

*James Halstead*TM

JAMES HALSTEAD plc



COVERING THE WORLD

Interim Report 2015



THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2011

Key Figures

- Revenue higher at £117.2 million – an increase of 5.7%
- Operating profit higher at £21.6 million – an increase of 5.1%
- Pre-tax profit higher at £21.4 million – an increase of 5.3%
- Basic earnings per ordinary share 7.8p – an increase of 5.4%
- Interim dividend increased to a record 3.142p – an increase of 4.7%
- Net cash at £46.7 million

The Chief Executive, Mr Mark Halstead, commented:

“After 100 years of manufacturing, 67 years as a quoted company and in our 40th year of increased dividend, I am reminded of the famous Kipling quote “gardens are not made by sitting in the shade”. We have grown and prospered and I have confidence in the full year result.”

James Halstead

Chairman's Statement

This company was founded on 10 May 1915 and based at Crow Oak Works Radcliffe. Our humble beginnings were as a business based on the waxing and shower-proofing of cloth for the raincoat market. Today we continue to manufacture on the same site, albeit in a totally different marketplace and I believe few manufacturing companies can claim continuous activity on the same site for 100 years.

By way of celebration, I am most pleased to report an increase in turnover to £117.2 million (2013: £110.9 million), representing growth of 5.7%. The strength of Sterling has impacted upon the figures and the like for like turnover is some 10.3% ahead of last year.

It is also pleasing to report improved pre-tax profit at £21.4 million (2013: £20.4 million), an increase of 5.3%.

Given the strength of our currency here in the UK, the effects on the translation of our results are inevitable but it is gratifying to report continuing steps forward.

Trading

UK trading continues to be solid despite competitor activity and the figures reported for this half year are 9% ahead of the comparative. The UK accounts for just over a third of our total turnover and our position as market leader continues. Our European business has grown by some 6.7% (at constant exchange rates) and our Australasian businesses by just over 11% (again at constant exchange rates). Combined these markets represent some 85% of turnover. I note that our flooring continues to be

installed across the world and has reached the Sjøskrenten student hostel in Longyearbyen on the Svalbard archipelago, probably our most northern contract yet and an area where polar bears outnumber people.

Gross margin is marginally ahead of the prior year. There are downward pressures on raw materials which are helpful but it must be noted our competitors also have the advantages of this easing.

The day to day business is as much about refurbishment as it is new buildings and our sales team have ensured that refurbishment projects as far afield as the Cardiff International Swimming Pool; the Calgary Stampede showground and the extensive Daenisches Bettenlager retail outlets in Germany are part of our extensive list of fitted contracts.

Overheads have grown faster than inflation, which though disappointing is the reality of the nature of these costs and the largest are the infrastructure costs associated with representing our ranges in global markets. The costs are very much in line with planned expenditure and our deeper expansion into new territories, notably the Middle East, India and Canada.

The balance sheet is, as usual, robust with the component showing the largest change being cash which at £46.7 million is 21.2% ahead of the comparative (2013: £38.6 million). This is the result of healthy cash flow from operations of £28.3 million (2013: £20.2 million) and after dividends paid out of £14.5 million (2013: £ 12.4 million).

James Halstead

Earnings per Share

Our basic earnings per share at 7.8p are 5.4% ahead of the comparative of 7.4p and the Board is pleased to yet again propose an increased interim dividend.

Having regard to cash I am pleased to say that a dividend of 3.142p can be paid (2013: 3.0p), representing a 4.7% increase and this reflects both the strength of earnings and the cash reserves of the Company. This will be payable on 5 June 2015 to those shareholders on the register at the close of business on 8 May 2015.

Outlook

Our portfolio continues to be updated and re-launched with new designs and features: Simplay (a loose lay tile) was awarded the accolade of Best Flooring Innovation by the influential EuroDecor magazine and Expona Flow (our design sheet, manufactured in Teesside) was launched to some acclaim at the BAU exhibition in Munich this January. Just one of the refurbishments that continue to be supplied is the factory shop at Cadbury World in Bourneville.

Recofloor, our award winning recycling scheme, has collected record amounts of waste destined for landfill and returned it to the manufacturing loop and we are the first flooring manufacturer to achieve BES 6001 (Responsible Sourcing) underlining our approach of sound and demonstrable environmental responsibility.

There are many positives to our outlook and in the difficult times of recent years we have

delivered the gains we had targeted. Once again we have increased our market share but the current strength of Sterling to near record levels presents more challenges and headwinds in the coming months. That said, the quote of Churchill that "kites rise highest against the wind, not with it" will be our mantra.

I remain confident of further progress during the rest of the year.

Geoffrey Halstead

Chairman

31 March 2015

James Halstead

Consolidated Income Statement

for the half-year ended 31 December 2014

	Half-year ended 31.12.14 £'000	Half-year ended 31.12.13 £'000	Year ended 30.06.14 £'000
Revenue	117,168	110,881	223,488
Operating profit	21,640	20,592	42,236
Net finance cost	(215)	(237)	(483)
Profit before income tax	21,425	20,355	41,753
Income tax expense	(5,222)	(5,132)	(10,301)
Profit for the period	16,203	15,223	31,452
Earnings per ordinary share of 5p:			
– basic	7.8p	7.4p	15.2p
– diluted	7.8p	7.3p	15.1p

All amounts relate to continuing operations.

Details of dividends paid and proposed are given in Note 4.

James Halstead

Consolidated Balance Sheet

as at 31 December 2014

	Half-year ended 31.12.14 £'000	Half-year ended 31.12.13 £'000	Year ended 30.06.14 £'000
Non-current assets			
Property, plant and equipment	31,954	31,093	31,358
Intangible assets	3,232	3,232	3,232
Deferred tax assets	5,641	5,339	4,755
	<u>40,827</u>	<u>39,664</u>	<u>39,345</u>
Current assets			
Inventories	58,025	56,567	57,423
Trade and other receivables	29,438	27,653	36,621
Derivative financial instruments	2,427	989	342
Cash and cash equivalents	46,716	38,557	38,677
	<u>136,606</u>	<u>123,766</u>	<u>133,063</u>
Current liabilities			
Trade and other payables	54,235	49,769	53,334
Derivative financial instruments	286	694	211
Current income tax liabilities	4,902	5,350	3,350
	<u>59,423</u>	<u>55,813</u>	<u>56,895</u>
Net current assets	<u>77,183</u>	<u>67,953</u>	<u>76,168</u>
Non-current liabilities			
Retirement benefit obligations	20,115	14,805	15,554
Deferred tax liabilities	744	815	744
Borrowings	200	200	200
Other payables	389	432	428
	<u>21,448</u>	<u>16,252</u>	<u>16,926</u>
Net assets	<u>96,562</u>	<u>91,365</u>	<u>98,587</u>
Equity			
Equity share capital	10,363	10,356	10,353
Equity share capital (B shares)	160	160	160
	<u>10,523</u>	<u>10,516</u>	<u>10,513</u>
Share premium account	2,899	2,659	2,740
Capital redemption reserve	1,174	1,167	1,174
Currency translation reserve	1,455	3,709	3,086
Hedging reserve	1,237	232	104
Retained earnings	79,274	73,082	80,970
	<u>96,562</u>	<u>91,365</u>	<u>98,587</u>
Total equity attributable to shareholders of the parent	<u>96,562</u>	<u>91,365</u>	<u>98,587</u>

James Halstead

Consolidated Cash Flow Statement

for the half-year ended 31 December 2014

	Half-year ended 31.12.14 £'000	Half-year ended 31.12.13 £'000	Year ended 30.06.14 £'000
Cash inflow from operations	28,315	20,178	35,034
Net interest received	138	99	156
Taxation paid	(3,671)	(5,045)	(11,500)
Cash inflow from operating activities	24,782	15,232	23,690
Purchase of property, plant and equipment	(2,297)	(1,088)	(2,941)
Proceeds from disposal of property, plant and equipment	91	1,581	1,719
Cash (outflow)/inflow from investing activities	(2,206)	493	(1,222)
Equity dividends paid	(14,507)	(12,428)	(18,638)
Shares issued	169	579	664
Purchase of own shares	–	–	(433)
Cash outflow from financing activities	(14,338)	(11,849)	(18,407)
Net increase in cash and cash equivalents	8,238	3,876	4,061
Effect of exchange differences	(199)	(185)	(250)
Cash and cash equivalents at start of the period	38,677	34,866	34,866
Cash and cash equivalents at end of the period	46,716	38,557	38,677

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Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2014

	Half-year ended 31.12.14 £'000	Half-year ended 31.12.13 £'000	Year ended 30.06.14 £'000
Profit for the period	16,203	15,223	31,452
Other comprehensive income net of tax:			
Actuarial loss on the defined benefit pension scheme	(3,392)	(690)	(2,459)
Deferred taxation – change of rate	–	–	71
Foreign currency translation differences	(1,631)	(1,637)	(2,260)
Fair value movements on hedging instruments	1,133	(478)	(606)
Other comprehensive income for the period net of tax	(3,890)	(2,805)	(5,254)
Total comprehensive income for the period	12,313	12,418	26,198
Attributable to equity holders of the parent	12,313	12,418	26,198

James Halstead

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 2014.

The figures for the year ended 30 June 2014 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2014, 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 24.4% (2013: 25.2%).

3. Earnings per share

	Half-year ended 31.12.14 £'000	Half-year ended 31.12.13 £'000	Year ended 30.06.14 £'000
Profit for the period	16,203	15,223	31,452
Weighted average number of shares in issue	207,200,361	206,878,570	206,955,099
Dilution effect of outstanding share options	530,901	699,831	669,102
Diluted weighted average number of shares	207,731,262	207,578,401	207,624,201
Basic earnings per 5p ordinary share	7.8p	7.4p	15.2p
Diluted earnings per 5p ordinary share	7.8p	7.3p	15.1p

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Notes to the Interim Results

4. Dividends

	Half-year ended 31.12.14 £'000	Half-year ended 31.12.13 £'000	Year ended 30.06.14 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2013	–	12,428	12,428
Interim dividend for the year ended 30 June 2014	–	–	6,210
Final dividend for the year ended 30 June 2014	14,507	–	–
	<u>14,507</u>	<u>12,428</u>	<u>18,638</u>
Equity dividends proposed at the end of the period			
Interim dividend	6,513	6,210	–
Final dividend	–	–	14,507

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

6.0p final dividend for the year ended 30 June 2013, paid on 6 December 2013

3.0p interim dividend for the year ended 30 June 2014, paid on 6 June 2014

7.0p final dividend for the year ended 30 June 2014, paid on 5 December 2014

3.142p interim dividend for the year ended 30 June 2015, payable on 5 June 2015, to those shareholders on the register at the close of business on 8 May 2015

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.

James Halstead

Directors and Advisers

Directors

G Halstead
M Halstead
G R Oliver FCA MCT
J A Wild FCA
E K Lotz
S D Hall

Secretary

D W Drillingcourt ACA

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