JAMES HALSTEAD plc

COVERING THE WORLD

Interim Report 2025

Key Figures

Revenue at £130.1 million (2023: £136.5 million)

Operating profit at £27.1 million (2023: £26.2 million)

Pre-tax profit at £28.5 million (2023: £27.4 million)

Basic earnings per ordinary share 5.0p (2023: 4.8p)

Interim dividend declared of 2.75p (2023: 2.50p)

Cash of £63.7 million (2023: £62.4 million)

The Executive Chairman, Mark Halstead, commented:

“Against the backdrop of difficult markets, we are pleased to have raised profits underpinned by improved margins and reductions in overheads. We remain confident of the Group’s medium-term prospects, despite short-term confidence weakness in Europe, and anticipate another year of progress.”

Chief Executive's Statement

Trading for the six months ended 31 December 2024

Sales revenue of £130.1 million (2023: £136.5 million) was 4.7% lower than the prior year, primarily due to restrictions on government spending in several key markets and end customer confidence. Notwithstanding these adverse conditions, there were margin improvements and overhead reductions. Consequently, profit before tax of £28.5 million (2023: £27.4 million) is 3.9% ahead of the comparative period driven by a 3.2% increase in operating profit.

The UK represents our largest market and some 43% of total turnover. Sales were at the same level as the comparative period despite there being a notable slowdown in activity regarding our UK commercial flooring activity from July to October following the change of government and concerns in the lead up to the UK autumn budget. Despite this, the backlog of refurbishment and increased capacity of hospitals, schools, prisons and other government buildings is well reported and it can only be delayed not cancelled. Demand for aged care (a core sector for our flooring) is expanding with demand for places outstripping supply with new capacity likely to follow. Our ongoing expectations are for increased sales in the UK.

The principal areas of sales shortfall against the comparative period were: Central Europe -8% and Australia -12% which can be ascribed to a lack of government-led spending in building and building refurbishment and lower consumer confidence affecting decision making around shop refurbishment and new store roll outs. The European difficulties were broadly in line with our expectations and budgets for the first half of the year.

On the positive side North American sales were ahead of the comparative period by 7%.

Gross profit margins improved to 44.8% (2023: 43.8%) which is due to the stabilisation of raw material inputs, a degree of energy cost reduction and more efficient throughput of manufacturing in our UK production facilities. Raw material costs are still stubbornly ahead of pre-Covid levels.

Overheads were reduced by 7%, principally a result of cost controls and lower selling and distribution costs associated with lower turnover.

Taxation at 26.3% (2023: 26.7%) is broadly unchanged from the previous year.

Our businesses and international markets

Our UK businesses Polyflor and Riverside were successful in expanding sales volumes of our manufactured products i.e. our ranges of sheet vinyl, despite muted demand in the early months of the period in part due to economic uncertainty and concerns over the Autumn budget which was exacerbated by some destocking within the UK distribution trade. Sales of luxury vinyl tiles were slightly weaker as they included products aimed at the consumer market which faced the negatives of consumer spending constraints and a subdued UK housing sector. Polyflor supplied flooring to the Svalbard Folkehøgskole project which was a Regional Winner in the Society of British & International Interior Design Awards (SBID) and of the many projects supplied during the year were Bentley Motors, Crewe; The Heinz "57" factory at Kitt Green, Wigan; the Co-Op Live Arena in Manchester and the Football Association HQ at St George's Park in Burton-on-Trent.

During the period we undertook significant capital work on our production lines at both Teesside and Radcliffe. At Teesside the work was on our ultraviolet curing plant and upgrades to the mixing area whilst in Radcliffe we installed new edge trim granulators and renewed the calender bowls on one of the main production lines. Both necessitated plant shutdowns that adversely affected output. UK sales are the bedrock of the Group and the result that we achieved in the UK was of great benefit to our overall performance.

Our German and Central European businesses are operating in an economic climate characterised by material uncertainty. Despite ongoing demand, low consumer confidence related to energy concerns and the ongoing Ukraine war have impacted house building. Notwithstanding these headwinds, we are pleased to report that our business has had some success. In Germany, Objectflor continues to supply into refurbishment and new store openings across a wide range of retail store chains including Kodi Stores, Höffner stores, Jeans Fritz, BoFrost, True Bride and Hit supermarkets. In France, some of our key projects include the Institute for Magnetic Fusion Research at Cadarache and the Golf de La Prée Club at La Rochelle.

Objectflor has a core market presence, and this was endorsed through the company being ranked as No 1 against its flooring competitors by BTH Heimtex, the trade magazine for floor coverings. Readers of BTH Heimtex are managers, opinion leaders and decision makers in specialist shops, interior decorators, wholesale companies and the construction industry.

We reported a solid performance in Canada, despite a slight fall back from last year's record first half turnover. It is encouraging that despite severe uncertainties in the Canadian economy the local management report a good pipeline of secured and probable projects which gives us confidence for the second half year and beyond. This will be supported by a strengthening of our sales representation in the region.

Sales in the APAC region were mixed with Australia and New Zealand reporting double digit declines in turnover. Australia faced some of the longest covid lockdowns, and government initiatives to stimulate the economy have been focused on road building rather than infrastructure with flooring. GDP in the year to December 2024 rose 1.3% and, whilst this is very low against the long term averages, it should point to the beginning of a return of confidence.

New Zealand also has faced one of the longest periods of recession in 30 years but this seems to have ended, albeit with the slimmest of margins. Overhead control is the primary focus for the moment, most notably with the closure of one of our warehouses in New Zealand, a general business reorganisation and a recruitment freeze.

We are however pleased to report continued progress in Malaysia and South Asia. In Southeast Asia, we grew sales across each country as we increased the number of distributors in the region (in Vietnam and Thailand) feeding from our Malaysian warehouse. The beneficial effects from the new free trade agreement with the UK (from December 2024) will almost certainly add stimulus to our business. The reductions in "red tape" arising from the trade agreement are particularly beneficial to trade in the region.

North Asia, notably China, Hong Kong and South Korea, is a region that is managed from Shanghai. We have incorporated the business in Hong Kong SAR to the similar structures that

Chief Executive's Statement

we have elsewhere offering local invoicing, local representation and technical team support for installers and contractors. There is a degree of upturn in our sales though it remains well below pre-covid levels and was affected by the period when we could not manufacture sufficient product nor find shipping routes to China for some considerable time. Those obstacles no longer remain and projects such as Sun Yat-sen University Cancer Center in Guangzhou, China reflect our progress.

In the rest of the world, revenue performance has been generally more positive with double digit growth in the USA and the Mediterranean region and particularly Spain. There were slight declines against the comparatives in the Middle East and South America, but both are comfortably ahead of the 2022 comparatives. Each of these markets are largely led by new-build projects and we remain confident of ongoing success. In South America we attended several trade exhibitions: Hospitalar Sao Paulo, Brazil, The Colombian Association of Hospital Architects and The Engineers (ACAIH) International Congress, Bogota, Colombia, and The Chilean Association of Hospital Architecture (AARQHOS) Congress for Healthcare infrastructure, Santiago, Chile. These underline our continued growth in the region and help cement the reputation we have globally as key providers of healthcare flooring. Once again, the range of projects supplied is diverse with MM Hospital in Ambala, Punjab, Emmanuel College in Point Cook, Australia and Trondenes Fort, near Harstad, Norway.

Working capital, cash flow earnings per share and dividend

Since the start of the financial year, we have distributed £25.0 million in dividends and paid corporation taxes of £8.2 million. In addition, capital expenditure over the same period was £2.6 million. The ongoing focus on manufacturing excellence greatly assists our success in global flooring projects such as the SiNIX Group Abi Gothenburg which has been nominated for best designed office 2024 in Sweden.

The cash inflow from operations at £25.3 million (2023: £33.6 million) is lower than last year largely due to increased inventories. Inventories increased for two principal reasons. Firstly, the comparative was lower and inventories were affected by the late shipments because of shipping delays caused by the Red Sea crisis. And secondly, there were launch stocks for new ranges being launched post year end at trade shows in January and February 2025.

Our cash position stands at £63.7 million as of 31 December 2024 (2023: £62.4 million). Our robust balance sheet continues to be a key strength.

Having regard to our cash and profitability, we have decided to declare an interim dividend of 2.75p per share (2023: 2.50p), an increase of 10%. This dividend will be payable on 6 June 2025 to those shareholders on the register as of 9 May 2025.

Sustainability and the environment

Recofloor, our recycling initiative (principally in the UK) continues to be looked upon as a model example of manufacturer led initiatives and Recofloor won a Gold Award in 'The Green Apple Environment Awards' which annually recognise, reward and promote environmental best practice worldwide, presented at a ceremony at Kensington Palace in November 2024.

Current trading and outlook

In this trading period we have seen evidence of restricted government spending in many economies. For example, the UK, Central Europe (Germany and France in particular) and within the APAC region Australia and New Zealand. In the UK hospitals, schools, prisons and other government buildings all are in need of significant rebuilding or major refurbishment and investment which, to date, seems to have not flowed into the appropriate budgets. This will change, we believe, over the course of 2025 and we would expect to see a stimulation to sales. Additionally, the UK housing sector has continued to be subdued but the reform of planning and mandatory targets should pave the way to push through the acute housing crisis again giving us confidence in improved demand.

We are pleased to see that H2 has started well and in January 2025 UK sales, which are the bedrock of the Group, were 9% ahead of the comparative.

The worldwide breadth of projects such as The Palace Balneo & Spa Hotel in Bulgaria

and the Wiloo Salud Dental Infantil in Barcelona are just two examples of the scope of ongoing goodwill that three generations of exporting flooring has provided James Halstead.

The fundamentals of our product ranges and routes to market are well established and the markets in which we operate continue to provide the demand that, despite short term impediments, gives us confidence in the future and another year of progress.

Gordon Oliver
Chief Executive
27 March 2025

Consolidated Income Statement

for the half-year ended 31 December 2024

	Half-year ended 31.12.24 £'000	Half-year ended 31.12.23 £'000	Year ended 30.06.24 £'000
Revenue	130,090	136,451	274,881
Operating profit	27,065	26,213	53,907
Finance income	1,532	1,339	2,642
Finance cost	(134)	(156)	(325)
Profit before income tax	28,463	27,396	56,224
Income tax expense	(7,492)	(7,317)	(14,704)
Profit for the period	20,971	20,079	41,520
Earnings per ordinary share of 5p			
– basic	5.0p	4.8p	10.0p
– diluted	5.0p	4.8p	10.0p

All amounts relate to continuing operations.

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

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2024

	Half-year ended 31.12.24 £'000	Half-year ended 31.12.23 £'000	Year ended 30.06.24 £'000
Profit for the period	20,971	20,079	41,520
Other comprehensive income net of tax:			
Remeasurement of the net defined benefit liability	(622)	(959)	564
Foreign currency translation differences	(2,032)	439	(248)
Fair value movements on hedging instruments	1,055	(1,086)	(472)
Other comprehensive income for the period net of tax	(1,599)	(1,606)	(156)
Total comprehensive income for the period	19,372	18,473	41,364
Attributable to equity holders of the parent	19,372	18,473	41,364

Consolidated Balance Sheet

as at 31 December 2024

	Half-year ended 31.12.24 £'000	Half-year ended 31.12.23 £'000	Year ended 30.06.24 £'000
Non-current assets			
Intangible assets	3,232	3,232	3,232
Property, plant and equipment	35,370	36,116	34,965
Right of use assets	5,674	6,804	6,209
Retirement benefit obligations	–	–	14
Deferred tax	221	118	214
	44,497	46,270	44,634
Current assets			
Inventories	87,374	83,118	82,268
Trade and other receivables	33,995	35,623	44,042
Derivative financial instruments	2,117	60	482
Current tax	2,124	1,012	1,287
Cash and cash equivalents	63,683	62,420	74,282
	189,293	182,233	202,361
Total assets	233,790	228,503	246,995
Current liabilities			
Trade and other payables	49,967	49,173	57,487
Derivative financial instruments	83	735	106
Current tax	–	–	273
Lease liabilities	2,704	2,586	2,707
	52,754	52,494	60,573
Non-current liabilities			
Retirement benefit obligations	561	2,240	–
Other payables	339	408	410
Lease liabilities	3,115	4,359	3,680
Preference shares	200	200	200
Deferred tax	1,155	62	855
	5,370	7,269	5,145
Total liabilities	58,124	59,763	65,718
Net assets	175,666	168,740	181,277
Equity			
Equity share capital	20,839	20,838	20,839
Equity share capital (B shares)	160	160	160
	20,999	20,998	20,999
Share premium account	55	13	55
Currency translation reserve	1,814	4,533	3,846
Hedging reserve	1,389	(280)	334
Retained earnings	151,409	143,476	156,043
Total equity attributable to shareholders of the parent	175,666	168,740	181,277

Consolidated Cash Flow Statement

for the half-year ended 31 December 2024

	Half-year ended 31.12.24 £'000	Half-year ended 31.12.23 £'000	Year ended 30.06.24 £'000
Profit for the period	20,971	20,079	41,520
Income tax expense	7,492	7,317	14,704
Profit before income tax	28,463	27,396	56,224
Finance cost	134	156	325
Finance income	(1,532)	(1,339)	(2,642)
Operating profit	27,065	26,213	53,907
Depreciation of property, plant and equipment	1,883	1,859	4,093
Depreciation of right of use assets	1,406	1,496	3,046
Profit on sale of property, plant and equipment	(79)	(20)	(75)
Defined benefit pension scheme employer contributions paid	(250)	(531)	(781)
Changes in fair value of financial instruments	(65)	–	27
Share based payments expense	24	16	39
(Increase)/Decrease in inventories	(6,889)	4,832	4,884
Decrease in trade and other receivables	9,699	11,669	2,901
(Decrease) in trade and other payables	(7,491)	(11,961)	(3,263)
Cash inflow from operations	25,303	33,573	64,778
Taxation paid	(8,162)	(8,234)	(15,450)
Cash inflow from operating activities	17,141	25,339	49,328
Interest received	1,528	1,339	2,642
Purchase of property, plant and equipment	(2,596)	(2,058)	(3,313)
Proceeds from disposal of property, plant and equipment	132	38	108
Cash outflow from investing activities	(936)	(681)	(563)
Interest paid	(7)	(10)	(24)
Lease interest paid	(127)	(114)	(242)
Lease capital paid	(1,422)	(1,474)	(2,981)
Equity dividends paid	(25,007)	(23,963)	(34,383)
Shares issued	–	–	43
Cash outflow from financing activities	(26,563)	(25,561)	(37,587)
Net (decrease)/increase in cash and cash equivalents	(10,358)	(903)	11,178
Effect of exchange differences on cash and cash equivalents	(241)	101	(118)
Cash and cash equivalents at start of the period	74,282	63,222	63,222
Cash and cash equivalents at end of the period	63,683	62,420	74,282

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 financial statements are those set out in the annual report and accounts for the year ended 30 June 2024.

The figures for the year ended 30 June 2024 are an abridged statement of the consolidated financial statements for that year. The financial statements for the year ended 30 June 2024 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 26.3% (2023: 26.7%).

3. Earnings per share

	Half-year ended 31.12.24 £'000	Half-year ended 31.12.23 £'000	Year ended 30.06.24 £'000
Profit for the period	20,971	20,079	41,520
Weighted average number of shares in issue	416,786,436	416,754,052	416,761,396
Dilution effect of outstanding share options	–	33,687	32,457
Diluted weighted average number of shares	416,786,436	416,787,739	416,793,853
Basic earnings per 5p ordinary share	5.0p	4.8p	10.0p
Diluted earnings per 5p ordinary share	5.0p	4.8p	10.0p

4. Dividends

	Half-year ended 31.12.24 £'000	Half-year ended 31.12.23 £'000	Year ended 30.06.24 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2023	–	23,963	23,963
Interim dividend for the year ended 30 June 2024	–	–	10,420
Final dividend for the year ended 30 June 2024	25,007	–	–
	25,007	23,963	34,383
Equity dividends declared/proposed after the end of the period			
Interim dividend	11,462	10,420	–
Final dividend	–	–	25,007

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

5.75p final dividend for the year ended 30 June 2023 paid on 15 December 2023

2.50p interim dividend for the year ended 30 June 2024 paid on 14 June 2024

6.00p final dividend for the year ended 30 June 2024 paid on 13 December 2024

2.75p interim dividend for the year ended 30 June 2025 payable on 6 June 2025 to those shareholders on the register at 9 May 2025

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.

Directors and Registrars

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