital (B shares)	160	160	160
	<b>2,757</b>	<b>2,752</b>	<b>2,754</b>
Share premium account	3,343	2,883	3,031
Retained earnings	55,307	49,922	49,997
Other reserves	11,925	12,332	11,060
<b>Total equity attributable to shareholders of the parent</b>	<b>73,332</b>	<b>67,889</b>	<b>66,842</b>

## Consolidated Cash Flow Statement

for the half-year ended 31 December 2010

	<b>Half-year ended 31.12.10 £'000</b>	Half-year ended 31.12.09 £'000	Year ended 30.06.10 £'000
Cash inflow from operations	<b>19,270</b>	24,521	36,472
Interest received	<b>130</b>	438	537
Interest paid	<b>(35)</b>	(38)	(111)
Taxation paid	<b>(3,853)</b>	(2,275)	(8,038)
Cash inflow from operating activities	<b>15,512</b>	22,646	28,860
Purchase of property, plant and equipment	<b>(9,934)</b>	(1,741)	(4,014)
Proceeds from disposal of property, plant and equipment	<b>140</b>	124	289
Cash outflow from investing activities	<b>(9,794)</b>	(1,617)	(3,725)
Equity dividends paid	<b>(9,732)</b>	(8,752)	(20,674)
Shares issued	<b>315</b>	1,163	1,313
Cash outflow from financing activities	<b>(9,417)</b>	(7,589)	(19,361)
Net (decrease)/increase in cash and cash equivalents	<b>(3,699)</b>	13,440	5,774
Effect of exchange differences	<b>389</b>	267	29
Cash and cash equivalents at start of period	<b>33,364</b>	27,561	27,561
Cash and cash equivalents at end of period	<b>30,054</b>	41,268	33,364

## Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2010

	<b>Half-year ended 31.12.10 £'000</b>	Half-year ended 31.12.09 £'000	Year ended 30.06.10 £'000
Profit for the period	<b>12,844</b>	11,732	25,679
Other comprehensive income (net of tax):			
Effect of change in UK corporation tax rate on deferred tax liability	<b>35</b>	-	-
Foreign currency translation differences	<b>2,242</b>	1,784	530
Actuarial gain/(loss) on the defined benefit pension scheme	<b>2,163</b>	(356)	(2,314)
Fair value movements on hedging instruments	<b>(1,377)</b>	18	-
Other comprehensive income for the period (net of tax)	<b>3,063</b>	1,446	(1,784)
Total comprehensive income for the period	<b>15,907</b>	13,178	23,895
Attributable to equity holders of the parent company	<b>15,907</b>	13,178	23,895

## Notes to the Interim Results

### for the half-year ended 31 December 2010

#### 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 2010.

The figures for the year ended 30 June 2010 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2010 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. Income tax has been provided at the rate of 30.5% (2009: 30.7%).

#### 3. Dividends

	<b>Half-year ended 31.12.10 £'000</b>	Half-year ended 31.12.09 £'000	Year ended 30.06.10 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2009	-	8,752	8,752
Special dividend	-	-	7,774
Interim dividend for the year ended 30 June 2010	-	-	4,148
Final dividend for the year ended 30 June 2010	<b>9,732</b>	-	-
	<b>9,732</b>	8,752	20,674
Equity dividends proposed at the end of the period			
Interim dividend	<b>4,675</b>	4,146	-
Special dividend	-	7,774	-
Final dividend	-	-	9,732

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

These figures reflect the one for one bonus issue on 14 January 2011

- 8.5p final dividend for the year ended 30 June 2009, paid on 4 December 2009
- 4.0p interim dividend for the year ended 30 June 2010, paid on 31 March 2010
- 9.375p final dividend for the year ended 30 June 2010, paid on 3 December 2010
- 7.5p special dividend paid on 25 January 2010
- 4.5p interim dividend for the year ended 30 June 2011, payable on 20 May 2011 to those shareholders on the register at the close of business on 26 April 2011

## Notes to the Interim Results continued

for the half-year ended 31 December 2010

4. Calculation of earnings per ordinary share	<b>Half-year ended 31.12.10 £'000</b>	Half-year ended 31.12.09 £'000	Year ended 30.06.10 £'000
Basic earnings	<b>12,844</b>	11,732	25,679
Weighted average number of ordinary shares in issue	<b>51,887,183</b>	51,536,516	51,695,718
Weighted average number of ordinary shares in issue (diluted for the effect of outstanding share options)	<b>52,091,558</b>	51,624,036	51,803,285
Basic earnings per 5p ordinary share	<b>24.8p</b>	22.8p	49.7p
Diluted earnings per 5p ordinary share	<b>24.7p</b>	22.7p	49.6p

### 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.