

James Halstead

James Halstead plc : Interim Report 2006

Key Figures

James Halstead plc, manufacturer and international distributor of flooring, reports:

- Turnover increased to £62.89 million – an **increase of 10.7%**
- Pre-tax profit **up** to £8.497 million – an **increase of 22.6%**
- Net interim dividend proposed per 5p ordinary share of 4.25p – an **increase of 21.4%**
- Basic earnings per 5p ordinary share **increased by 22.1%**

Accounting standards

There are three new Financial Reporting Standards which have an effect on these interim accounts. FRS 17 – Retirement Benefits requires the inclusion of a value for the defined benefit pension scheme deficit in the balance sheet as a liability. FRS 21 – Events After The Balance Sheet Date means that we no longer include an accrual for dividends proposed or show dividends paid on the face of the Interim Report. The final changes are for the required elements of FRS 25 – Financial Instruments: Disclosure and Presentation, which require us to re-classify the C preference shares as debt rather than non-equity share capital.

Comparative figures are restated and details are given in note 7.

The Chairman, Mr Geoffrey Halstead, commenting said:

“In challenging markets and notwithstanding energy costs and polymer prices, I am pleased to report, again, record results and we will pay an increased interim dividend to reflect this. I remain confident of reporting another full year of progress.”

Chairman's Statement

The six months to 31 December 2005 showed a healthy growth in turnover to £62.89 million, an increase of 10.7%.

Reviewing our flooring operations it is worth noting that we have seen healthy double digit growth in the United Kingdom, in central Europe and Australasia. The portfolio of products we offer has positioned the Group to service both day-to-day distribution and to secure significant flooring contracts around the world. Examples include the Hilla hospital in Baghdad, the Botinskaya Clinic in Moscow, the Centenary Hall at Chelsea FC and the Holby City set for the BBC.

Profit before tax has set another record for a six month period being £8.497 million (2004: £6.933 million) an increase of 22.6%.

The strong sales and profit performance translated well into cash flow. Cash inflow from operations was 47% ahead of the corresponding period for last year at £14.88 million which gave us the ability to announce a special dividend at the AGM in December 2005. This dividend amounted to £12.7 million and was paid on 17 February 2006.

Earnings Per Share and Dividend (per 5p Share)

We sub-divided our ordinary shares of 10p into 5p shares on 27 February 2006 so I shall quote these figures per 5p share.

Our basic earnings per share of 11.6p (2004: 9.5p) show an increase of 22.1% and we propose to increase the interim dividend payable in May 2006 to 4.25p (2004: 3.5p) an increase of 21.4% reflecting the improved results and our ability to pay based on cash resources.

Outlook

It has been an outstandingly good half year for our Group and I am confident that we will consolidate this progress through to the full year's result.

Geoffrey Halstead
Chairman

30 March 2006

Interim Report

for the half-year ended 31 December 2005

	Half-year ended 31.12.05 £'000	Half-year ended 31.12.04 as restated £'000	Year ended 30.6.05 as restated £'000
Turnover	62,890	56,806	112,353
Operating profit	7,845	6,305	12,733
Interest and other finance costs	652	628	1,038
Group profit on ordinary activities (before taxation)	8,497	6,933	13,771
Taxation	(2,630)	(2,145)	(4,276)
Group profit on ordinary activities (after taxation)	5,867	4,788	9,495
Earnings/(loss) per ordinary share of 10p:			
– basic	23.1p	19.0p	(0.6)p
– diluted	23.0p	18.9p	(0.6)p
Note:			
The company's 10p ordinary shares were sub-divided into two new ordinary shares of 5p each on 27 February 2006.			
The following figures are therefore included for ease of reference:			
Earnings/(loss) per ordinary share of 5p:			
– basic	11.6p	9.5p	(0.3)p
– diluted	11.5p	9.5p	(0.3)p

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

Consolidated Balance Sheet

as at 31 December 2005

	Half-year ended 31.12.05	Half-year ended 31.12.04 as restated	Year ended 30.6.05 as restated
	£'000	£'000	£'000
Fixed assets			
Intangible assets	3,346	3,574	3,460
Tangible assets	19,985	20,853	20,741
	23,331	24,427	24,201
Current assets			
Stocks	18,284	20,269	20,029
Debtors	18,750	17,953	18,887
Cash at bank, in hand and on short-term deposits	40,236	36,666	31,675
	77,270	74,888	70,591
Creditors — amounts falling due within one year	(34,245)	(28,614)	(31,140)
Net current assets	43,025	46,274	39,451
Total assets less current liabilities	66,356	70,701	63,652
Creditors — amounts falling due after more than one year	(5,862)	(231)	(5,934)
Provisions for liabilities	(205)	(916)	(353)
Net assets excluding pension scheme deficit	60,289	69,554	57,365
Pension scheme deficit	(10,480)	(9,163)	(9,790)
	49,809	60,391	47,575
Capital and reserves			
Equity share capital	2,538	2,531	2,531
Non-equity share capital	360	200	360
Called up share capital	2,898	2,731	2,891
Share premium account	223	5,597	48
Revaluation reserve	3,544	3,544	3,544
Capital reserve	2,942	720	2,942
Profit and loss account	40,202	47,799	38,150
	49,809	60,391	47,575

Consolidated Cash Flow Statement

for the half-year ended 31 December 2005

	Half-year ended 31.12.05 £'000	Half-year ended 31.12.04 as restated £'000	Year ended 30.6.05 as restated £'000
Net cash inflow from operating activities	14,876	10,101	19,866
Returns on investments and servicing of finance	474	722	1,274
Return of capital – B share dividend	–	–	(9,626)
Taxation paid	(3,008)	(3,507)	(5,860)
Capital expenditure	(641)	(3,882)	(5,827)
Acquisitions and disposals	–	(1,390)	(1,390)
Equity dividends paid	(3,236)	(2,971)	(4,743)
Cash inflow/(outflow) before financing	8,465	(927)	(6,306)
Financing:			
Shares issued	182	396	406
(Decrease)/increase in debt	(119)	–	401
Increase/(decrease) in cash	8,528	(531)	(5,499)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash	8,528	(531)	(5,499)
Movement in debt	119	–	(401)
Change in net funds resulting from cash flows	8,647	(531)	(5,900)
Effect of exchange differences	(13)	152	129
Creation of C shares	–	–	(5,559)
Movement in net funds for the period	8,634	(379)	(11,330)
Net funds at start of period	25,715	37,045	37,045
Net funds at end of period	34,349	36,666	25,715

Statement of Total Recognised Gains and Losses

for the half-year ended 31 December 2005

	Half-year ended 31.12.05	Half-year ended 31.12.04 as restated	Year ended 30.6.05 as restated
	£'000	£'000	£'000
Profit for the financial period	5,867	4,788	9,495
Currency translation differences on foreign currency net investments	133	556	597
Actuarial loss on the pension scheme	(1,008)	(874)	(1,748)
Movement on deferred tax asset relating to the pension scheme	302	262	524
Total recognised gains relating to the financial period	5,294	4,732	8,868
Prior year adjustment (implementation of FRS 17)	(9,790)		
Total recognised losses since the last report	(4,496)		

Reconciliation of Movements in Shareholders' Funds

for the half-year ended 31 December 2005

	Half-year ended 31.12.05	Half-year ended 31.12.04 as restated	Year ended 30.6.05 as restated
	£'000	£'000	£'000
Profit for the financial period	5,867	4,788	9,495
Dividends	(3,242)	(2,977)	(14,380)
	2,625	1,811	(4,885)
Other recognised gains and losses relating to the financial period	(573)	(56)	(627)
Creation of C shares	–	–	(5,559)
New share capital subscribed	182	396	406
Net increase/(decrease) in shareholders' funds for the financial period	2,234	2,151	(10,665)
Opening shareholders' funds (originally £57,475,000 before prior year adjustment of £9,900,000)	47,575	58,240	58,240
Closing shareholders' funds	49,809	60,391	47,575
Equity shareholders' funds	49,449	60,191	47,215
Non-equity shareholders' funds	360	200	360
	49,809	60,391	47,575

Notes to the Accounts

1. Basis of preparation

The interim financial statements, which are unaudited, consolidate the accounts of the holding company and its subsidiaries made up to 31 December 2005, and have been prepared in accordance with applicable Accounting Standards and, save for the adoption of FRS 17 – Retirement Benefits, on the basis of accounting policies as set out in the annual report and accounts for the year ended 30 June 2005. The comparative figures for the six months ended 31 December 2004 and year ended 30 June 2005, have been restated from those previously published to reflect the impact of the adoption of FRS 17 – Retirement Benefits, FRS 21 – Events After The Balance Sheet Date and the required elements of FRS 25 – Financial Instruments: Disclosure and Presentation.

2. Taxation

Taxation has been provided at the rate of 31% (2004: 30.9%).

3. Dividends

	Half-year ended 31.12.05	Half-year ended 31.12.04 as restated	Year ended 30.6.05 as restated
	£'000	£'000	£'000
Non-equity dividends paid:			
On 200,000 preference shares at 5.5p per annum	6	6	11
On 16,042,530 B shares at 60p per share	–	–	9,626
	6	6	9,637
Equity dividends paid:			
Final dividend for the year ended 30 June 2004	–	2,971	2,971
Interim dividend for the year ended 30 June 2005	–	–	1,772
Final dividend for the year ended 30 June 2005	3,236	–	–
	3,236	2,971	4,743
Total dividends paid	3,242	2,977	14,380
Equity dividends proposed at the end of the period			
Special dividend	12,715	–	–
Interim dividend	2,158	1,772	–
Final dividend	–	–	3,227

Equity dividends per share, paid and proposed, restated to take account of the two-for-one share split which took place on 27 February 2006 are as follows:

- 25p special dividend for the year ended 30 June 2006, paid on 17 February 2006
- 4.25p interim dividend for the year ended 30 June 2006, payable on 26 May 2006 to those shareholders on the register at the close of business on 28 April 2006
- 6.375p final dividend for the year ended 30 June 2005, paid on 5 December 2005
- 3.5p interim dividend for the year ended 30 June 2005, paid on 26 May 2005

The single dividend payment of 60p on the B ordinary deferred shares was paid on 14 January 2005.

The first dividend of 2.4p per share on the non-cumulative C preference shares, which under FRS 25 are now classified as a liability, was paid on 16 January 2006.

Notes to the Accounts

The preference dividend is payable on 30 June and 31 December each year. The next preference dividend is payable on 30 June 2006 to those shareholders on the register at the close of business on 19 May 2006.

4. Calculation of earnings per ordinary share

	Half-year ended 31.12.05 £'000	Half-year ended 31.12.04 as restated £'000	Year ended 30.6.05 as restated £'000
Profit on ordinary activities after taxation	5,867	4,788	9,495
Preference dividend	(6)	(6)	(11)
B share dividend	–	–	(9,626)
Basic earnings	5,861	4,782	(142)
Goodwill amortisation charge	114	100	213
Add back B share dividend	–	–	9,626
Underlying earnings	5,975	4,882	9,697
Weighted average number of 10p ordinary shares in issue	25,336,037	25,180,052	25,243,966
Weighted average number of 10p ordinary shares in issue (diluted for the effect of outstanding share options)	25,478,960	25,301,848	25,366,107
Underlying earnings per 10p ordinary share	23.6p	19.4p	38.4p
Basic earnings per 10p ordinary share	23.1p	19.0p	(0.6)p
Diluted earnings per 10p ordinary share	23.0p	18.9p	(0.6)p

The company's 10p ordinary shares were sub-divided into two new ordinary shares of 5p each on 27 February 2006.

The following figures are therefore included for ease of reference:

Weighted average number of 5p ordinary shares in issue	50,672,074	50,360,104	50,487,932
Weighted average number of 5p ordinary shares in issue (diluted for the effect of outstanding share options)	50,957,920	50,603,696	50,732,214
Underlying earnings per 5p ordinary share	11.8p	9.7p	19.2p
Basic earnings per 5p ordinary share	11.6p	9.5p	(0.3)p
Diluted earnings per 5p ordinary share	11.5p	9.5p	(0.3)p

5. Statutory accounts

The figures for the year ended 30 June 2005 are an abridged statement of the Group audited accounts for that year adjusted for the effect of the adoption of FRS 17 – Retirement Benefits, FRS 21 – Events After The Balance Sheet Date and the required elements of FRS 25 – Financial Instruments: Disclosure and Presentation. The audited accounts, containing an unqualified audit report, have been delivered to the Registrar of Companies.

6. 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.

Notes to the Accounts

7. Prior year adjustments

Prior year adjustments, relating to the adoption of FRS 17 – Retirement Benefits, FRS 21 – Events After the Balance Sheet Date and the required elements of FRS 25 – Financial Instruments: Disclosure and Presentation, have changed previously reported results as follows:

	Half-year ended 31.12.04		Year ended 30.6.05	
	as reported £'000	as restated £'000	as reported £'000	as restated £'000
Group profit on ordinary activities after taxation (FRS 17)	4,803	4,788	9,525	9,495
Creditors – amounts falling due within one year (FRS 21)	30,386	28,614	34,367	31,140
Creditors – amounts falling due after more than one year (FRS 25)	231	231	2,597	5,934
Total recognised gains relating to the financial period (FRS 17)	5,359	4,732	10,122	8,868
Opening shareholders' funds (FRS 17 and FRS 21)	63,825	58,240	63,825	58,240
Closing shareholders' funds (FRS 17, FRS 21 and FRS 25)	67,782	60,391	57,475	47,575
Profit and loss account (FRS 17 and FRS 21)	55,190	47,799	44,713	38,150
Net funds (FRS 25)	36,666	36,666	29,052	25,715

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