James Halstead

JAMES HALSTEAD PLC

31 March 2008

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INTERIM RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Key Figures

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

- Turnover increased to a record £78.5 million – **an increase of 14.8%**
- Operating profit increased to a record £12.6 million **– an increase of 18.2%**
- Pre-tax profit increased to a record £13.1 million **– an increase of 16.2%**
- Basic earnings per ordinary 5p share increased to a record 17.4p **– an increase of 15.2%**
- Proposed interim dividend increased to a record 6.25p **– an increase of 19%**

Chairman, Mr Geoffrey Halstead, commenting said:

"These interim figures, once again, show a record performance with our UK and international sales driving forward to more than offset the increases in raw material and energy costs. In addition, cash flows from operations continue to strengthen the balance sheet and we move towards the full year very positively."

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CHAIRMAN'S STATEMENT

International Financial Reporting Standards (IFRS)

The interim financial results for the six months ended 31 December 2007 are presented under International Financial Reporting Standards (IFRS) for the first time. The comparative results for the year to 30 June 2007 and six months to 31 December 2006 have been re-stated in accordance with IFRS principles. The notes to the results give details of the material changes.

Trading

The first six months of the year showed a healthy increase in turnover to £78.5 million (2006: £68.3 million) an increase of 14.8%. The growth in turnover of flooring, which represents the majority of sales, was 14.3% year on year. There was a slight positive effect on turnover from a lower value of sterling (some 1.3% of the growth). Our Central European sales (Objectflor and Karndean GmbH) showed the strongest growth with just over 19% increase in sales. Gross margins, as a percentage, showed a decline but at less than 1% this was not significant and to an extent inevitable in the climate of significant adverse raw material price rises. The effects of increased volumes, positive sales mix (towards added value / higher margin products) and improved exchange rates on export sales underpinned this creditable performance on margins. Though the majority of turnover relates to flooring, Phoenix, our motorcycle accessories business, reported revenue over 20% ahead of last year and the core Arai safety helmet business performed very well.

In terms of the benefit to the Group of a weaker Sterling, we have seen the largest effect in the strength of the Euro against Sterling. Europe is our largest export market and the 14% appreciation in this currency has already had an offsetting benefit and will continue to do so. In terms of raw materials, increased demand across Europe and Asia combined with the underlying increase in oil prices has meant increased cost and, at times, restricted supply. In addition, the oil prices have increased manufacturing costs not just for us but for our raw material manufacturers who face not only commodity price increases but also the effects of being large energy users. The issue is of concern but our competitors also face these same cost increases and where they are European based (which for the main part is the case) the appreciation of the Euro that has benefited us has had the exact opposite effect on them.

Profit before tax of £13.1 million (2006: £11.3 million) was 16.2% ahead of the comparative six months of the previous year. Operating profit grew by 18.2% and the difference is a direct result of lower interest received on lower cash balances following the special dividend paid in February 2007.

Our balance sheet remains robust. Cash has, again, increased with cash inflow from operations at £14.2 million (2006: £12.9 million) and cash and cash equivalents now total £25.9 million. Inventory at £24.9 million (2006: £21.6 million) is 15.2% above last year which is in part due to the increased level of turnover but also includes stock build for new ranges launched in the first quarter of 2008.

For the second year in succession the Independent Flooring Distributors Association (IFDA) voted our UK business the manufacturer of the year and we remain focused on supplying, servicing and supporting all our stockists. This support is not only at point of sale and in marketing but also with active work to gain specifications from architects and ongoing training of contractors at the grass roots of commercial flooring.

As ever, the projects that we have supplied across the globe were varied and widespread including the British forces' field kitchens in Afghanistan, the Geo Celtic, the largest purpose-built seismic vessel in the world, the central police headquarters in Poznan in Poland, the Targu Secuiesc High School in Romania and Hamleys Toy Shop in Oxford Street, London. Each project illustrates the breadth of the ongoing distribution of our commercial flooring worldwide.

Earnings Per Share and Interim Dividend

Our basic earnings per share for the six months to 31 December 2007 of 17.4p (2006: 15.1p) has increased by 15.2% and having regard to the ongoing trading and our cash position the Board will be paying an interim dividend of 6.25p (2006: 5.25p) which is an increase of 19%.

Outlook

It has been a good six months' trading. Our ranges have been specified for a host of new build projects and refurbishments with the latter, as ever, the much larger part of all our businesses. Increasing manufacturing output and productivity increases are, as always, a key part of price competitiveness and new designs and ranges are vital to ongoing progress. In December we presented our "Bevel Line" ranges of competitively priced luxury vinyl tiles and these have had an excellent response in the market. Additional launches of safety flooring are at an advanced stage and I am fully confident that in the second half we will see the benefit of these new ranges and that we shall, once again, report a full year of progress.

Geoffrey Halstead
Chairman
31 March 2008

Consolidated Income Statement
for the half-year ended 31 December 2007

	Half-year ended 31.12.07 £'000	Half-year ended 31.12.06 £'000	Year ended 30.06.07 £'000
Revenue	**78,453**	68,317	137,252
Operating profit	**12,579**	10,644	22,643
Finance income	**500**	608	856
Profit before income tax	**13,079**	11,252	23,499
Income tax expense	**(4,208)**	(3,549)	(7,657)
Profit for the period	**8,871**	7,703	15,842
Earnings per ordinary share of 5p :			
-basic	**17.4p**	15.1p	31.1p
-diluted	**17.2p**	15.0p	30.9p

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 2007

	Half-year ended 31.12.07 £'000	Half-year ended 31.12.06 £'000	Year ended 30.06.07 £'000
Assets			
Non current assets			
Property, plant and equipment	**19,905**	18,341	18,334
Intangible assets	**3,232**	3,232	3,232
Deferred tax assets	**3,850**	4,894	3,497
	26,987	26,467	25,063
Current assets			
Inventories	**24,884**	21,592	23,899
Trade and other receivables	**24,045**	20,202	20,839
Derivative financial instruments	**59**	144	54
Cash and cash equivalents	**25,922**	33,202	22,756
	74,910	75,140	67,548
Total assets	**101,897**	101,607	92,611
Liabilities			
Current liabilities	**50,104**	40,654	44,931
Non-current liabilities			
Pension scheme deficit	**7,158**	12,186	6,431
Deferred tax liabilities	**1,063**	1,063	1,063
Other payables	**662**	3,316	506
Total liabilities	**58,987**	57,219	52,931
Net Assets	**42,910**	44,388	39,680
Equity			
Equity share capital	**2,556**	2,545	2,555
Equity share capital (B shares)	**160**	160	160
	2,716	2,705	2,715
Share premium account	**824**	364	803
Retained earnings	**34,883**	38,074	32,289
Other reserves	**4,487**	3,245	3,873
Total equity attributable to shareholders of the parent	**42,910**	44,388	39,680

Consolidated Cash Flow Statement

for the half-year ended 31 December 2007

	Half-year ended 31.12.07 £'000	Half-year ended 31.12.06 £'000	Year ended 30.06.07 £'000
Cash inflow from operations	**14,151**	12,915	26,309
Interest received	**624**	750	1,303
Interest paid	**(120)**	(91)	(215)
Taxation paid	**(3,428)**	(3,844)	(8,182)
Cash inflow from operating activities	**11,227**	9,730	19,215
Purchase of property, plant and equipment	**(2,702)**	(1,162)	(3,489)
Proceeds from disposal of property, plant and equipment	**117**	81	200
Cash outflow from investing activities	**(2,585)**	(1,081)	(3,289)
Equity dividends paid	**(5,751)**	(4,072)	(22,013)
Shares issued	**22**	45	494
Interest paid	**(6)**	(25)	(143)
Repayment of debt	**-**	(1,363)	(1,539)
Cash outflow from financing activities	**(5,735)**	(5,415)	(23,201)
Net increase / (decrease) in cash and cash equivalents	**2,907**	3,234	(7,275)
Effect of exchange differences	**259**	(82)	(19)
Cash and cash equivalents at start of period	**22,756**	30,050	30,050
Cash and cash equivalents at end of period	**25,922**	33,202	22,756

Consolidated Statement of Recognised Income and Expense

for the half-year ended 31 December 2007

	Half-year ended 31.12.07 £'000	Half-year ended 31.12.06 £'000	Year ended 30.06.07 £'000
Foreign currency translation differences	**827**	(24)	284
Actuarial (loss)/gain on the pension scheme	**(537)**	(27)	4,160
Fair value movements on hedged items	**(213)**	(180)	(37)
Net income/(expense) recognised directly in equity	**77**	(231)	4,407
Profit for the year	**8,871**	7,703	15,842
Total recognised income for the period	**8,948**	7,472	20,249
Attributable to :			
Equity holders of the company	**8,948**	7,472	20,249

Notes to the Interim Results

for the half-year ended 31 December 2007

1. Basis of preparation

The interim financial statements are unaudited and do not constitute statutory accounts as defined within the Companies Act 1985.

Prior to 1 July 2007, the group was required to prepare its consolidated financial statements under UK GAAP. For the year ended 30 June 2008, the group is required to prepare its annual consolidated financial statements in accordance with accounting standards adopted for use by the European Union (International Financial Reporting Standards – "IFRS").

The principle accounting policies applied in the preparation of the consolidated interim statements are those expected to be applicable to the consolidated financial statements for the year ended 30 June 2008. The relevant policies are set out in the Appendix to these interim statements. The transition date for the group's application of IFRS is 1 July 2006 and the figures included in these interim statements for the year ended 30 June 2007 and the half-year ended 31 December 2006 have been restated to reflect the application of IFRS.

The financial statements for the year ended 30 June 2007, prepared under UK GAAP, were audited and have been delivered to the Registrar of Companies. The restatement of these figures to reflect the introduction of IFRS has not yet been subject to audit and as such the figures included for that period are disclosed as unaudited.

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 32.2% (2006 : 31.5%).

3. Dividends

	Half-year ended 31.12.07 £'000	Half-year ended 31.12.06 £'000	Year ended 30.06.07 £'000
Equity dividends paid :			
Final dividend for the year ended 30 June 2006	**-**	4,072	4,072
Special dividend of 30p	**-**	-	15,269
Interim dividend for the year ended 30 June 2007	**-**	-	2,672
Final dividend for the year ended 30 June 2007	**5,751**	-	-
	5,751	4,072	22,013
Equity dividends proposed at the end of the period			
Special dividend	**-**	15,269	-
Interim dividend	**3,195**	2,672	-
Final dividend	**-**	-	5,751

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

- 8p final dividend for the year ended 30 June 2006, paid on 1 December 2006
- Special dividend of 30p paid on 2 February 2007
- 5.25p interim dividend for the year ended 30 June 2007, paid on 23 May 2007
- 11.25p final dividend for the year ended 30 June 2007, paid on 7 December 2007
- 6.25p interim dividend for the year ended 30 June 2008, payable on 23 May 2008 to those shareholders on the register at the close of business on 25 April 2008.

4. Calculation of earnings per ordinary share

	Half-year ended 31.12.07 £'000	Half-year ended 31.12.06 £'000	Year ended 30.06.07 £'000
Basic earnings	**8,871**	7,703	15,842
Weighted average number of ordinary shares in issue	**51,113,192**	50,875,694	50,897,640
Weighted average number of ordinary shares in issue (diluted for the effect of outstanding share options	**51,558,120**	51,284,522	51,273,344
Basic earnings per 5p ordinary share	**17.4p**	15.1p	31.1p
Diluted earnings per 5p ordinary share	**17.2p**	15.0p	30.9p

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.

6. Adoption of International Financial Reporting Standards (IFRS)

	As at 31.12.06 £'000	As at 30.06.07 £'000	As at 1.07.06 £'000
Net assets under UK GAAP	45,454	40,616	42,025
Adjustments (before taxation)			
Intangible assets	114	228	-
Derivatives and Hedge Accounting	(117)	(101)	(27)
	45,451	40,743	41,998
Taxation	(1,063)	(1,063)	(1,063)
Net assets under IFRS	44,388	39,680	40,935

	Half-year ended 31.12.06 £'000	Year ended 30.06.07 £'000
Net income under UK GAAP	7,499	15,651
Adjustments		
Intangible assets	114	228
Derivatives and Hedge Accounting	90	(37)
Net income under IFRS	7,703	15,842

The adjustments made in converting UK GAAP financial information into IFRS information are summarised as follows;

Intangible assets

Under UK GAAP goodwill was amortised over its useful economic life, tested for impairment and provided against if necessary. Under IFRS goodwill is no longer amortised but must be tested for impairment at the date of transition to IFRS (1 July 2006) and at each balance sheet date thereafter. Goodwill amortisation charged, under UK GAAP, to the income statement in the year ended 30 June 2007, has been credited back under IFRS.

Derivatives and Hedge Accounting

Under IFRS all derivative financial instruments are accounted for at fair value whilst other financial instruments are accounted for at amortised cost or fair value according to their classification. Subject to strict criteria, under IFRS, movements in fair value of derivative financial instruments and financial assets and liabilities which form part of a hedging relationship may be recorded in a separate reserve within equity. Movements in fair value of such items which do not form part of a hedging relationship are taken direct to the income statement. Under UK GAAP, derivative financial instruments were not recorded in the balance sheet, and assets and liabilities which were hedged by such instruments were allowed to be recorded at the hedged rate. The group has, therefore, under IFRS recorded its derivative financial instruments at fair value in the balance sheet and restated the value of certain financial assets and liabilities previously recorded at a hedged rate under UK GAAP.

Valuation of Properties and Deferred Tax

Freehold land and buildings were included at valuation under UK GAAP. On the introduction of FRS 15, as permitted, the book values of freehold properties, as modified by subsequent additions and disposals, which had been the subject of past revaluations were retained. Deferred tax was not provided as it was believed that such a liability would not crystallise. Under IFRS, the group will adopt the deemed cost basis for freehold property. As such the revaluation reserve, previously shown under UK GAAP, is transferred to retained earnings under IFRS. Under IFRS, deferred tax must be provided on the potential gain on the sale of the freehold property at its revalued level, hence the reduction to net assets shown above.

Foreign exchange translation differences

Under UK GAAP translation differences on the consolidation of foreign currency net investments were taken to the profit and loss account reserve. Under IFRS these differences must now be recorded in a separate reserve. The group has taken the transitional exemption allowed under IFRS 1 to apply this treatment from the date of transition only (1 July 2006). Since there is no effect on either net income or net assets this change does not affect the above reconciliations.

Revenue

Under UK GAAP settlement and volume discounts were included in selling and distribution costs. Under IFRS these are now classified within the consolidated income statement as a reduction in revenue. Since there is no effect on retained profit this reclassification does not affect the above reconciliations.

Other

Under IFRS the pension scheme deficit, previously recorded, under UK GAAP, in the balance sheet net of the associated deferred tax asset, must be recorded gross. The associated deferred tax asset, together with other deferred tax assets previously recorded in debtors under UK GAAP, must be shown in the balance sheet under non-current assets.

The group has reviewed the impact of various other differences between UK GAAP and IFRS and where the impact of these differences is immaterial to the group's figures, no adjustment has been made to those previously reported.

Appendix

Summary of accounting policies

The accounting policies set out below and used in the preparation of the interim financial statements represent the principal policies expected to apply in the preparation of the group financial statements for the year ended 30 June 2008.

Basis of preparation of accounts

The group financial statements are prepared in accordance with EU endorsed International Financial Reporting Standards ("IFRS") as adopted by the European Union and the applicable provisions of the Companies Act 1985. They are prepared under the historical cost convention as modified by the statement of certain assets at deemed cost under the transition rules and the measurement of derivative financial instruments, certain financial assets and liabilities and share-based payments at fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and associated assumptions that affect the application of policies, the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best assessments of amounts, events or actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on a regular and ongoing basis.

Basis of consolidation

The group financial statements consolidate the accounts of the parent company and all its subsidiaries. Subsidiaries are entities controlled by the group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. This is normally achieved by a majority shareholding. At 31 December 2007, the company, directly or through an intermediate subsidiary owned 100% of the share capital of all of its subsidiaries. The results of subsidiaries acquired are consolidated from the date on which control passes to the group. The results of disposed subsidiaries are consolidated up to the date on which control passes from the group.

All intra-group transactions and balances and any unrealised profit arising therefrom are eliminated on consolidation.

Foreign currencies

Functional and presentation currency – the group's consolidated financial statements are presented in pounds sterling, the functional currency of the group, being the currency of the primary economic environment in which the group operates.

Transactions and balances - transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Exchange differences on retranslating monetary assets and liabilities are recognised in the income statement except where they relate to qualifying cash flow hedges, in which case the exchange differences are deferred in equity.

Foreign subsidiaries - the results of foreign subsidiaries that have a functional currency different from the group's presentation currency, are translated at the average rates of exchange for the year.

Assets and liabilities of foreign subsidiaries, that have a functional currency different from the group's presentation currency, are translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising from the translation of the results of foreign subsidiaries and their opening net assets are recognised as a separate component of equity.

When a foreign subsidiary is sold the cumulative exchange differences relating to the retranslation of the net investment in that foreign subsidiary are recognised in the income statement as part of the gain or loss on disposal. This applies only to exchange differences recorded in equity after 1 July 2006. Exchange differences arising prior to 1 July 2006 remain in equity on disposal as permitted by IFRS 1.

Intangible assets

Goodwill - goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired, and is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the calculation of the profit or loss on disposal. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the UK GAAP value as at that date having been reviewed for impairment at that date and subsequently at least annually.

Other intangible assets – other intangible assets that are acquired by the group are stated at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight line basis in order to allocate the cost over the estimated useful life. The residual values and useful lives of the assets are reviewed at each group balance sheet date for continued appropriateness and impairment and adjusted if necessary.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities based on tax rates and laws that are enacted or substantively enacted at the balance sheet date. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their corresponding book values as recorded in the group's financial statements with the following exceptions :

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised;
- Deferred income tax is not provided on unremitted earnings of foreign subsidiaries where there is no commitment to remit the earnings.

Deferred income tax assets and liabilities are based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Share based payments

The group grants share options to certain of its employees. An expense in relation to such options, based on their fair value at the date of grant, is recognised over the vesting period. The group uses the Black Scholes model for the purpose of computing fair value.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished and partly finished goods, cost represents the cost of raw materials, direct labour, other direct costs and related production overheads on bases consistently applied from year to year. In all cases provision is made for obsolete, slow-moving or defective items where appropriate and for unrealised profits on items of intra-group manufacture.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are disclosed as current liabilities except where the group participates in offset arrangements with certain banks whereby cash and overdraft amounts are offset against each other.

Pension scheme arrangements

The Group operates several defined contribution pension schemes and a defined benefit pension scheme for certain of its United Kingdom domiciled employees.

A defined contribution scheme is a scheme in which the group pays contributions into publicly or privately administered schemes on a voluntary, statutory or contractual basis. The group has no further payment obligations once the contributions have been made. The amount charged to the income statement is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as receivables or payables in the balance sheet.

A defined benefit scheme is a scheme in which the amount of pension benefit that an employee will receive on retirement is defined. For the defined benefit scheme, pension costs and the costs of providing other post retirement benefits are charged to the income statement in accordance with the advice of qualified independent actuaries. Past service costs are recognised immediately in the income statement unless the changes are dependent on the employees remaining in service for a particular period in which case the costs are recognised on a straight line basis over that period. The retirement benefit obligations recognised on the balance sheet represent the difference between the fair value of the schemes' assets and the present value of the schemes' defined benefit obligations measured at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method.

Ongoing actuarial gains and losses are recognised in the period in which they arise in the statement of recognised income and expense.

Property, plant and equipment

All items of property, plant and equipment are recorded at cost less subsequent depreciation and impairment except for land which is shown at cost less any impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The group has taken advantage of the exemption under IFRS 1 not to restate property previously revalued under UK GAAP and to treat these earlier revaluations as deemed cost. Depreciation is calculated on the depreciable amount (being cost less the estimated residual value) on a straight line basis on the over the estimated useful lives of the assets as follows:

Freehold buildings 40 to 50 years
Long and short leasehold property over period of lease
Plant and machinery 2 to 20 years
Fixtures and fittings 3 to 10 years
Motor vehicles 2 to 5 years

Residual values and useful lives are reviewed at each group balance sheet date for continued appropriateness and indications of impairment and adjusted if appropriate.

Revenue recognition

Revenue comprises the amounts received or receivable in respect of the sale of goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Development expenditure not meeting all the criteria for capitalisation contained in IAS 38 – Intangible Assets, is recognised in the income statement as an expense as incurred.

Dividends

Interim dividends are recognised when they are paid. Final dividends are recognised when they are approved by the shareholders.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are accounted for as operating leases. Payments made under such leases are charged to the income statement on a straight line basis over the period of the lease.

Derivative financial instruments and hedging

The group uses derivative financial instruments to hedge its exposure to foreign currency transactional risk. In accordance with its treasury policy the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recorded at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value at each group balance sheet date.

The method by which any gain or loss arising from remeasurement is recognised depends on whether the instrument is designated as a hedging instrument and if so the nature of the item being hedged. The group recognises an instrument as a hedging instrument by documenting at the inception of the transaction the relationship between the instrument and the hedged items and the objectives and strategy for undertaking the hedging transaction. To be designated as a hedging instrument, an instrument must also be assessed, at inception and on an ongoing basis, to be highly effective in offsetting changes in cash flows of hedged items.

For derivatives not used in hedging transactions or those subsequently re-assessed as ineffective, the gain or loss on remeasurement of fair value is recognised immediately in the income statement.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or of a highly probable forecast future transaction, the gain or loss on remeasurement which relates to the portion of the hedge which is deemed effective is recognised directly in equity, with the balance of the gain or loss, relating to the ineffective portion, being recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.