

29 March 2012

**JAMES HALSTEAD PLC****INTERIM RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011****Key Figures**

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

- Revenue increased to a record £117.7 million – an increase of 10.9%
- Operating profit increased to a record £20.8 million – an increase of 13.2%
- Pre-tax profit increased to a record £21.1 million – an increase of 14.1%
- Basic earnings per ordinary share increased to a record 14.4p – an increase of 16.1%
- Interim dividend increased to a record 5.0p – an increase of 11.1%
- Net cash at £36.9m – an increase of 22.9%

The Chief Executive, Mr Mark Halstead, commented:

“Having, once again, achieved record profits in challenging conditions, I recall in 1995 Sir John Harvey-Jones described our company as having *“consistency of aim and performance with results obtained highlighting sound management principles as much as spectacular growth.”* I can confirm that we continue to adhere to these principles.”

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## **CHAIRMAN'S STATEMENT**

It is pleasing for me to once more announce that we have achieved record turnover and record profit. Despite the regularity of making this statement we are not complacent that our ongoing success is in any way effortless or guaranteed. We continue to face challenging conditions and strong competition across the globe. Innovation, persistence and customer service remain crucially important.

### **Trading**

Trading in the first half-year was very solid with record revenue of £117.7 million (2010: £106.1 million), an increase of 10.9%. The majority of the Group's activities are commercial flooring and the growth in many of our markets has been very encouraging.

Overseas sales increased by 15.2%. The growth in Germany was over 17% and France and Scandinavia outshone this with growth in excess of 25%. Our Australian sales were modestly ahead of last year but the comparative was itself 45% ahead of the prior year and exceeding this was truly an achievement. Polyflor Pacific continues to win hospital contracts, with the Waikato Hospital in Hamilton the latest example. In addition, it has also supplied the flooring for 150 new trams in Melbourne.

Halstead flooring continues to extend its global activities. Ireland is 25% ahead of the comparative and I am pleased to report our products are installed in the new Croke Park Stadium and Dublin Airport among a myriad of projects completed. In Russia we are supplying Nissan dealerships across the country as well as Otis lifts and the Borispol Airport in Kiev. As ever, the breadth of sales and the location of installations emphasise the global nature of our business.

Growth in the UK was lower with a 3.5% uplift and the UK proportion of total turnover now stands at 33%. Whilst this is the lowest proportion we have seen we also note that UK turnover is at record levels. This is an achievement in the market conditions that prevail in our home territory, and whilst there is much comment on the slow-down in new builds in our core healthcare and education markets, the refurbishment work in these areas remains buoyant. We continue to win hospital and school contracts in significant quantities, just a few examples being Royal London Hospital, The Christie Hospital, St. James in Leeds, Southampton Solent University and Liverpool John Moores University.

Our gross margin as a percentage has increased slightly in the last six months, as we anticipated in our budgets for the year. The nature of the world wide project business continues to mean that volume projects tend to be keenly priced. Raw materials prices are below the record levels seen in the last financial year but remain relatively high. Given our growth in sales we are satisfied with the situation and would expect to gain some productivity benefits in the second half of our financial year.

The profit before tax at £21.10 million (2010: £18.49 million) is another record performance and is 14.1% ahead of the comparative period. Cash inflow from operations was very positive at £23.10 million (2010: £19.27 million), some 19.8% ahead of the comparative period. We report £36.93 million of cash on the balance sheet (2010: £30.05 million). The cash at the end of the period is after significant outlays over the last 12 months, notably dividends of £14.90 million, taxation of £9.92 million, and purchase of shares for cancellation under a tender offer of £5.16 million.

The balance sheet continues to be robust. Stock is some 6.8% ahead of our 30 June level and 28% ahead of last year. This reflects investment in new product lines that are being launched into the market. By way of example, Polyflor has added its acclaimed easy-clean coating (PUR) to the Polysafe Standard collection to bring enhanced cleanability of our safety floors to our full range and has introduced a new safety floor at the lower end of our portfolio, "Ecomax", using up to 45% recycled material. In addition to this we have launched Mineral fx and Simplay, all requiring launch stock for the distributors.

Riverside Flooring, the manufacturing facility acquired in December 2010, is now producing five ranges of flooring for supply into our network of operations. The facility is contributing to the overall results and offers impressive opportunities for growth. On top of the investments made to achieve this we have a plan for continued investment in Teesside in the coming years and having worked closely with the new Department for Business Innovation and Skills I can report that we have been successful in being awarded a grant of £1 million to support this investment. This is the first grant we have been awarded in the last 25 years!

### **Earnings per Share and Interim Dividend**

Our basic earnings per share increased to a record 14.4p (2010: 12.4p), an uplift of 16.1%.

Having regard to these results and our strong cash balances the Board has the pleasant task of announcing, once again, an increased interim dividend.

We are proposing a dividend of 5.0p (2010: 4.5p), which represents an 11.1% increase on last year and is, yet again, a record interim payment.

### **Outlook**

We continue to expand sales in almost all our markets with a continued growth in end users. We have recently supplied the flooring to Jamie Oliver's innovative "Ministry of Food" trucks; these custom built travelling kitchens / classrooms are traversing Australia to teach cooking skills. In Cologne, we have supplied "Music Store" Germany's renowned outlet for every type of music and instrument; at 44,000 m<sup>2</sup> it is the largest store of its type in Europe. Our success with new builds in healthcare and education continues: from the University of the West Indies and the King Saud University in Saudi Arabia to the Leon Becerra Hospital in Ecuador. In the UK our newly launched "Simplay" is being fitted in the Olympic Park in London.

We can be confident that the year will continue in a similar vein. There are significant new projects around the globe and ongoing refurbishment. We face new manufacturing capacity from our competitors every year but with sound management focus I have continued confidence in our ability to succeed in delivering shareholder value.

**Geoffrey Halstead**

**Chairman**

**29 March 2012**

## Consolidated Income Statement for the half-year ended 31 December 2011

	<b>Half-year ended 31.12.11 £'000</b>	Half-year ended 31.12.10 £'000	Year ended 30.06.11 £'000
Revenue	<b>117,725</b>	106,131	213,944
Operating profit	<b>20,819</b>	18,387	38,310
Net finance income	<b>280</b>	98	167
Profit before income tax	<b>21,099</b>	18,485	38,477
Income tax expense	<b>(6,109)</b>	(5,641)	(11,012)
Profit for the period	<b>14,990</b>	12,844	27,465
Earnings per ordinary share of 5p:			
-basic	<b>14.4p</b>	12.4p*	26.4p
-diluted	<b>14.3p</b>	12.3p*	26.3p

All the above figures relate to continuing operations.

Details of dividends paid and proposed are given in note 3

\*Comparatives have been restated to reflect the effect of the one-for-one bonus share issue on 14 January 2011

## Consolidated Balance Sheet

as at 31 December 2011

	Half-year ended 31.12.11 £'000	Half-year ended 31.12.10 £'000	Year ended 30.06.11 £'000
<b>Non-current assets</b>			
Property, plant and equipment	32,511	35,063	33,631
Intangible assets	3,232	3,232	3,232
Deferred tax assets	7,294	7,144	5,911
	<b>43,037</b>	45,439	42,774
<b>Current assets</b>			
Inventories	52,201	40,792	48,862
Trade and other receivables	29,416	28,284	32,119
Derivative financial instruments	1,506	184	18
Cash and cash equivalents	36,928	30,054	34,031
	<b>120,051</b>	99,314	115,030
<b>Current liabilities</b>	<b>63,194</b>	55,962	58,201
<b>Net current assets</b>	<b>56,857</b>	43,352	56,829
<b>Non-current liabilities</b>			
Retirement benefit obligations	15,738	13,896	12,338
Deferred tax liabilities	922	957	921
Other payables	664	606	693
	<b>17,324</b>	15,459	13,952
<b>Net assets</b>	<b>82,570</b>	73,332	85,651
<b>Equity</b>			
Equity share capital	5,159	2,597	5,200
Equity share capital (B shares)	160	160	160
	<b>5,319</b>	2,757	5,360
Share premium account	1,711	3,343	1,084
Retained earnings	62,592	55,307	65,839
Other reserves	12,948	11,925	13,368
<b>Total equity attributable to shareholders of the parent</b>	<b>82,570</b>	73,332	85,651

## Consolidated Cash Flow Statement

for the half-year ended 31 December 2011

	Half-year ended 31.12.11 £'000	Half-year ended 31.12.10 £'000	Year ended 30.06.11 £'000
Cash inflow from operations	23,095	19,270	32,944
Net interest received	124	95	131
Taxation paid	(4,043)	(3,853)	(9,734)
Cash inflow from operating activities	<u>19,176</u>	<u>15,512</u>	<u>23,341</u>
Purchase of property, plant and equipment	(1,371)	(9,934)	(9,696)
Proceeds from disposal of property, plant and equipment	240	140	252
Cash outflow from investing activities	<u>(1,131)</u>	<u>(9,794)</u>	<u>(9,444)</u>
Equity dividends paid	(10,218)	(9,732)	(14,411)
Purchase of own shares	(5,156)	-	-
Shares issued	640	315	659
Cash outflow from financing activities	<u>(14,734)</u>	<u>(9,417)</u>	<u>(13,752)</u>
Net increase/(decrease) in cash and cash equivalents	3,311	(3,699)	145
Effect of exchange differences	(414)	389	522
Cash and cash equivalents at start of period	34,031	33,364	33,364
Cash and cash equivalents at end of period	<u>36,928</u>	<u>30,054</u>	<u>34,031</u>

## Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2011

	<b>Half-year ended 31.12.11 £'000</b>	Half-year ended 31.12.10 £'000	Year ended 30.06.11 £'000
Profit for the period	<b>14,990</b>	12,844	27,465
Other comprehensive income net of tax:			
Foreign currency translation differences	<b>(1,270)</b>	2,242	3,219
Actuarial (loss)/gain on the defined benefit pension scheme	<b>(2,863)</b>	2,163	2,710
Deferred taxation, change of rate	-	35	71
Fair value movements on hedging instruments	<b>796</b>	(1,377)	(911)
Other comprehensive income for the period net of tax	<b>(3,337)</b>	3,063	5,089
Total comprehensive income for the period	<b>11,653</b>	15,907	32,554
Attributable to equity holders of the parent company	<b>11,653</b>	15,907	32,554

## Notes to the Interim Results

### for the half-year ended 31 December 2011

#### 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 2011.

The figures for the year ended 30 June 2011 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2011 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 29.0% (2010: 30.5%).

#### 3. Dividends

	<b>Half-year ended 31.12.11 £'000</b>	Half-year ended 31.12.10 £'000	Year ended 30.06.11 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2010	-	9,732	9,732
Interim dividend for the year ended 30 June 2011	-	-	4,679
Final dividend for the year ended 30 June 2011	<b>10,218</b>	-	-
	<b>10,218</b>	9,732	14,411
Equity dividends proposed at the end of the period			
Interim dividend	<b>5,161</b>	4,679	-
Final dividend	-	-	10,218

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

- 9.375p\* final dividend for the year ended 30 June 2010, paid on 3 December 2010
- 4.5p interim dividend for the year ended 30 June 2011, paid on 20 May 2011
- 9.8p final dividend for the year ended 30 June 2011, paid on 2 December 2011
- 5.0p interim dividend for the year ended 30 June 2012, payable on 18 May 2012 to those shareholders on the register at the close of business on 20 April 2012

\*Reflects the effect of the one-for-one bonus issue on 14 January 2011



## Notes to the Interim Results continued

for the half-year ended 31 December 2011

### 4. Calculation of earnings per ordinary share

	<b>Half-year ended 31.12.11 £'000</b>	Half-year ended 31.12.10 £'000	Year ended 30.06.11 £'000
Basic earnings	<b>14,990</b>	12,844	27,465
Weighted average number of ordinary shares in issue	<b>104,079,082</b>	103,774,366*	103,856,972
Weighted average number of ordinary shares in issue (diluted for the effect of outstanding share options)	<b>104,547,834</b>	104,183,116*	104,347,570
Basic earnings per 5p ordinary share	<b>14.4p</b>	12.4p*	26.4p
Diluted earnings per 5p ordinary share	<b>14.3p</b>	12.3p*	26.3p

\*Comparatives have been restated to reflect the effect of the one-for-one bonus issue on 14 January 2011

### 5. Purchase of own shares

On 5 December 2011 1,087,064 ordinary shares of 5p each were purchased for cancellation under a tender offer at a price of 474.28p amounting to £5,155,727.

### 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.