

James Halstead

JAMES HALSTEAD plc

COVERING THE WORLD

Interim Report 2021

Key Figures

Revenue at £130.45 million (2019: £130.39 million) – level

Operating profit at £26.2 million (2019: £25.3 million) – up 3.9%

Pre-tax profit at £26.0 million (2019: £25.2 million) – up 3.3%

Basic earnings per ordinary share 9.8p (2019: 9.5p) – up 3.2%

Interim dividend declared of 4.25p

Cash at 31 December 2020 of £74.4 million

The Chief Executive, Mr Mark Halstead, commented:

"I am very pleased to report these improved figures and all credit to our workforce for their efforts in the face of great uncertainty and major challenge. Trading continues to be solid."



Chairman's Statement

Trading for the six months ended 31 December 2020

Our turnover of £130.45 million (2019: £130.39 million) shows a slight increase on the comparative six months. This is a record level for sales and, against a difficult global trading environment, a significant achievement. The variety of projects completed was, as ever, diverse from the Enigma Museum in Poznan, which has been built to commemorate the great success of three brilliant mathematicians – Marian Rejewski, Jerzy Różycki and Henryk Zygalski, to the Umm Al-Qura University in Mecca and the well known Canadian coffee retailer Second Cup in its Hemisphere Cannabis outlets.

Profit before tax of £26.0 million (2019: £25.2 million) is 3.3% ahead of the comparative period and is another record. Our cash inflows from operations in the period are £39.8 million. The business has performed well given the breadth of interruptions to many of our markets over the course of the six months.

In the UK our sales are 2.2% ahead of the prior comparative six months and are testament to the efforts of our sales and distribution teams in servicing the market. Sales across Europe were down 1% compared to the comparative period, Australasia showed positive growth of 2% and the rest of the world decreased 8%, the latter being principally adversely impacted by North America and the Middle East. Though commendable overall, it is evident that in many markets normal business has been significantly interrupted by the ongoing pandemic.

Gross margins were resilient but were reduced and the factories were all affected by the operational difficulties of operating large-scale

capital equipment with significant numbers of employees self-isolating and the associated employee safeguarding.

Overheads continue to be managed tightly and during the period there was little activity on new product launches due to the ongoing situation with Covid-19 and, in particular, the constraints on site visits and meeting customers. Historically there are major exhibitions to attend in the early part of the calendar year which have been cancelled with resulting cost savings relating to the usual expenditure on these events.

It is very encouraging that overall demand has been consistent through our first half year and in many markets was significantly higher than anticipated. Clearly normal business has been affected in areas such as retail and hospitality but others such as healthcare continue to be robust. We have continued our long history of supplying flooring to healthcare projects globally from the Mahala Hospital in Gharbia Egypt, the Kopanong Regional Hospital in South Africa, St. Michael's Hospital in Toronto and the Haugesund hospital in Rogaland Norway.

Earnings per Share and Dividend

Our basic earnings per share at 9.8p is above the comparative period of 9.5p by 3.2%.

Our cash, which stands at £74.4 million compared with £64.3 million at 31 December 2019, continues to be a key strength. The cash flow is helped by stock reduction in the period of some £6.5 million and whilst buoyant sales are to be welcomed, the reduction in stock levels has been due to the difficulty of operating our usual shift patterns as employees

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self-isolated. Ideally we would have looked to have about 7-8% higher stock at the end of the calendar year.

With regard to our cash and profitability we have decided to declare an interim dividend of 4.25p per share payable on 4 June 2021 to those shareholders on the register at the close of business on 7 May 2021. Last year as the first lockdown commenced we declared a first interim dividend of 2.125p paid on 5 June 2020 followed by a second interim, also of 2.125p, paid on 10 September 2020.

Having regard to our defined benefit pension scheme which is undergoing its triennial valuation the Company paid additional contributions of £2.0 million in August 2020. The reduction in retirement benefit obligations partly reflects these increased company contributions but also improved return on scheme assets and changes in demographic assumptions (including the effects of covid-19).

Environmental, sustainability, social responsibility and governance

Every two years we publish a full report on these topics to document and underline the Group's commitment to ESSG. As a manufacturer we see this as a key way of communicating our place in and contribution to society, and the many and varied actions that are ongoing inside the business. Whether it is the independent review of our supply chain or the verification of our products to the standards of indoor air quality or energy consumption we look always for credible, independent verification rather than "green marketing" labels. The latest report is published on our website and will be updated later this calendar year.

Environmental and sustainable business targets continue to be a key focus and in January 2021 our flooring ranges were re-certified to BES6001 (responsible sourcing) once again achieving the highest rating of "excellent". Just one example of our innovation: Even though our PVC flooring is incredibly durable and recyclable we have commenced the use of fossil free PVC polymers that are sourced from renewable biomass. This bio-vinyl does not take materials from the food chain and its manufacture has a 90% reduction in greenhouse gases when compared to traditional fossil fuel derived feedstock.

In terms of governance we, as a board, continue to believe in a straight forward approach to accounting and that a prudent and conservative attitude serves the Company and shareholders alike. Each year has its challenges and its successes and adjusting profit for the trials and tribulations of that year has not seemed appropriate to this board and for a capital intensive business adding back costs such as depreciation (by use of, for example, EBITDA as a performance measure) is, we believe, to ignore an important charge on profit. Our key performance measures are turnover, profit before tax and cash generation.

Outlook

Post-Brexit trading began in January and though our exports are duty free into Europe there was considerable early disruption. There was confusion among freight forwarders, border control and customers alike and there were inescapable delays. Customers, in particular, were unprepared and confused by VAT procedures in their jurisdictions. The situation has improved considerably but there remain



Chairman's Statement

some issues such as EU sourced goods that are re-exported and attract import duty. The tumult in international sea freight noted in our Trading Update on 1 February 2021 has reduced but remains challenging.

We have recently supplied flooring to the Serum Institute of India in Pune for expansion of production of the Astra Zeneca AZD1222 vaccine and the ongoing roll out of the UK vaccination program offers the prospect of a high degree of normality returning to our home market and our production process. However, we operate in a global economy and the challenges of disruption continue in many regions. The situation in our biggest export market, Europe, remains under review as the Covid-19 virus continues to affect many countries with restrictions on movement of various degrees and duration. It remains the case that business is very far from normal. Another example is the "lightning" lockdown in Victoria, Australia during the Melbourne Open tournament which closed our facility in that state.

In recent months there have been shortages of basic raw materials that, in conjunction with employee absenteeism, have disrupted our production. There have been increases in the cost of materials which in themselves present challenges but availability is more problematical. These shortages, bordering on supplier rationing, continue but it is encouraging that production has been and continues to be able to fulfill all confirmed orders.

Having noted these adversities, demand remains consistently solid. Projects such as the new Macau Wholesale Market and the Van der Valk hotels in the Netherlands are just two examples of recent projects. We have continued confidence in the performance of our businesses in the second half of our financial year.

Anthony Wild
Chairman
31 March 2021

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Consolidated Income Statement

for the half-year ended 31 December 2020

	Half-year ended 31.12.20 £'000	Half-year ended 31.12.19 £'000	Year ended 30.06.20 £'000
Revenue	130,447	130,391	238,630
Operating profit	26,232	25,258	44,135
Finance income	33	243	382
Finance cost	(277)	(351)	(660)
Profit before income tax	25,988	25,150	43,857
Income tax expense	(5,639)	(5,389)	(9,502)
Profit for the period	20,349	19,761	34,355
Earnings per ordinary share of 5p			
– basic	9.8p	9.5p	16.5p
– diluted	9.8p	9.5p	16.5p

All amounts relate to continuing operations.

Details of dividends paid and declared/proposed are given in note 4.



Consolidated Balance Sheet

as at 31 December 2020

	Half-year ended 31.12.20 £'000	Half-year ended 31.12.19 £'000	Year ended 30.06.20 £'000
Non-current assets			
Property, plant and equipment	38,302	37,759	38,520
Right of use assets	7,799	7,103	5,872
Intangible assets	3,232	3,232	3,232
Deferred tax assets	2,568	3,179	4,334
	<u>51,901</u>	<u>51,273</u>	<u>51,958</u>
Current assets			
Inventories	61,861	67,180	68,542
Trade and other receivables	28,257	25,962	28,361
Derivative financial instruments	1,097	1,218	73
Cash and cash equivalents	74,445	64,332	67,445
	<u>165,660</u>	<u>158,692</u>	<u>164,421</u>
Total assets	<u>217,561</u>	<u>209,965</u>	<u>216,379</u>
Current liabilities			
Trade and other payables	54,006	50,643	47,444
Derivative financial instruments	1,791	290	883
Current income tax liabilities	1,461	740	773
Lease liabilities	3,496	2,774	2,568
	<u>60,754</u>	<u>54,447</u>	<u>51,668</u>
Non-current liabilities			
Retirement benefit obligations	13,446	19,354	23,216
Other payables	455	400	449
Lease liabilities	4,428	4,480	3,371
Preference shares	200	200	200
	<u>18,529</u>	<u>24,434</u>	<u>27,236</u>
Total liabilities	<u>79,283</u>	<u>78,881</u>	<u>78,904</u>
Net assets	<u>138,278</u>	<u>131,084</u>	<u>137,475</u>
Equity			
Equity share capital	10,407	10,407	10,407
Equity share capital (B shares)	160	160	160
	<u>10,567</u>	<u>10,567</u>	<u>10,567</u>
Share premium account	4,072	4,044	4,072
Capital redemption reserve	1,174	1,174	1,174
Currency translation reserve	5,688	4,338	5,601
Hedging reserve	(200)	225	(37)
Retained earnings	116,977	110,736	116,098
	<u>138,278</u>	<u>131,084</u>	<u>137,475</u>
Total equity attributable to shareholders of the parent	<u>138,278</u>	<u>131,084</u>	<u>137,475</u>

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Consolidated Cash Flow Statement

for the half-year ended 31 December 2020

	Half-year ended 31.12.20 £'000	Half-year ended 31.12.19 £'000	Year ended 30.06.20 £'000
Profit for the period	20,349	19,761	34,355
Income tax expense	5,639	5,389	9,502
Profit before income tax	25,988	25,150	43,857
Finance cost	277	351	660
Finance income	(33)	(243)	(382)
Operating profit	26,232	25,258	44,135
Depreciation of property, plant and equipment	1,738	1,650	3,185
Depreciation of right of use assets	1,485	1,487	2,937
Profit on sale of property, plant and equipment	(34)	(6)	(43)
Defined benefit pension scheme service cost	245	318	611
Defined benefit pension scheme employer contributions paid	(3,080)	(1,074)	(4,138)
Changes in fair value of financial instruments	(654)	(344)	14
Share based payments	4	7	13
Decrease in inventories	6,488	1,044	1,717
(Increase)/decrease in trade and other receivables	(865)	5,685	4,388
Increase/(decrease) in trade and other payables	8,286	(5,657)	(10,450)
Cash inflow from operations	39,845	28,368	42,369
Taxation paid	(4,520)	(7,973)	(11,566)
Cash inflow from operating activities	35,325	20,395	30,803
Purchase of property, plant and equipment	(1,649)	(2,479)	(4,215)
Proceeds from disposal of property, plant and equipment	52	32	110
Cash outflow from investing activities	(1,597)	(2,447)	(4,105)
Interest received	33	243	382
Interest paid	(15)	(11)	(30)
Lease interest paid	(82)	(110)	(202)
Lease capital paid	(1,424)	(1,335)	(2,873)
Equity dividends paid	(25,237)	(20,813)	(25,236)
Shares issued	-	-	28
Cash outflow from financing activities	(26,725)	(22,026)	(27,931)
Net increase/(decrease) in cash and cash equivalents	7,003	(4,078)	(1,233)
Effect of exchange differences	(3)	(254)	14
Cash and cash equivalents at start of the period	67,445	68,664	68,664
Cash and cash equivalents at end of the period	74,445	64,332	67,445

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Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2020

	Half-year ended 31.12.20 £'000	Half-year ended 31.12.19 £'000	Year ended 30.06.20 £'000
Profit for the period	20,349	19,761	34,355
Other comprehensive income net of tax:			
Remeasurement of the net defined benefit liability	5,763	(247)	(5,062)
Foreign currency translation differences	87	(927)	336
Fair value movements on hedging instruments	(163)	246	(16)
Other comprehensive income for the period net of tax	5,687	(928)	(4,742)
Total comprehensive income for the period	26,036	18,833	29,613
Attributable to equity holders of the parent	26,036	18,833	29,613

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Notes to the Interim Results

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 2020.

The figures for the year ended 30 June 2020 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2020 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 IAS 34 'Interim Financial Reporting' in preparing the interim financial statements. Accordingly the interim financial statements are not in full compliance with IFRS.

2. Taxation

Income tax has been provided at the rate of 21.7% (2019: 21.4%).

3. Earnings per share

	Half-year ended 31.12.20 £'000	Half-year ended 31.12.19 £'000	Year ended 30.06.20 £'000
Profit for the period	20,349	19,761	34,355
Weighted average number of shares in issue	208,141,108	208,131,108	208,135,698
Dilution effect of outstanding share options	125,225	152,678	148,358
Diluted weighted average number of shares	208,266,333	208,283,786	208,284,056
Basic earnings per 5p ordinary share	9.8p	9.5p	16.5p
Diluted earnings per 5p ordinary share	9.8p	9.5p	16.5p



Notes to the Interim Results

4. Dividends

	Half-year ended 31.12.20 £'000	Half-year ended 31.12.19 £'000	Year ended 30.06.20 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2019	–	20,813	20,813
Interim dividend for the year ended 30 June 2020	4,423	–	4,423
Final dividend for the year ended 30 June 2020	20,814	–	–
	<u>25,237</u>	<u>20,813</u>	<u>25,236</u>
Equity dividends declared/proposed after the end of the period			
Interim dividend	8,846	4,423	4,423
Final dividend	–	–	20,814

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

10.00p final dividend for the year ended 30 June 2019 paid on 6 December 2019

2.125p first interim dividend for the year ended 30 June 2020 paid on 5 June 2020

2.125p second interim dividend for the year ended 30 June 2020 paid on 10 September 2020

10.00p final dividend for the year ended 30 June 2020 paid on 11 December 2020

4.25p interim dividend for the year ended 30 June 2021 payable on 4 June 2021 to those shareholders on the register at the close of business on 7 May 2021

5. Copies of the interim results

Copies of the interim results have been sent to shareholders who requested them. Further copies can be obtained from the Company's registered office, Beechfield, Hollinhurst Road, Radcliffe, Manchester, M26 1JN and on the Company's website at www.jameshalstead.com.

James Halstead

Directors and Advisers

Directors

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M J Halstead
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Secretary

D N Fletcher ACMA ACIS

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The signature of James Halstead is written in a cursive, handwritten style in black ink.

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