JAMES HALSTEAD PLC

29 September 2015

JAMES HALSTEAD PLC

PRELIMINARY ANNOUNCEMENT OF AUDITED RESULTS

FOR THE YEAR ENDED 30 JUNE 2015

"*One hundred – not out*"

Key Figures

- Revenue at £227.3 million (2014: £223.5 million) – up 1.7%
- Profit before tax £44.2 million (2014: £41.8 million) – up 5.8%
- Earnings per 5p ordinary share of 16.4p (2014: 15.2p) – up 7.9%
- Final dividend per ordinary share proposed of 7.858p (2014: 7.0p) – up 12.3%
- Nil net gearing with cash £47.4 million (2014: £38.7 million)

Mr Mark Halstead, Chief Executive, commenting on the results, said:

"Our business in life is not to get ahead of others but to get ahead of ourselves and in this, our 100th year, we have broken records for turnover, profit and dividend".

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CHAIRMAN'S STATEMENT

Results

In this, our hundredth year, it is gratifying to report growth in turnover of 1.7% to £227.3 million (2014: £223.5 million), a new record in our history as, indeed, is the profit before tax at £44.2 million (2014: £41.8 million), a growth of some 5.8%. As ever amongst the 20 million m² of flooring despatched this year there are contracts that were hard won and impressive. The Stade des Lumières, built in Lyon for Euro 2016, Matru retail stores in Chennai, and Queenstown International Airport in New Zealand are but a few.

Strategy

Our businesses are totally flooring focused and our strategy is designed to enhance our brand identity and to generate goodwill and customer satisfaction with the aim of continued repeat business. This strategy is designed to increase revenue which then creates wealth for our shareholders in the form of dividend as reward for their investment in our company. It also underpins job security for our employees and benefits all stakeholders in the business.

Our companies operate in different economic environments but our continued focus is to ensure our products, manufactured by us or sourced in bulk, are stocked by distributors and sold on to contractors for either refurbishment or new build. Our sales forces are multi-focused to not only ensure the sale in volume to stockists, but also to promote sales directly to end-users in conjunction with contractors, architects or specifiers. Hand in hand with the sales process, we advise on the suitability of product, glues and accessories, and offer technical back-up during and post installation as part of our customer service.

The strategy evolves over time, but our focus on sustainable growth is undiminished.

Dividend

Profit and earnings per share have increased and our cash reserves remain, as usual solid. However, profit is an accounting term and, we believe, the true measure of a business is return as measured by dividends paid to shareholders. Consequently, it is pleasing to report that the Board proposes, once again, an increased final dividend. The final dividend will be 7.858p (2014: 7.0p) representing a 12.3% increase which combined with the interim dividend, paid in June 2015, of 3.142p (2014: 3.0p) makes a total of 11.0p (2014: 10.0p) for the year, an increase of 10.0%. This is the highest level of dividend in our long history.

Acknowledgements

As we close this 100th year we should acknowledge our founder, James Halstead, who in the twenty years from founding the company until his death in 1935 built the foundations of our business. His obituary hailed him as having created a new industry in Manchester and it is with some pride that we continue to be a part of the "North West powerhouse". I would also like to express the gratitude of the Board to our customers and employees for their part in our success.

Outlook

Looking back over the years it is clear that we are continually faced by great opportunities brilliantly disguised as difficult problems. Having traded through world wars, severe recession, the three-day week and financial crises our endurance is evident. The latest conundrum that we have faced in recent months is the relative strength of sterling, particularly against the euro, and this will continue into the forthcoming year.

Much has been written about the strength of sterling and the obvious negative effect on exporters but there are large offsetting factors, not least the effect of cheaper input prices of raw materials and we remain positive.

Our latest ranges, Expona Flow and Designatex, were launched late in the financial year and have received an exciting early response. Combining this with the strength of our distribution in the coming year I remain confident that it will be 100 not out!

Geoffrey Halstead
Chairman

CHIEF EXECUTIVE'S REVIEW

Our progress in our centenary year has brought about record flooring turnover and record profit against a difficult market backdrop. Growth has been hard won and the final result is satisfying given the continued strength of sterling.

We have consolidated our position as UK market leader and UK growth of 10% has been the bedrock of the year's results. This has been a fine performance and our factory in Teesside continues to be crucial to UK growth. Europe continues to represent a sizeable portion of our business (some 40%) and it is pleasing to note that this has grown by 5% in local currency. Our Australian business has improved on the disappointing results of the last two years and in local currency increased turnover by 15%.

Gross margins are slightly up on last year, which, given the pressure of competition and the strength of sterling is encouraging. Manufacturing efficiencies, stable raw material prices and economies of scale as Teesside output steadily grows have helped to protect margins, as indeed has our Recofloor recycling initiative. We have just published our 10th sustainability report and over the last decade our energy efficiency, reduced water usage, waste management and product stewardship results are industry leading.

In term of investment and R & D the company continues to innovate. This year we have been involved in the study of contrasting flooring as an aid in the care of dementia sufferers; undertaking significant work on sustainability and environmental flooring which will underline Polyflor as the industry benchmark; whilst continuing to work on process development to enhance our productivity. Our in house team are widely respected and include the President of the European Resilient Flooring Manufacturer's Institute and the Chair of the British Standards Institute Committee on resilient floor coverings.

Reviewing the businesses in more detail:

Polyflor Nordic comprising Polyflor Norway based in Oslo and Falck Design based in Sweden

Turnover was broadly on a par with previous years. Our businesses in Scandinavia have had a stable year with sales at a similar level to that of the prior year. The businesses continue to operate a wide portfolio of products both manufactured by the group and sourced from outside. There has been good progress in the sale of manufactured product and, in particular, with the introduction of product manufactured at our Teesside facility.

During the year we installed the most northerly Polyflor in the world in Longyearbyen (a city shared between Norway and Russia well inside the Arctic Circle) including "Sjøskrenten studenthybler" (seaside students' apartments).

Objectflor / Karndean and James Halstead France, our European operations

Objectflor has shown positive growth with sales 3.9% ahead of the prior year, the highest level of sales in the 26 years since its formation.

During the year, the company launched "Expona Flow" at the BAU exhibition in Munich, the world's foremost trade fair for architecture, material and systems. Expona is Europe's leading brand of luxury vinyl tile and Expona Flow takes this brand into luxury vinyl sheet and the market response was excellent.

Gross margin was under pressure due to extensive competition in the luxury vinyl tile (“LVT”) sector and because of the weakness of the euro but that pressure was offset by favourable product mix and profit increased by 3.9%.

As ever in this market, having a high level of customer service differentiates us from our competitors and third party surveys of customers continue to put our business consistently ahead in terms of product, customer satisfaction and reliability.

James Halstead France has continued to grow with a 5% sales increase this year. With a relatively low market share and a broader range we anticipate a continuation of our steady expansion.

Polyflor Pacific – encompassing Australia, New Zealand and Asia

The three main businesses in this region are located in Hong Kong/China, Australia and New Zealand.

Australian turnover was 15% ahead of last year and there has been an encouraging increase in the gross margin. The margin increase was expected, after we undertook a large stock cleansing exercise as reported in the prior year. There was some offset to this as a result of increased import costs due to the relative weakness of the Australian dollar.

New Zealand turnover increased 1.1%. The company continues to win projects to augment the refurbishment market. The Housing New Zealand contract to supply social housing is adding to the solid position of the company.

In Asia we faced a difficult year with sales dipping slightly below last year. However, the sales mix was towards our higher-end ranges and margin and profitability increased. China continues to be our lead market but was lower this year as a result of the widely reported slow down, nevertheless our LVT and Expona Flow are faring well in retail and healthcare. In the rest of the region, Singapore, Thailand, the Philippines and most particularly South Korea showed good growth. Attendance at our stand at Shanghai Domotex gives us a strong belief in sustained trade.

Polyflor & Riverside Flooring, based in UK

It has been a solid year for our UK manufacturing operations based in Greater Manchester and Teesside with turnover up by 4.1%. The launch of Secura in June 2014, Expona Flow in February 2015 and Designatex in June 2015 are adding volume to our plants. In the UK our turnover was 10% ahead reflecting market growth and increased market share. Given our competitors are largely European based and the strength of sterling, I believe this performance is commendable.

Gross margins were maintained, against the pressures of exchange rates, largely because of the increased volume through our UK plants, particularly Teesside. The projects completed included the refurbishment of Astra Zeneca’s renowned Alderley Park R&D facility, the Rolls Royce Apprentice Academy in Derby and the National Space Centre in Leicester.

Polyflor was recognised in several awards this year. At the Contract Flooring Journal Awards the company won three awards, including for the sixth consecutive year “Manufacturer of the Year”. This is most gratifying at a time when the strength of sterling aids our competitors.

Polyflor Canada, based in Toronto

In this our third year as a distributor in Canada our business continues to grow with turnover up 14% this year. Basing a warehouse in Ontario is proving to be a great success and the introduction of the Expona ranges of LVT are building on the long established Polyflor ranges. I remain positive about continued growth.

Polyflor India, based in Mumbai

Polyflor India was formed in the early part of the year and our initial focus has been on recruiting and training local sales representatives. Sales are encouraging, though this first year trading is at a small loss.

We are working alongside our long standing distributor who is focused on the region around Delhi. However, our team is now winning sales in, Gurgaon, Bangalore, Goa, Guwahati as well as Mumbai. The pace of growth in this market is significant and our strategy is aimed at new build in the healthcare and educational sectors rather than the refurbishment market.

The rest of the world

We export to many more countries than we have a presence in and to date the company has shipped to 98% of the world. This year our sales in South America (principally Brazil, Argentina, Ecuador, Peru and Mexico) all show growth with a 42% increase over the prior year. The Middle East, despite turmoil in several areas has progressed some 9% with Kuwait, Oman, Qatar and the UAE showing year on year growth. One more region of note is Africa with sales to Kenya, Nigeria and South Africa all significantly increased.

The Russian market is depressed and given the state of the economy this is likely to remain so, but more positively Poland, Latvia, Lithuania and Romania continue to impress.

Outlook

In many of our markets confidence in growth has taken root, although there is still some way to go in the global recovery, and this bodes well for increased new build projects. In addition, our established markets offer growth in refurbishment. I am encouraged that our launches of the ranges Designatex and Expona Flow, towards the end of the financial year, have been received well. Furthermore, there is an increasing amount of our safety flooring that is now manufactured in Teesside and that trend will continue giving us economies of scale.

Our Chairman has commented on the effect of current exchange rates on global competiveness and on the significant offsetting effects. I am confident that our portfolio and our commercial reputation hold us in good stead and I am positive about the future.

Mark Halstead
Chief Executive

Audited Consolidated Income Statement
for the year ended 30 June 2015

	Year ended 30.06.15 £'000	Year ended 30.06.14 £'000
Revenue	**227,261**	223,488
Cost of sales	**(132,453)**	(131,765)
Gross profit	**94,808**	91,723
Selling and distribution costs	**(40,664)**	(40,559)
Administration expenses	**(9,424)**	(8,928)
Operating profit	**44,720**	42,236
Finance income	**198**	203
Finance cost	**(734)**	(686)
Profit before income tax	**44,184**	41,753
Income tax expense	**(10,250)**	(10,301)
Profit for the year attributable to equity shareholders	**33,934**	31,452
Earnings per ordinary share of 5p:		
-basic	**16.4p**	15.2p
-diluted	**16.3p**	15.1p

All amounts relate to continuing operations.

Audited Consolidated Balance Sheet

as at 30 June 2015

	As at 30.06.15 £'000	As at 30.06.14 £'000
Non-current assets		
Property, plant and equipment	**31,172**	31,358
Intangible assets	**3,232**	3,232
Deferred tax assets	**4,908**	4,755
	39,312	39,345
Current assets		
Inventories	**58,707**	57,423
Trade and other receivables	**31,402**	36,621
Derivative financial instruments	**2,242**	342
Cash and cash equivalents	**47,428**	38,677
	139,779	133,063
Current liabilities		
Trade and other payables	**48,022**	53,334
Derivative financial instruments	**8**	211
Current income tax liabilities	**4,814**	3,350
	52,844	56,895
Net current assets	**86,935**	76,168
Non-current liabilities		
Retirement benefit obligations	**18,492**	15,554
Deferred tax liabilities	**709**	744
Borrowings	**200**	200
Other payables	**386**	428
	19,787	16,926
Net assets	**106,460**	98,587
Equity		
Equity share capital	**10,364**	10,353
Equity share capital (B shares)	**160**	160
	10,524	10,513
Share premium account	**2,917**	2,740
Capital redemption reserve	**1,174**	1,174
Currency translation reserve	**(782)**	3,086
Hedging reserve	**1,427**	104
Retained earnings	**91,200**	80,970
Total equity attributable to shareholders of the parent	**106,460**	98,587

Audited Consolidated Cash Flow Statement

for the year ended 30 June 2015

	Year ended 30.06.15 £'000	Year ended 30.06.14 £'000
Cash inflow from operations	**42,015**	35,034
Interest received	**198**	203
Interest paid	**(48)**	(47)
Taxation paid	**(8,416)**	(11,500)
Cash inflow from operating activities	**33,749**	23,690
Purchase of property, plant and equipment	**(3,855)**	(2,941)
Proceeds from disposal of property, plant and equipment	**187**	1,719
Cash outflow from investing activities	**(3,668)**	(1,222)
Equity dividends paid	**(21,020)**	(18,638)
Shares issued	**188**	664
Purchase of own shares	**-**	(433)
Cash outflow from financing activities	**(20,832)**	(18,407)
Net increase in cash and cash equivalents	**9,249**	4,061
Effect of exchange differences	**(498)**	(250)
Cash and cash equivalents at start of year	**38,677**	34,866
Cash and cash equivalents at end of year	**47,428**	38,677

Audited Consolidated Statement of Comprehensive Income

for the year ended 30 June 2015

	Year ended 30.06.14 £'000	Year ended 30.06.14 £'000
Profit for the year	**33,934**	31,452
Other comprehensive income net of tax		
Items that will not be reclassified subsequently to the income statement :		
Actuarial loss on the defined benefit pension scheme		
Deferred taxation – change of rate	**(2,720)**	(2,459)
	35	71
	(2,685)	(2,388)
Items that could be reclassified subsequently to the income statement:		
Foreign currency translation differences	**(3,868)**	(2,260)
Fair value movements on hedging instruments		
	1,323	(606)
	(2,545)	(2,866)
Other comprehensive income for the year	**(5,230)**	(5,254)
Total comprehensive income for the year	**28,704**	26,198
Attributable to equity holders of the Company	**28,704**	26,198

Items in the statement above are disclosed net of tax.

NOTES

1. The final dividend of 7.858p per ordinary share will be paid, subject to the approval of the shareholders, on 4 December 2015 to shareholders on the register as at 6 November 2015. The annual report and accounts will be posted to shareholders on 23 October 2015.

2. The financial information in this statement does not represent the statutory accounts of the Group. Statutory accounts for the year ended 30 June 2014 have been delivered to the Registrar of Companies, carrying an unqualified audit report and no statement under section 498 (2) or (3) of the Companies Act 2006.

3. Statutory accounts for the year ended 30 June 2015 have not yet been delivered to the Registrar of Companies. They will carry an unqualified audit report and no statement under section 498 (2) or (3) of the Companies Act 2006.

4. Earnings per ordinary share

	2015	2014
	£'000	£'000
Profit for the year attributable to equity shareholders	**33,934**	31,452
Weighted average number of shares in issue	**207,238,042**	206,955,099
Dilution effect of outstanding share options	**562,584**	669,102
Diluted weighted average number of shares	**207,800,626**	207,624,201
Basic earnings per ordinary share	**16.4p**	15.2p
Diluted earnings per ordinary share	**16.3p**	15.1p