



JAMES HALSTEAD PLC

31 March 2010

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INTERIM RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Key Figures

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

- Revenue increased to a record £92.1 million – an increase of 6.3%
- Operating profit increased to a record £16.6 million – an increase of 10.1%
- Pre-tax profit increased to a record £16.9 million – an increase of 10.2%
- Basic earnings per ordinary 5p share increased to a record 22.8p – an increase of 9.6%
- Interim dividend increased to a record 8.0p – an increase of 10.3%
- Nil net gearing

Chairman, Mr Geoffrey Halstead, commenting said:

“Steady progress, in heavy seas, best describes the first six months trading and whilst we can’t change the wind we have very deftly adjusted our sails”.

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CHAIRMAN'S STATEMENT

I am pleased to report, once again, a record set of interim results. Though this opening sentence has been very familiar to shareholders over the years there is no doubt that we have charted a successful route in the most difficult of times. As we near the end of the decade, it is worth noting that our market capitalisation has passed the £300 million level having been below £45 million when the decade started.

Trading

The first half year trading was very solid with record revenue of £92.11 million (2008: £86.65 million) representing an increase of 6.3%. The majority of the sales growth was derived from our flooring activities though I would note Phoenix Distribution (our motorcycle accessories subsidiary) increased sales by 5.3% in difficult retail conditions.

Our flooring products continue to be installed across the globe with notable installations in recent months such as the "Oasis of the Seas" the world's largest cruise liner (five times the size of the Titanic), the prestigious Emirates Marquee at the Melbourne Spring Racing carnival and several large hospitals such as St Vincent's in Queensland, the Abha Hospital in Saudi Arabia, Derby Hospital in the UK, the ESI Hospital in Bangalore, India and the St Nersess Hospital in Yerevan, Armenia.

There has been a 3.2% decline in our revenue in the UK, and a corresponding 13.5% increase in overseas revenue. Looking at our principal markets there has been good growth: Germany up 9.5%, Australia up 6.7%, and New Zealand up 2%. In other territories there are some very good growth trends, for example in France we are ahead 37%, and in Asia & Hong Kong we are up 80%. The latter included a very large social housing project in Tianjin, China's sixth largest city. With the global recession as a backdrop there have been areas of doldrums, where we have seen lower demand. The widely talked about "PIIGS" territories, in terms of our revenue, are 25% down but represent only 3.5% of total sales.

Following the launch of the new Expona Design collection at Euroshop last year this, our flagship luxury vinyl tile, has built on the very positive reaction from architects and designers and is winning us business across the world but with notable success in Germany and the UK. The largest ever promotion by Polyflor of safety flooring in the UK, under the Polysafe brand, has been very successful, translating into increased levels of sales of this range. In our home market, Polysafe was announced "Product of the Year" by the Contract Flooring Association, and Polyflor their "Website of the Year". Also, Polyflor was voted "Supplier of the Year" for the fourth consecutive year by the Independent Flooring Distributors Association following a nationwide poll.

Gross margins were very similar to last year with gains on sales denominated in foreign currency balancing raw material and other cost increases.

The Recofloor vinyl take-back scheme, launched in the autumn has been well received and is not only reducing landfill but is providing a source of material to increase our use of recycled material.

We have largely completed the refurbishment of the premises acquired in Oldham and transfer of staff is well underway. During the next few months we will start to re-shape our UK businesses into separate organisations for sales, technical and manufacturing to underline both the international nature of sales and also a much lesser reliance on UK manufacturing.

The profit before tax at £16.94 million (2008: £15.37 million) is another record performance and is up 10.2% on the comparative period. Finance income has risen despite declines in interest rates due to a receipt of interest on overpaid tax. Cash inflow from operations was very positive increasing by 45.8% to £24.52 million (2008: £16.82 million), with a resulting record £41.27 million of cash on the balance sheet (2008: £31.76 million). This alone gave us the confidence to increase dividends and to pay a special dividend. The inflow from operations was strong despite an increase in stock of £4.35 million (2008: £0.8 million) as this was more than offset by reduced trade debtors and increased trade creditors. The stock growth was in preparation for the major launches of the Expona Domestic collection, and other ranges. The balance sheet remains a bulwark.

Earnings per Share and Interim Dividend

Our basic earnings per share have increased to a record 22.8p (2008: 20.8p) an uplift of 9.6% and having regard to these results and our strong cash balances the Board has announced an interim dividend of 8.0p (2008: 7.25p) representing a 10.3% increase on last year and yet another record. An additional special dividend of 15.0p per share was paid on 25 January 2010.

Outlook

The half year result is encouraging. At the Domotex exhibition, held at Hannover in January we released the new Expona Domestic collection which has been very well received and should match the success of its sister range, Expona Design, launched last year. In addition, we have augmented our safety floor collections with the decorative Mosaic PUR, re-launched "Classic Mystique" a non-directional sheet product aimed at project work, and introduced "MarineSafe" for utilitarian use on ships and offshore structures. Added to this we have upgraded the clean-ability coatings on some of our safety floor ranges and at present we are further upgrading our safety flooring manufacturing capability which will be fully commissioned later in the year. All these things should build upon the solid keel established over the last decade.

In summary, we have an increasing presence in global markets, an improved product offering and continued focus on customer service. Notwithstanding that it is clear that our UK market is still fragile, I have no doubt that we will continue to forge ahead through our second half.

Geoffrey Halstead

Chairman

31 March 2010

Consolidated Income Statement for the half-year ended 31 December 2009

	Half-year ended 31.12.09 £'000	Half-year ended 31.12.08 £'000	Year ended 30.06.09 £'000
Revenue	92,114	86,650	169,263
Operating profit	16,567	15,052	32,786
Finance income	371	316	211
Profit before income tax	16,938	15,368	32,997
Income tax expense	(5,206)	(4,668)	(8,146)
Profit for the period	11,732	10,700	24,851
Earnings per ordinary share of 5p:			
-basic	22.8p	20.8p	48.3p
-diluted	22.7p	20.7p	48.2p

All the above figures relate to continuing operations.

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

Consolidated Balance Sheet as at 31 December 2009

	Half-year ended 31.12.09 £'000	Half-year ended 31.12.08 £'000	Year ended 30.06.09 £'000
Non current assets			
Property, plant and equipment	26,466	22,804	26,091
Intangible assets	3,232	3,232	3,232
Deferred tax assets	7,296	5,832	6,772
	36,994	31,868	36,095
Current assets			
Inventories	34,036	33,121	28,424
Trade and other receivables	22,966	25,835	24,485
Derivative financial instruments	386	741	989
Cash and cash equivalents	41,268	31,764	27,561
	98,656	91,461	81,459
Current liabilities	49,866	53,722	37,922
Net current assets	48,790	37,739	43,537
Non current liabilities			
Retirement benefit obligations	16,096	12,227	15,602
Deferred tax liabilities	992	992	992
Other payables	807	594	747
	17,895	13,813	17,341
Net Assets	67,889	55,794	62,291
Equity			
Equity share capital	2,592	2,574	2,574
Equity share capital (B shares)	160	160	160
	2,752	2,734	2,734
Share premium account	2,883	1,738	1,738
Retained earnings	49,922	39,941	47,289
Other reserves	12,332	11,381	10,530
Total equity attributable to shareholders of the parent	67,889	55,794	62,291

Consolidated Cash Flow Statement

for the half-year ended 31 December 2009

	Half-year ended 31.12.09 £'000	Half-year ended 31.12.08 £'000	Year ended 30.06.09 £'000
Cash inflow from operations	24,521	16,818	29,130
Interest received	438	606	918
Interest paid	(38)	(94)	(185)
Taxation paid	(2,275)	(5,410)	(12,820)
Cash inflow from operating activities	22,646	11,920	17,043
Purchase of property, plant and equipment	(1,741)	(3,015)	(9,421)
Proceeds from disposal of property, plant and equipment	124	73	1,433
Cash outflow from investing activities	(1,617)	(2,942)	(7,988)
Equity dividends paid	(8,752)	(7,465)	(11,197)
Shares issued	1,163	30	30
Interest paid	-	(6)	-
Cash outflow from financing activities	(7,589)	(7,441)	(11,167)
Net increase/(decrease) in cash and cash equivalents	13,440	1,537	(2,112)
Effect of exchange differences	267	706	152
Cash and cash equivalents at start of period	27,561	29,521	29,521
Cash and cash equivalents at end of period	41,268	31,764	27,561

Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2009

	Half-year ended 31.12.09 £'000	Half-year ended 31.12.08 £'000	Year ended 30.06.09 £'000
Profit for the period	11,732	10,700	24,851
Other comprehensive income (net of tax):			
Exchange differences on translating foreign operations	1,784	3,286	1,204
Actuarial (loss)/gain on the defined benefit pension scheme	(356)	251	(2,842)
Fair value movements on hedged items	18	(315)	916
Other comprehensive income for the period (net of tax)	1,446	3,222	(722)
Total comprehensive income for the period	13,178	13,922	24,129
Attributable to equity holders of the parent company	13,178	13,922	24,129

Notes to the Interim Results

for the half-year ended 31 December 2009

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 2009. The figures for the year ended 30 June 2009 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2009 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 30.7% (2008: 30.4%).

3. Dividends

	Half-year ended 31.12.09 £'000	Half-year ended 31.12.08 £'000	Year ended 30.06.09 £'000
Equity dividends paid			
Final dividend for the year ended 30 June 2008	-	7,465	7,465
Interim dividend for the year ended 30 June 2009	-	-	3,732
Final dividend for the year ended 30 June 2009	8,752	-	-
	8,752	7,465	11,197
Equity dividends proposed at the end of the period			
Interim dividend	4,146	3,732	-
Special dividend	7,774	-	-
Final dividend	-	-	8,752

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

- 14.5p final dividend for the year ended 30 June 2008, paid on 12 December 2008
- 7.25p interim dividend for the year ended 30 June 2009, paid on 22 May 2009
- 17.0p final dividend for the year ended 30 June 2009, paid on 4 December 2009
- 15.0p special dividend paid on 25 January 2010
- 8.0p interim dividend for the year ended 30 June 2010, payable on 31 March 2010

Notes to the Interim Results continued

for the half-year ended 31 December 2009

4. Calculation of earnings per ordinary share	Half-year ended 31.12.09 £'000	Half-year ended 31.12.08 £'000	Year ended 30.06.09 £'000
Basic earnings	11,732	10,700	24,851
Weighted average number of ordinary shares in issue	51,536,516	51,480,630	51,481,246
Weighted average number of ordinary shares in issue (diluted for the effect of outstanding share options)	51,624,036	51,624,129	51,601,783
Basic earnings per 5p ordinary share	22.8p	20.8p	48.3p
Diluted earnings per 5p ordinary share	22.7p	20.7p	48.2p

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.