

James Halstead

JAMES HALSTEAD plc

COVERING THE WORLD

Interim Report 2016

Key Figures

- Revenue lower at £114.7 million – a decrease of 2.1% (on a constant exchange rate basis increased by 2.9%)
- Operating profit higher at £23.3 million – an increase of 7.7%
- Pre-tax profit higher at £23.0 million – an increase of 7.5%
- Basic earnings per ordinary share 8.6p – an increase of 10.3%
- Interim dividend increased to a record 3.5p – an increase of 11.4%
- Net cash at £55.9 million

The Chief Executive, Mr Mark Halstead, commented:

“We continue to build on the robust performance of the last 15 years and despite having the strength of sterling as a strong headwind to our exports in the first half we have again reported a record profit.”

James Halstead

Chairman's Statement

Given the strength of our currency here in the UK and the consequential effects on the translation of our results it is gratifying to report improved pre-tax profit of £23.0 million (2014: £21.4 million), an increase of 7.5%.

I can report that revenue of £114.7 million (2014: £117.2 million) was 2.1% below the comparative, owing to the strength of sterling over the first six months. This adverse situation has mathematically lowered the currency equivalent. At constant exchange rates sales were 2.9% ahead.

Trading

As already noted, the translation of overseas sales was affected by adverse exchange rates but there was growth in most markets when measured in local currency. Polyflor Canada Inc. continues to expand with a 32% growth in turnover. It is pleasing to report that our flooring is refurbishing store chains such as Loblaws and Indigo Kids in many cities. James Halstead France reported a near 10% increase and notable projects include the Alstrom Epsilon building complex in the heart of Lyon.

In our more established markets, Objectflor, our central European operation based in Cologne reported 4% growth in sales. Our latest range, "Expona Flow" has already been fitted in sales areas within Ikea stores in Kaiserlautern, Berlin and Ravensburg and long term customers such as the fashion

retail chain Modepark Röther continue to expand. It is pleasing to report that "Simplay", our loose lay vinyl tile, was awarded a "Pro K Award" for innovative product development in the area of consumer plastics.

In looking at our home territory, it is clear that Polyflor UK maintains its strong presence, with notable projects such as Croydon University Hospital, the Vision Express retail chain and the new Pontypridd Lido at Ynysangharad Park. The UK market, representing about 39% of total turnover, has shown a solid performance with growth of 4.5% in the period, which is ahead of the market growth over that period.

Australia and New Zealand have reported 8-9% growth with the former providing flooring to Aldi stores across the country and the latter to Burwood Hospital in Christchurch (the country's largest ever healthcare project) and are just two examples of the growth in this region.

Gross margins have improved by 1.5% despite the adverse effects of foreign exchange rates on overseas trading. The reasons for this are threefold: being the effects of increased output of heterogeneous flooring, reduced raw material prices (in part helped by the strength of sterling) and energy savings. Overheads are 3.2% below the comparative period but on a par when viewed on a constant exchange rate basis.

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The balance sheet is, as usual, robust with the component showing the largest change being cash which stands at £55.9 million some 19.5% ahead of the comparative of last year (2014: £46.7 million) and after dividends paid out of £22.8 million.

Earnings per Share

Our basic earnings per share at 8.6p are 10.3% ahead of the comparative of 7.8p and the Board is pleased to propose an increased interim dividend.

Having regard to cash, I am pleased to say that a dividend of 3.5p will be paid (2015: 3.142p), representing an 11.4% increase and this reflects both the strength of earnings and the cash reserves of the Company. This will be payable on 3 June 2016 to those shareholders on the register at the close of business on 6 May 2016.

Outlook

We have delivered a solid first half performance.

Early trading in the second half has been challenging, with the UK noticeably facing rougher trading conditions. Nevertheless, our global footprint continues to provide good opportunities for advancement and I am confident that the depth of our experience of this industry, which has stood us in good stead for a generation, will continue to lead us to greater success.

Many are quick to apply hindsight to business but I think that the accumulation of knowledge our team offers James Halstead something better- insight.

Our group remains focused on sales growth and has every expectation of continued progress in the second half year.

Geoffrey Halstead

Chairman

31 March 2016

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Consolidated Income Statement

for the half-year ended 31 December 2015

	Half-year ended 31.12.15 £'000	Half-year ended 31.12.14 £'000	Year ended 30.06.15 £'000
Revenue	114,675	117,168	227,261
Operating profit	23,311	21,640	44,720
Net finance cost	(272)	(215)	(536)
Profit before income tax	23,039	21,425	44,184
Income tax expense	(5,304)	(5,222)	(10,250)
Profit for the period	17,735	16,203	33,934
Earnings per ordinary share of 5p:			
– basic	8.6p	7.8p	16.4p
– diluted	8.5p	7.8p	16.3p

All amounts relate to continuing operations.

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

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Consolidated Balance Sheet

as at 31 December 2015

	Half-year ended 31.12.15 £'000	Half-year ended 31.12.14 £'000	Year ended 30.06.15 £'000
Non-current assets			
Property, plant and equipment	32,185	31,954	31,172
Intangible assets	3,232	3,232	3,232
Deferred tax assets	5,061	5,641	4,908
	<u>40,478</u>	<u>40,827</u>	<u>39,312</u>
Current assets			
Inventories	58,567	58,025	58,707
Trade and other receivables	27,909	29,438	31,402
Derivative financial instruments	696	2,427	2,242
Cash and cash equivalents	55,850	46,716	47,428
	<u>143,022</u>	<u>136,606</u>	<u>139,779</u>
Current liabilities			
Trade and other payables	50,634	54,235	48,022
Derivative financial instruments	635	286	8
Current income tax liabilities	5,346	4,902	4,814
Dividend payable	16,303	–	–
	<u>72,918</u>	<u>59,423</u>	<u>52,844</u>
Net current assets	<u>70,104</u>	<u>77,183</u>	<u>86,935</u>
Non-current liabilities			
Retirement benefit obligations	18,904	20,115	18,492
Deferred tax liabilities	709	744	709
Borrowings	200	200	200
Other payables	390	389	386
	<u>20,203</u>	<u>21,448</u>	<u>19,787</u>
Net assets	<u>90,379</u>	<u>96,562</u>	<u>106,460</u>
Equity			
Equity share capital	10,373	10,363	10,364
Equity share capital (B shares)	160	160	160
	<u>10,533</u>	<u>10,523</u>	<u>10,524</u>
Share premium account	3,096	2,899	2,917
Capital redemption reserve	1,174	1,174	1,174
Currency translation reserve	87	1,455	(782)
Hedging reserve	14	1,237	1,427
Retained earnings	75,475	79,274	91,200
	<u>90,379</u>	<u>96,562</u>	<u>106,460</u>
Total equity attributable to shareholders of the parent	<u>90,379</u>	<u>96,562</u>	<u>106,460</u>

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Consolidated Cash Flow Statement

for the half-year ended 31 December 2015

	Half-year ended 31.12.15 £'000	Half-year ended 31.12.14 £'000	Year ended 30.06.15 £'000
Cash inflow from operations	31,059	28,315	42,015
Net interest received	96	138	150
Taxation paid	(4,729)	(3,671)	(8,416)
Cash inflow from operating activities	26,426	24,782	33,749
Purchase of property, plant and equipment	(2,180)	(2,297)	(3,855)
Proceeds from disposal of property, plant and equipment	166	91	187
Cash outflow from investing activities	(2,014)	(2,206)	(3,668)
Equity dividends paid	(16,302)	(14,507)	(21,020)
Shares issued	188	169	188
Cash outflow from financing activities	(16,114)	(14,338)	(20,832)
Net increase in cash and cash equivalents	8,298	8,238	9,249
Effect of exchange differences	124	(199)	(498)
Cash and cash equivalents at start of the period	47,428	38,677	38,677
Cash and cash equivalents at end of the period	55,850	46,716	47,428

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Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2015

	Half-year ended 31.12.15 £'000	Half-year ended 31.12.14 £'000	Year ended 30.06.15 £'000
Profit for the period	17,735	16,203	33,934
Other comprehensive income net of tax:			
Actuarial loss on the defined benefit pension scheme	(855)	(3,392)	(2,720)
Deferred taxation – change of rate	–	–	35
Foreign currency translation differences	869	(1,631)	(3,868)
Fair value movements on hedging instruments	(1,413)	1,133	1,323
Other comprehensive income for the period net of tax	(1,399)	(3,890)	(5,230)
Total comprehensive income for the period	16,336	12,313	28,704
Attributable to equity holders of the parent	16,336	12,313	28,704

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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 2015.

The figures for the year ended 30 June 2015 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2015, 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 23.0% (2014: 24.4%).

3. Earnings per share

	Half-year ended 31.12.15 £'000	Half-year ended 31.12.14 £'000	Year ended 30.06.15 £'000
Profit for the period	17,735	16,203	33,934
Weighted average number of shares in issue	207,392,532	207,200,361	207,238,042
Dilution effect of outstanding share options	541,827	530,901	562,584
Diluted weighted average number of shares	207,934,359	207,731,262	207,800,626
Basic earnings per 5p ordinary share	8.6p	7.8p	16.4p
Diluted earnings per 5p ordinary share	8.5p	7.8p	16.3p

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Notes to the Interim Results

4. Dividends

	Half-year ended 31.12.15 £'000	Half-year ended 31.12.14 £'000	Year ended 30.06.15 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2014	–	14,507	14,507
Interim dividend for the year ended 30 June 2015	–	–	6,513
Final dividend for the year ended 30 June 2015	16,302	–	–
	<hr/> 16,302	<hr/> 14,507	<hr/> 21,020
Equity dividends proposed after the end of the period			
Interim dividend	7,261	6,513	–
Final dividend	–	–	16,302
	<hr/> –	<hr/> –	<hr/> 16,302

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

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, paid on 5 June 2015

7.858p final dividend for the year ended 30 June 2015, paid on 4 December 2015

3.5p interim dividend for the year ended 30 June 2016, payable on 3 June 2016, to those shareholders on the register at the close of business on 6 May 2016

In addition a 7.858p special dividend amounting to £16,303,000 was declared on 27 November 2015 and paid on 26 February 2016.

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

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M Halstead
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J A Wild FCA
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S D Hall

Secretary

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