

29 March 2017

**JAMES HALSTEAD PLC**

**INTERIM RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**Key Figures**

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

- Revenue higher at £119.6 million – an increase of 4.3%
- Operating profit higher at £23.5 million – an increase of 0.9%
- Pre-tax profit higher at £23.2 million – an increase of 0.8%
- Basic earnings per ordinary share 8.5p – a decrease of 1.1%
- Interim dividend increased to a record 3.75p – an increase of 7.1%
- Net cash at £51.6 million

The Chief Executive, Mr. Mark Halstead, commented:

“Despite a tough six months in the UK and prevailing cost increases in raw materials – yet another record half year and a 7.1 % increase in dividend.”

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## CHAIRMAN'S STATEMENT

### Trading

The group turnover at £119.6 million (2015: £114.7 million) was some 4.3% ahead. The mix and range of customers such as "Thalia" book stores throughout Germany, the Yau Ma Tei Police Station (Hong Kong) and the Jiaotouhemei Kindergarten of Enshi, in Hubei Province of the People's Republic of China continues to impress.

The profit before tax of £23.2 million (2015: £23.0 million) is marginally ahead of the comparative period.

The benefits of weaker sterling on exports have been beneficial and exports recorded growth of just over 12%, in constant currency this would have been 2.5%. Offsetting this to an extent has been a 7% decline in UK turnover that we believe is primarily the result of de-stocking in the UK. During the period one of our significant UK customers, a subsidiary of SIG plc, drastically de-stocked and faced buying restrictions. This subsidiary was sold to a UK based private equity investor in mid-February 2017, and it is to be hoped that more regular trading patterns may ensue.

International trade partners are becoming a more common feature of our group of companies, whether it is Mont Blanc stores, Chanel franchises or the new Dyson stores where we are not only able to arrange supply promptly from local stock but to do so at a competitive price.

Our Australia and New Zealand businesses have both seen growth in sales and profitability. As noted in the 2016 annual report, the rewards of the restructuring of the business last year which began to be seen in the latter part of that period are being reaped in this financial year. The focus on quality of service has seen the businesses meeting demand effectively and in some cases benefiting from competitors' failure in this area.

The move to a new Auckland warehouse took place smoothly, resulting in a lower cost operation in the future.

The European businesses are, in constant currency terms, on a par with last year. They have a busy 6 months ahead with the launch of key Luxury Vinyl Tile, Loose-lay and Heterogeneous products. Having been launched at exhibitions in January and February 2017 and well received it is anticipated that the benefits from sales of these products will be seen in the second half. Whether it is Croatia, with the Hotel Sipar in Umag or the Hotel des Trois Hiboux, within the Asterix theme park near Paris, our European business continues to be respected throughout the industry.

Scandinavia followed a very quiet beginning to the financial year with a strong performance in the second quarter and both sales and profits are ahead of the equivalent period. Felleskjøpet Agri; a cooperative owned by Norwegian farmers, is but one project of note that we were involved in.

Our business in Canada continues to meet the objectives set for it and we have a solid sales base for the country. Local sales continue to increase and we have expanded our staff representation in the country to include British Columbia, an area previously handled by a distributor. As the resources sector continues to suffer the business relating to portable buildings has retrenched. However, contracts into other sectors such as retail and commercial buildings have been developed over the last 4 years such that portable buildings are now a minor part of our Canadian business. The team cite "The Heights", Skeena – the country's largest passive residence as a key project. Given that

passive building technology is becoming an increasingly important part of our sustainable future we are particularly pleased to be associated with this project.

Our fledgling India business has continued to extend its roots in the first half of this year. A team of salespeople operating across the sub-continent means that we are obtaining specifications and enquiries at a far higher level. Deliveries continue to grow, particularly into the health care sector but also into industrial and pharmaceutical customers. Examples such as the Ayurdundra Hospital in Guwahati, the ESIC Hospital in Bhubaneswar and the ubiquitous Barclays Bank, in Delhi are but a few.

### **Earnings per Share**

Our basic earnings per share at 8.5p are slightly below the comparative of 8.6p though still very healthy relative to dividends.

Having regard to cash, I am pleased to say that an interim dividend of 3.75p has been declared (2016: 3.5p), representing a 7.1% increase and this reflects both the strength of earnings and the cash reserves of the Company. This will be payable on 6 June 2017 to those shareholders on the register at the close of business on 5 May 2017.

### **Total Shareholder Return**

We continue to focus on dividend growth and it is, perhaps, of interest to consider our total shareholder return which combines share price appreciation and dividends paid to express the total return to shareholders as a percentage. Our total shareholder return from 1 January 2001 to 31 December 2016 is over 4,700%, which compares favourably to the FTSE All Share index (124%) and FTSE AIM All Share index (-31%).

### **Outlook**

It is only a short period of time since the Brexit vote and confidence is high for us as exporters. The UK market is solid but there is inevitably upward price pressure on raw materials and overseas sourced goods. Overall this is counterbalanced by opportunities for overseas exports from a weaker sterling.

Taking into account these points, and with the extremely positive feedback from our range re-vamps that have been presented to the trade at several major trade fairs we continue to be confident of progress through the year.

**Geoffrey Halstead**

**Chairman**

**29 March 2017**

## Consolidated Income Statement for the half-year ended 31 December 2016

	<b>Half-year ended 31.12.16 £'000</b>	Half-year ended 31.12.15 £'000	Year ended 30.06.16 £'000
Revenue	<b>119,558</b>	114,675	226,141
Operating profit	<b>23,532</b>	23,311	46,083
Net finance cost	<b>(311)</b>	(272)	(584)
Profit before income tax	<b>23,221</b>	23,039	45,499
Income tax expense	<b>(5,533)</b>	(5,304)	(10,243)
Profit for the period	<b>17,688</b>	17,735	35,256
Earnings per ordinary share of 5p:			
-basic	<b>8.5p</b>	8.6p	16.4p
-diluted	<b>8.5p</b>	8.5p	16.3p

All amounts relate to continuing operations.

Details of dividends paid and declared/proposed are given in note 4.

## Consolidated Balance Sheet

as at 31 December 2016

	Half-year ended 31.12.16 £'000	Half-year ended 31.12.15 £'000	Year ended 30.06.16 £'000
<b>Non-current assets</b>			
Property, plant and equipment	35,176	32,185	34,384
Intangible assets	3,232	3,232	3,232
Deferred tax assets	5,704	5,061	5,129
	<u>44,112</u>	<u>40,478</u>	<u>42,745</u>
<b>Current assets</b>			
Inventories	61,948	58,567	62,828
Trade and other receivables	24,851	27,909	33,820
Derivative financial instruments	1,670	696	433
Cash and cash equivalents	51,607	55,850	44,096
	<u>140,076</u>	<u>143,022</u>	<u>141,177</u>
<b>Total assets</b>	<u>184,188</u>	<u>183,500</u>	<u>183,922</u>
<b>Current liabilities</b>			
Trade and other payables	51,361	50,634	53,395
Derivative financial instruments	636	635	2,066
Current income tax liabilities	5,287	5,346	4,300
Dividend payable	-	16,303	-
	<u>57,284</u>	<u>72,918</u>	<u>59,761</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations	28,127	18,904	25,431
Deferred tax liabilities	603	709	603
Borrowings	200	200	200
Other payables	476	390	460
	<u>29,406</u>	<u>20,203</u>	<u>26,694</u>
<b>Total liabilities</b>	<u>86,690</u>	<u>93,121</u>	<u>86,455</u>
<b>Net assets</b>	<u>97,498</u>	<u>90,379</u>	<u>97,467</u>
<b>Equity</b>			
Equity share capital	10,381	10,373	10,374
Equity share capital (B shares)	160	160	160
	<u>10,541</u>	<u>10,533</u>	<u>10,534</u>
Share premium account	3,256	3,096	3,096
Capital redemption reserve	1,174	1,174	1,174
Currency translation reserve	5,472	87	4,026
Hedging reserve	530	14	(699)
Retained earnings	76,525	75,475	79,336
<b>Total equity attributable to shareholders of the parent</b>	<u>97,498</u>	<u>90,379</u>	<u>97,467</u>

## Consolidated Cash Flow Statement

for the half-year ended 31 December 2016

	<b>Half-year ended 31.12.16 £'000</b>	Half-year ended 31.12.15 £'000	Year ended 30.06.16 £'000
Cash inflow from operations	<b>31,194</b>	31,059	50,325
Net interest received	<b>81</b>	96	134
Taxation paid	<b>(4,548)</b>	(4,729)	(10,220)
<b>Cash inflow from operating activities</b>	<b>26,727</b>	26,426	40,239
Purchase of property, plant and equipment	<b>(2,141)</b>	(2,180)	(4,842)
Proceeds from disposal of property, plant and equipment	<b>82</b>	166	200
<b>Cash outflow from investing activities</b>	<b>(2,059)</b>	(2,014)	(4,642)
Equity dividends paid	<b>(17,646)</b>	(16,302)	(39,867)
Shares issued	<b>167</b>	188	189
<b>Cash outflow from financing activities</b>	<b>(17,479)</b>	(16,114)	(39,678)
Net increase/(decrease) in cash and cash equivalents	<b>7,189</b>	8,298	(4,081)
Effect of exchange differences	<b>322</b>	124	749
Cash and cash equivalents at start of period	<b>44,096</b>	47,428	47,428
<b>Cash and cash equivalents at end of period</b>	<b>51,607</b>	55,850	44,096

## Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2016

	Half-year ended 31.12.16 £'000	Half-year ended 31.12.15 £'000	Year ended 30.06.16 £'000
Profit for the period	<b>17,688</b>	17,735	35,256
Other comprehensive income net of tax:			
Actuarial loss on the defined benefit scheme	<b>(2,853)</b>	(855)	(7,360)
Deferred taxation - change of rate	-	-	106
Foreign currency translation differences	<b>1,446</b>	869	4,808
Fair value movements on hedging instruments	<b>1,229</b>	(1,413)	(2,126)
Other comprehensive income for the period net of tax	<b>(178)</b>	(1,399)	(4,572)
Total comprehensive income for the period	<b>17,510</b>	16,336	30,684
Attributable to equity holders of the parent company	<b>17,510</b>	16,336	30,684

## Notes to the Interim Results

### for the half-year ended 31 December 2016

#### 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 2016.

The figures for the year ended 30 June 2016 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2016 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 23.8% (2015: 23.0%).

#### 3. Earnings per share

	<b>Half-year ended 31.12.16 £'000</b>	Half-year ended 31.12.15 £'000	Year ended 30.06.16 £'000
Profit for the period	<b>17,688</b>	17,735	35,256
Weighted average number of shares in issue	<b>207,544,288</b>	207,392,532	207,431,307
Dilution effect of outstanding share options	<b>381,936</b>	541,827	473,629
Diluted weighted average number shares	<b>207,926,224</b>	207,934,359	207,904,936
Basic earnings per 5p ordinary share	<b>8.5p</b>	8.6p	17.0p
Diluted earnings per 5p ordinary share	<b>8.5p</b>	8.5p	17.0p



4. Dividends

	<b>Half-year ended 31.12.16 £'000</b>	Half-year ended 31.12.15 £'000	Year ended 30.06.16 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2015	-	16,302	16,302
Interim dividend for the year ended 30 June 2016	-	-	7,262
Final dividend for the year ended 30 June 2016	<b>17,646</b>	-	-
Special dividend	-	-	16,303
	<b>17,646</b>	16,302	39,867
Equity dividends declared/proposed at the end of the period			
Interim dividend	<b>7,785</b>	7,262	-
Final dividend	-	-	17,646

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

- 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, paid on 3 June 2016
- 8.5p final dividend for the year ended 30 June 2016, paid on 2 December 2016
- 3.75p interim dividend for the year ended 30 June 2017, payable on 6 June 2017, to those shareholders on the register at the close of business on 5 May 2017
- 7.858p special dividend 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 and on the Company's website – [www.jameshalstead.com](http://www.jameshalstead.com)