

28 March 2013

JAMES HALSTEAD PLC**INTERIM RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012****Key Figures**

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

- Operating profit increased to a record £21.3 million – an increase of 2.1%
- Pre-tax profit increased to a record £21.6 million – an increase of 2.2%
- Basic earnings per ordinary share increased to a record 7.7p – an increase of 6.9%
- Interim dividend increased to a record 2.75p – an increase of 10%
- Net cash at £51.9 million
- Proposed special dividend of 7.0p

The Chief Executive, Mr. Mark Halstead, commented:

“Having, once again, achieved record profits and with a bulwark of a strong balance sheet it is pleasing to announce another special dividend. But it is clear market conditions are not easy, it has been difficult for many companies since the financial crisis of 2008 affected us all. We have since that time raised turnover by 54% and profit by 193% which is clearly testimony to our strength.”

Enquiries:

Mark Halstead, Chief Executive
Gordon Oliver, Finance Director

Telephone: 0161 767 2500

Nick Lyon – Hudson Sandler

Telephone: 020 7796 4133

Ben Thorne – Altium Capital

Telephone: 020 7484 4076

Chris Hardie – Arden Partners

Telephone: 020 7614 5900

CHAIRMAN'S STATEMENT

I am pleased to report another record level of profit. The operating profit before tax is £21.3 million (2011: £20.8 million) an increase of 2.1%. This growth is modest in comparison to many recent years but, in the prevailing global markets, still represents progress. Overseas turnover remains globally spread with projects ranging from the European Space Agency facility in French Guyana to the Plevin Library in Bulgaria.

Trading

Trading in the first half was solid but at a lower level than the comparative period. Turnover of £109.0 million (2011: £117.7 million) was lower owing to three, broadly, comparable factors. Firstly, the first half year period had no sales from Phoenix Distribution, the non-core motorcycle accessories business, which was closed in the previous financial year. Secondly, changes in exchange rates have altered the translation of our overseas turnover (largely the euro). The third and final factor is the decline in flooring turnover of around 3%.

Our UK flooring turnover increased by 3% which is a significant achievement in the prevailing conditions and is at record levels but overseas revenue has declined.

In like-for-like currency terms, our largest market (Central Europe) was just 1% short of the prior year comparative although that itself was a record (some 17% ahead).

The principal adverse market conditions were in Australia with a 15% fall in sales revenue (excluding translation effects) which was largely to be expected, as infrastructure spending slowed. The slowdown in overseas sales extended further with the Middle East also lower, due, in a large part, to the widely reported unrest and disruption in that region.

Having noted these declines, I would stress that there are many positives with France, Scandinavia, Canada and South America all reporting increases in turnover.

A further positive is that gross margins have held firm and are comparable with the prior period. We have focused on tight overhead control, with reduction in spending to reflect sales conditions. Raw materials and energy costs have remained relatively unchanged.

Turning to the balance sheet, our financial condition has strengthened somewhat with cash balances standing at £51.9 million (2011: £36.9 million); given the fact that this is after outflows of £16.5 million on dividends and £10.8 million on taxation this is commendable. The cash flow from operations of £31.6 million (2011: £23.1 million) was 36.9% ahead of the comparative period bolstered by lower inventory and trade debtors.

Overall, a satisfactory six months trading.

Earnings per Share

Our basic earnings per share increased to 7.7p (2011: 7.2p) an increase of 6.9%. The figures are re-stated to reflect the current shares in issue (i.e. after the one-for-one bonus issue of 11 January 2013).

Having regard for the earnings growth the Board is pleased to announce they are proposing a dividend of 2.75p (2011: 2.5p) representing a 10% increase. Again, this is based on the number of shares in issue following the 11 January 2013 bonus issue.

Having considered the significant level of cash, the low rates of interest prevailing and our ongoing cash generation, the Board are also proposing a special dividend of 7.0p. The special dividend will be payable on 10 May 2013 to those shareholders on the register at the close of business on 12 April 2013.

Outlook

Although we have reported record interim profits, it is clear certain areas have slowed. UK construction output is forecast to fall by over 2% in 2013 (following a 9% decline in 2012) with public sector work continuing to bear the brunt. Any recovery will be in 2014 at the earliest and against this backdrop the 3% growth in our UK sales in the year to date, leading to record flooring sales in the UK, is a creditable achievement.

Looking to the global market in which we operate, many developed countries have been slowing infrastructure spend for the last few years and this affects the pipeline of current and future opportunities. Indeed, the problems of the developed world affect the rest of the world as their export markets are hampered by lower spend. With flooring one of the last items in the build this is likely to have an effect on sales.

Our exports are global, we have shipped flooring to 96% of the populated world and whilst our developed markets have a high proportion of repair and renewal business a significant portion of turnover is related to new build projects and any slowdown will, to some degree, affect us.

Our first six months' trading has reflected this slow down and the period from the half year end until now continues this trend. Prices are keen as all manufacturers seek to gain market share but the weakness of sterling has insulated us from margin erosion.

I am confident that we continue to win business against our peers. We have a network of businesses partnerships that is robust but the reduction in the amount of business available will preclude top line growth. In the current environment it will be difficult to expect profits to rise and it may well be difficult to maintain profits at last year's level. However, we have no reason or evidence of any major decline and are confident in the prospects of our business going forward.

Geoffrey Halstead

Chairman

28 March 2013

Consolidated Income Statement for the half-year ended 31 December 2012

	Half-year ended 31.12.12 £'000	Half-year ended 31.12.11 £'000	Year ended 30.06.12 £'000
Revenue	109,026	117,725	226,335
Operating profit	21,252	20,819	42,213
Net finance income	311	280	494
Profit before income tax	21,563	21,099	42,707
Income tax expense	(5,741)	(6,109)	(12,176)
Profit for the period	15,822	14,990	30,531
Earnings per ordinary share of 5p*:			
-basic	7.7p	7.2p	14.7p
-diluted	7.6p	7.2p	14.7p

All the above figures relate to continuing operations.

Details of dividends paid and proposed are given in note 3

*These have been restated to reflect the effect of the one-for-one bonus share issue on 11 January 2013.

Consolidated Balance Sheet

as at 31 December 2012

	Half-year ended 31.12.12 £'000	Half-year ended 31.12.11 £'000	Year ended 30.06.12 £'000
Non-current assets			
Property, plant and equipment	33,212	32,511	31,693
Intangible assets	3,232	3,232	3,232
Deferred tax assets	4,656	7,294	5,362
	41,100	43,037	40,287
Current assets			
Inventories	47,439	52,201	52,452
Trade and other receivables	26,581	29,416	30,962
Derivative financial instruments	184	1,506	1,067
Cash and cash equivalents	51,927	36,928	38,704
	126,131	120,051	123,185
Current liabilities			
Trade and other payables	49,192	54,906	49,645
Derivative financial instruments	686	399	654
Current income tax liabilities	7,491	7,889	6,962
	57,369	63,194	57,261
Net current assets	68,762	56,857	65,924
Non-current liabilities			
Retirement benefit obligations	9,430	15,738	10,367
Deferred tax liabilities	850	922	850
Borrowings	200	200	200
Other payables	430	464	456
	10,910	17,324	11,873
Net assets	98,952	82,570	94,338
Equity			
Equity share capital	5,166	5,159	5,164
Equity share capital (B shares)	160	160	160
	5,326	5,319	5,324
Share premium account	2,056	1,711	1,974
Retained earnings	80,132	62,592	75,324
Other reserves	11,438	12,948	11,716
Total equity attributable to shareholders of the parent	98,952	82,570	94,338

Consolidated Cash Flow Statement

for the half-year ended 31 December 2012

	Half-year ended 31.12.12 £'000	Half-year ended 31.12.11 £'000	Year ended 30.06.12 £'000
Cash inflow from operations	31,613	23,095	37,251
Net interest received	194	124	177
Taxation paid	(4,637)	(4,043)	(10,212)
Cash inflow from operating activities	27,170	19,176	27,216
Purchase of property, plant and equipment	(2,804)	(1,371)	(2,885)
Proceeds from disposal of property, plant and equipment	143	240	368
Cash outflow from investing activities	(2,661)	(1,131)	(2,517)
Equity dividends paid	(11,366)	(10,218)	(15,381)
Purchase of own shares	-	(5,156)	(5,156)
Shares issued	84	640	909
Cash outflow from financing activities	(11,282)	(14,734)	(19,628)
Net increase in cash and cash equivalents	13,227	3,311	5,071
Effect of exchange differences	(4)	(414)	(398)
Cash and cash equivalents at start of period	38,704	34,031	34,031
Cash and cash equivalents at end of period	51,927	36,928	38,704

Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2012

	Half-year ended 31.12.12 £'000	Half-year ended 31.12.11 £'000	Year ended 30.06.12 £'000
Profit for the period	15,822	14,990	30,531
Other comprehensive income net of tax:			
Foreign currency translation differences	(426)	(1,270)	(1,851)
Actuarial gain/(loss) on the defined benefit pension scheme	352	(2,863)	(580)
Deferred taxation - change of rate	-	-	71
Fair value movements on hedging instruments	148	796	144
Other comprehensive income for the period net of tax	74	(3,337)	(2,216)
Total comprehensive income for the period	15,896	11,653	28,315
Attributable to equity holders of the parent company	15,896	11,653	28,315

Notes to the Interim Results

for the half-year ended 31 December 2012

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 2012.

The figures for the year ended 30 June 2012 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2012 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 26.6% (2011: 29.0%).

3. Dividends

	Half-year ended 31.12.12 £'000	Half-year ended 31.12.11 £'000	Year ended 30.06.12 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2011	-	10,218	10,218
Interim dividend for the year ended 30 June 2012	-	-	5,163
Final dividend for the year ended 30 June 2012	11,366	-	-
	11,366	10,218	15,381
Equity dividends proposed at the end of the period			
Interim dividend	5,683	5,163	-
Final dividend	-	-	11,366

Equity dividends per share, paid and proposed (as re-stated to reflect the one for one bonus issue on 11 January 2013), are as follows:

- 4.9p final dividend for the year ended 30 June 2011, paid on 2 December 2011
- 2.5p interim dividend for the year ended 30 June 2012, paid on 18 May 2012
- 5.5p final dividend for the year ended 30 June 2012, paid on 7 December 2012
- 2.75p interim dividend for the year ended 30 June 2013, payable on 7 June 2013 to those shareholders on the register at the close of business on 10 May 2013

Notes to the Interim Results continued

for the half-year ended 31 December 2012

4. Calculation of earnings per ordinary share

	Half-year ended 31.12.12 £'000	Half-year ended 31.12.11 £'000	Year ended 30.06.12 £'000
Basic earnings	15,822	14,990	30,531
Weighted average number of ordinary shares in issue	206,624,017	208,158,164	207,325,750
Weighted average number of ordinary shares in issue (diluted for the effect of outstanding share options)	207,624,112	209,095,668	208,186,160
Basic earnings per 5p ordinary share	7.7p	7.2p	14.7p
Diluted earnings per 5p ordinary share	7.6p	7.2p	14.7p

The earnings per share and weighted average number of shares in issue have been restated to reflect the effect of the one-for-one bonus issue on 11 January 2013.

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.