JAMES HALSTEAD plc

COVERING THE WORLD

Report and Accounts 2014

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2011

Directors and Advisers

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M Halstead
G R Oliver FCA MCT
J A Wild FCA
E K Lotz
S D Hall

Secretary
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Contents

Chairman's Statement

Results

It is pleasing to report growth in turnover of 3% to £223.5 million (2013: £217.1 million) and a growth in profit before tax of 3.1% to £41.8 million (2013: £40.5 million). This is a record profit before tax for the group. Our geographic reach continues to such locations as the Tesco's stores in Poland and the new Japanese School in India. Our core involvement in hospitals continues whether locally, such as the Royal Liverpool Children's Hospital or overseas, as with the new Oncology Hospital in Baku, Azerbaijan.

Strategy

Our companies operate in different economic environments but our strategy 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 whether they are 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. Our businesses are totally flooring focused and our strategy is designed to enhance our brand identity, to proliferate goodwill and customer satisfaction with the aim of continued repeat business and the expansion of revenue which will then create wealth for our shareholders in the form of dividend as reward for their investment in our company; and secure the employment of our employees and partners.

Dividend

Our profit and earnings per share have increased and our cash reserves remain robust. It is pleasing to report that the Board proposes, once again, an increased final dividend. The final dividend will be 7.0p (2013: 6.0p) representing a 16.7% increase which combined with the interim dividend, paid in June 2013, of 3.0p (2013: 2.75p) makes a total of 10.0p (2013: 8.75p) for the year, an increase of 14.3%.

Acknowledgements

Given our achievements against a backdrop of difficult market conditions I wish to extend our appreciation to our staff and customers for their continued support. It was gratifying to be awarded the "Manufacturer of the Year" by the Contract Flooring Journal and our thanks to the UK flooring contractors for their votes.

Outlook

Our performance in the latter months of the financial year was improved with a much welcome tailwind following 18 months of doldrums. Emerging markets continue to demand fashion retail outlets and this is a fast growing sector. Examples of our recent successes are "Tom-Tailor" clothing stores in Russia and Vodafone retail outlets in Turkey. The new financial year has continued with positive growth. Next year will be our centenary and I look forward to celebrating continued success at that anniversary.

On behalf of the board

Geoffrey Halstead
Chairman

30 September 2014

James Halstead

Chief Executive's Review

Our progress in the second half has brought about record flooring turnover and record profit but it has been a difficult year. Growth has been hard won and the end result is a satisfying one.

Our UK position as market leader continues and the UK growth of 7% has been the bedrock of the year's results. Europe continues to represent a sizeable portion of our business (some 43%) and it is pleasing to note that this has grown by 3% in markets that, overall, are still largely showing no growth. There were continued, and anticipated, difficulties in the Australasian market but going forward the outlook looks to be more positive.

Gross margins are on a par with last year, which, given the pressure of competition in our markets is encouraging. Manufacturing efficiencies and stable raw material prices have helped to protect margins, as indeed has the ever increasing use of reclaimed material. On this latter point I would note that five years ago we, together with one of our competitors, founded Recofloor to collect vinyl wastage – both off-cuts/remnants and uplifted floors. Without Government grants, this self-funded business is recognised across Europe as a great success and a model recycling initiative. Today there are nearly 600 collection points in the UK. The waste that would otherwise go to landfill is returned to our manufacturing processes.

We have our own warehousing in many parts of the world but our exports continue to reach a myriad of locations. I am pleased to be able to report upturn in specifications and installations such as the Baghdad Medical Hospital and the General Hospital of Samawa, of Iraq, being good examples. We have also shipped significant volumes of flooring to fit out temporary accommodation to house the workforce that is undertaking a very substantial amount of new build in Qatar, no doubt for the future World Cup. Our nascent presence in India continues its early promise having delivered our flooring to the Aditya Birla Memorial Hospital, in Jaipur

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.

In the year we have 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 organisations

Objectflor has shown positive growth with sales 3.7% ahead of the prior year. European businesses are under pressure and the flooring sector is suffering: there are lower numbers of contractors and distributors with dozens of flooring manufacturers and importers. All are chasing a slightly lower market. Gross margin has been slightly eroded but our sales prices have been maintained with price increases to new ranges. Considering the economic environment we extended the practice of retrospective rebates (against agreed targets) to preserve market share and increased the quality and quantity of point of sale materials (to promote our products to end users).With turnover secured and sales progress it is disappointing to report that there was a 5% decline in net profit but in the current climate it was a solid performance.

In France, James Halstead France SAS continues to develop with turnover circa 9% ahead of the prior year. The variety of day to day installations is impressive such as the refurbishment of the Louis Vuitton HQ in Paris and the Monaco Government offices. It is clear that since general

Chief Executive's Review
continued

conditions in the French flooring market are negative our growth is due to increased market share. Our presence in France is smaller and more focussed than our much larger competitors and continued growth is to be expected.

Objectflor celebrated its 25th anniversary this year and it has grown hugely since its small beginnings. In January, at the DOMOTEX exhibition in Hannover, the company re-launched its Expona Domestic luxury vinyl tile collection and reinforced our market leading position. The readers of EuroDecor (the leading trade journal for interior designers) voted Objectflor's range the "Best Quality Product" and the collection has sold very well.

Given the profile of our business and the skills shortages that Germany faces our management organised the creation of the "BundesBodenleger Trophy". Under the lead of Objectflor, and supported by various adhesive and accessory suppliers, a competition was held to find the best floor layer in Germany. This promoted our products in the press and wasn't just of benefit to the winners because high-quality training was provided before each of the five qualifying rounds and before the final to all attendees.

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. Projects for new build have been buoyant in the Chinese market but remain a scarcity in the Australian and New Zealand markets.

Australian turnover was on a par with last year but there has been a decline in the gross margin as lines were cleared to allow stock to be refreshed with new designs. Net profits declined quite significantly as a result, but ultimately this was a commercial necessity. In the latter part of the year margins have recovered following this purge. In Australia, the last indigenous (though foreign owned) manufacturer of vinyl flooring closed their local plant during the year and this has opened further sales opportunities, one example being the rebuild of the Mount Stromlo Observatory that was destroyed a few years ago in the Canberra bushfires.

New Zealand turnover declined 6% and the shortfall was on commercial sheet vinyl which is a reflection of the dearth of school and hospital projects. Margins were consequently better as the sheet vinyl/project sector is lower margin. Overheads remain tight and, as last year, the company made a profit, albeit modest. Our company is consistently the market leader in New Zealand and has again been awarded the accolade of "Supplier of the Year" by the distribution chain "Flooring Xtra". One of the few large vinyl flooring projects in the year was Housing NZ (the crown agent for social housing). Our company has been awarded this contract (once again) for a three year term. Our business remains robust.

Polyflor & Riverside Flooring, based in UK

It has been a solid year for our UK operations in Greater Manchester and Teesside with UK turnover increasing by 4%.

In terms of major investment we have updated our IT systems which were, for a time, a distraction from day to day business but are already helping to streamline many of our administrative procedures. We have translated many of our SKUs into BIM (Business Information Modelling) objects, which for UK government contracts will be increasingly important and this has been very well received by architects. Earlier in the year we launched "Polyflor App" to allow our customers to have direct access to high quality sample scans and technical information which complements our digital presence. Although we are a classic business manufacturing in bulk and shipping to stockists the internet is an important part of 21st century trading and we have grasped this facet of modern business with vigour.

Polyflor Canada, based in Toronto

We have traded in Canada for many years and two years ago opened a warehouse and incorporated the business, to enhance growth. The new company is going well. Our Expona Control is being rolled out in the Royal Bank of Canada's retail outlets as indeed in the Rogers retail chain and the GoodLife Fitness gyms. Dealing with the premier bank, the leading mobile phone retailer and the number one gym chain is good progress. On a larger scale we supplied the flooring for the new "megahospital" in Montreal - the McGill University Health Centre.

Outlook

In many of our markets confidence in growth has returned. Towards the end of the financial year we launched Polysafe Verona, as an addition to the Polysafe range slip resistant floor covering. Polysafe is the industry benchmark and Verona's decorative appeal will raise its prominence.

Much has been written about the strength of Sterling and the possible 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 portfolio and our commercial reputation hold us in good stead and I am positive about the future.

In short, we are focused on increasing our market share in established markets and expanding our direct sales teams in the next target group of territories.

On behalf of the board

Mark Halstead
Chief Executive

30 September 2014

Financial Director's Review

As is usual, we have prepared these accounts by the consistent application of accounting standards, the matching of costs and revenues with due appraisal and accrual for subjective (but probable) liabilities at the year-end. Prudence is less regarded in the preparation of published accounts than it was even a decade ago but caution remains important. The group operates through separate legal entities in certain areas of the world and though these are discussed in the Chief Executive's Review we, as a Board, have concluded that these operations are one segment for the purposes of IFRS 8.

Profit before tax at £ 41.8 million (2013: £ 40.5 million) shows an increase of 3.1%. The prior year figures have been restated slightly due to a revision of IAS19 – Employee Benefits. In summary, we have restated the finance charge relation to the defined benefit pension scheme due to rule changes that I am assured have some logic.

This year's profit before tax is a record being 0.0006% ahead of the profit in the year to 30 June 2012.

Profit after tax is also at a record level being 4.7% ahead of the prior record (year to 30 June 2013).

Our gross margins increased as a percentage and in absolute terms. The main reason was, broadly, a favourable sales mix biased to higher priced safety and design flooring. The combined effects of various exchange rates largely offset each other. There were monthly fluctuations in raw material prices but these were generally flat over the year as a whole.

Some key statistics:

- Group turnover at £223.5 million (2013: £217.1 million) was 3% higher but would have been 4.5% had translation been at constant exchange rates.
- Net finance income (excluding the effects of IAS19 accounting for pensions) was £0.2 million (2013: £0.3 million) reflecting rates that remain very low.
- Selling and distribution costs were 1.7% higher as a result of the turnover increase but at 18.1% of turnover show a reduction relative to the 18.4% of last year.
- Trade debtors increased to £33.5 million (2013: £30.6 million) reflecting the higher trade credit in certain export markets over others. Trade creditors were lower at £33.3 million (2013: £35.8 million).
- Stock levels have risen and stand at £57.4 million (2013: £56.8 million) and this 1.2% increase is largely related to the growth in turnover. With broader ranges than in previous years, this is probably a normal level.
- Cash stands at £38.7 million (2013: £34.9 million) even after the payment of £18.6 million in dividends, £11.5 million in tax and £2.9 million of capital expenditure.

Key Performance Indicators

The Board considers growth in profit before tax and growth in dividend key targets in line with the task of delivering shareholder value. Control of working capital continues to be important and the level of cash is monitored.

Rather than focus on individual working capital targets or ratios, the Board are informed of all significant issues directly by subsidiary management by means of monthly reports on the key decisions and influences on working capital. Our focus at subsidiary level is on stock availability and appropriate credit given to and received from customers and suppliers respectively. Obviously sales, margin and profitability are monitored as well as cash, which is the final result of our economic activities. Appropriate summaries of these statistics are collated into monthly Group reports.

No individual key performance indicator, or group thereof, is regarded as more important than informed in-depth knowledge of the underlying businesses. Subsidiaries present key performance indicators on debtor days, stock turn and creditor days but the consolidation of these for the whole Group offers no extra benefit as the component of mix can mask underlying effects.

Principal Business Risks and Uncertainties

The Board constantly assesses risks. To the extent risk is insurable the Board is risk averse and the Group is widely insured. A comprehensive insurance appraisal takes place annually to mitigate exposure to risks, such as business interruption and fire but obviously key risks such as escalating raw material prices and energy costs fall outside any insurable event. Inevitably the unexpected cannot be anticipated but given the depth of understanding of our principal business by the senior management, and the Board, risk is ameliorated but not eliminated.

Our goals are simple and we avoid over-stretching our capabilities. Our plans are not limited to a twelve month set of figures, though budgets are prepared and monitored, and we look to benefit from decisions over a longer time frame. A major mitigation of risk is a close understanding of our people, their motivations, experience and limitations. In general it is in the nature of the Board to talk about and focus on the problems of our business. This is the major way in which risk is not merely identified but mitigated. In the current year, we have faced excess capacity in our businesses and across Europe, but turnover and profit have advanced, albeit modestly.

The risks identified beyond insured events include foreign exchange risk, credit risk, liquidity risk and key management. There are, additionally, key customers and key suppliers which create dependencies. Sales and purchasing policies are under regular review to assess these dependencies. In the main, risk and control are measured and assessed from a financial perspective, but this is not to the exclusion of non-financial risks and uncertainties. It is clear that scenarios can be envisaged where the Group's activities may be disrupted and little could be done to mitigate the negative effects.

In respect of exchange risk, the Group operates internationally and is exposed to foreign exchange risk on both sales and purchases that are dominated in currencies other than Sterling. Those giving rise to the most significant risk are US Dollar, Euro and Australian Dollar. To mitigate risk associated with exchange rate fluctuations the Group's policy is to hedge known and forecast transactions. This hedging is at least 25% and on occasion, albeit rarely, more than 100% of the next year's anticipated exposure. IFRS7 dictates several disclosures on risk and we have undertaken a market risk sensitivity analysis on fluctuations in our major currency exposure and the effects on the financial assets and liabilities in the balance sheet (which is included in the notes to the accounts).

Several external factors can be envisaged that would affect operating activities. These include technical failures, labour disputes outside our businesses, availability of raw materials, and import or customs delays. Given the spread of our operating activities there is a reduced risk of any single event being catastrophic, but external factors are an area of risk that continues to be monitored. Certain suppliers would be difficult to replace or their products to substitute and delays could be of several weeks duration, which would be not be covered by our current levels of stock holding. Given the length of service of many senior managers succession planning becomes a risk and/or an uncertainty but again the open style of decision making and collaboration mitigate the risk..

The activity and progress of our competitors is a significant risk. Whether there is a new innovation or a gain in competitive advantage by a new process, or the loss of market share by any means, any effect on our volume throughput will have an effect on profitability. The Board looks for market intelligence, and devotes significant time to understanding the strategy of our competitors. It is clear that the success this business has achieved over the last 20 years leads our competitors to scour all information we publish for data on our activities.

I would note that we have overseas subsidiaries with significant profit and assets which are translated at average exchange rates (in the case of profit and loss items) and at year end rates (in the case of balance sheet items). The effect of this is shown annually in the Consolidated Statement of Comprehensive Income. Inevitably there is a translational exposure on these items and since they are not necessarily cash flows (excepting dividend payments) the consolidated net worth of the Group varies over time. We do not hedge this translational exposure though we have in the past hedged overseas assets with matching debt. At present the cost and complexity in terms of arranging facilities and complying with local taxation rules would seem to outweigh the benefits.

The last five years of these exposures in terms of (decrease)/increase in the value of our overseas assets are as follows:

	£'000
2014	(2,260)
2013	93
2012	(1,851)
2011	3,219
2010	530

Aside from the strategic, operational and financial risks described there are also compliance risks relating to the legal and regulatory requirements of the various markets in which we operate. Directors and senior management are involved in health and safety, duty and customs clearance, waste management and other such issues.

Defined Benefit Pension Scheme

In common with other long established businesses we have the complications and uncertainty associated with having a "final salary" pension scheme. The scheme has been closed to new entrants since 2000 and was only offered to UK based employees; of our UK based work force around 30% of employees are members of this scheme. At this moment in time we are considering closure of the scheme to future accrual.

Accounting for this defined benefit scheme is prescribed by IAS 19 and the quantum of the deficit is ever more volatile due to the nature of using current (low) gilt yields and worst case assumptions.

James Halstead

Financial Director's Review
continued

Actuaries are currently assessing the tri-annual valuation of said scheme. Our defined benefit scheme is "contracted-out" and with the cessation of contracted-out status in 2016 there is an added cost (increased employer national insurance contributions). We are assessing how to alter benefits to negate this increase. In addition, following the "Arcadia" case, there is a return of some sanity to the use of CPI as a measure for automatic pension increases following the much reported non-revision of RPI. The implications are broadly beneficial to the group, but it is early days in the debate.

The scheme comprises active members (existing employees), deferred members (past employees not yet in retirement) and pensioners. Under the current accounting standard for pensions the current service costs of active members are dealt with in the profit and loss account with the costs associated with deferred members and pensioners dealt with through the Consolidated Statement of Comprehensive Income. This year there is a net actuarial loss of £2.5 million against a net actuarial loss in 2013 of £2.9 million which is largely the effect of changing assumptions. It is of note that since the adoption of the pension scheme into the balance sheet (2006) the deficit has had the effect of improving the return on capital employed (since it is a deficit and a liability) and for this reason it is excluded from any performance measure (or related bonus remuneration) internally. The majority of UK employees are in one or other of our defined contribution schemes.

In an effort to offer some perspective by which to view the pension scheme deficit the following statistics are used by some investors:

- The comparison of scheme deficit to market capitalisation as a percentage;
- The comparison of scheme liabilities to market capitalisation; and,
- The comparison of the deficit to operating profit.

These ratios for this Group based on a share price of £2.80 (2013: £2.73) are:

- The net deficit to market capitalisation is 2.1% (2013: 1.9%);
- The total liabilities to market capitalisation is 11.6% (2013: 10.9%); and,
- The deficit to operating profit is 38.8% (2013: 34.2%).

I pass no comment on the merits of these ratios but note that with the assumptions changing annually (despite the long term nature of the liability) there does not seem to be a consistent long term measure of the deficit. The dominant assumption that drives up the deficit is that the current very low gilt yields are used to determine liabilities. The above merely give some idea of the "affordability" of the deficit to the company. Pensions remain a hot topic and advisors proliferate.

On behalf of the board

Gordon Oliver
Finance Director

30 September 2014

Report of the Directors

The directors are pleased to present their report, together with the audited accounts for the year ended 30 June 2014.

Results and dividends

The group results for the year and the financial position at 30 June 2014 are shown in the consolidated income statement on page 16 and the consolidated balance sheet on page18.

The directors are recommending a final dividend of 7.00p per share on the ordinary share capital for payment on 5 December 2014 to those shareholders whose names appear on the register at 7 November 2014. This final dividend together with the interim dividend paid on 6 June 2014 makes a total of 10.00p per share (2013: 8.75p).

Directors

Mr E K Lotz and Mr S D Hall, being the directors retiring by rotation, offer themselves for re-election at the annual general meeting. The interests of the directors and their families in the share capital of the company were as follows:

	30 June 2014		30 June 2013	
	Beneficial	As Trustee	Beneficial	As Trustee
Ordinary shares				
G Halstead	8,200,979	–	8,199,759	–
G R Oliver	206,583	–	208,116	–
M Halstead	13,240,501	11,109,506	13,242,034	11,109,506
E K Lotz	–	–	–	–
J A Wild	183,300	12,512,032	183,300	12,512,032
S D Hall	5,700	–	5,700	–
Preference shares				
G Halstead	86,405	–	86,405	–

The directors consider that the board of directors include key management for all areas of the business and that there are no other key management which require disclosure.

Details of the directors' options under the terms of the executive share option scheme are set out in note 23.

Substantial interests

As at 12 September 2014 the company had been notified of the following interests which represent 3% or more of the existing issued share capital:

	Number	%
John Halstead Settlement	35,447,218	17.11
Rulegale Nominees	21,681,339	10.46

Share capital

Ordinary shares

On 10 July 2013, 20,000; on 14 August 2013, 39,240; on 1 October 2013, 36,680; on 15 October 2013, 12,900; on 28 October 2013, 300,000; on 5 November 2013, 20,000; on 2 January 2014, 5,000; on 3 January 2014, 9,000; on 28 March 2014, 5,000; on 20 May 2014, 20,000; on 21 May 2014, 21,000 and 11 June 2014, 4,000 new ordinary shares were issued and allotted as fully paid to enable share options to be exercised.

Purchase of own shares

The directors are authorised to make market purchases of the company's own shares under an authority granted at the last Annual General Meeting. The directors will seek renewal of this authority at the forthcoming Annual General Meeting.

On 20 January 2014 the company acquired 135,000 ordinary shares of 5p each in the company, from certain directors and employees, at a price of £3.21 per ordinary share, being 1.5% above the average market price of an ordinary share on the five dealing days from 13 to 17 January 2014 inclusive. The shares were from a maturing tranche of the employee share ownership plan

All such ordinary shares have been cancelled and the company does not hold any ordinary shares in treasury.

Special business at the annual general meeting

Resolution 6 renews the directors' authority to offer ordinary shareholders the opportunity to take ordinary shares in lieu of any cash dividends which may be payable prior to the Annual General Meeting in 2015.

Resolution 7 authorises the directors to allot relevant securities pursuant to section 551 of the Companies Act 2006 up to a maximum nominal amount of £3,452,705 representing approximately 33.33% of the total ordinary share capital.The authority will expire at the next Annual General Meeting of the company to be held in 2015 or six months after the next accounting reference date of the company (whichever is the earlier).

Except for the issue of shares to satisfy the exercise of share options granted under the share schemes, the board has no present intention of issuing any ordinary share capital of the company. As at the date of this document, the company holds no treasury shares.

James Halstead

Report of the Directors
continued

Resolution 8 invites shareholders to renew the board's authority to issue shares for cash without first being required to offer them *pro rata* to existing shareholders. The proposed authority will terminate at the next Annual General Meeting of the company to be held in 2015 or six months after the next accounting reference date of the company (whichever is earlier). The authority is limited to equity securities up to an aggregate nominal amount of 5.0% of the company's issued ordinary share capital. The resolution also contains provisions to enable the directors to deal with fractional entitlements and other practical difficulties which could arise in the event of a rights issue or similar pre-emptive offer.

Resolution 9 seeks to renew the authority of shareholders to allow the company to purchase its own shares in respect of up to 10.0% of the issued capital at prices not exceeding 5.0% above the average of the middle market quotations for the five business days preceding the purchase. The directors undertake that the authority would only be exercised if the directors were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the company at that time. The directors may choose to hold shares purchased under such authority in the form of treasury shares (subject to a maximum of 10% of the issued ordinary share capital at any one time).

Employment policies and involvement

The group operates a totally non-discriminatory employment policy, an integral part of which is the proper consideration of all applications for employment from disabled persons who, after appointment, receive training for career development and promotion consistent with both the needs of the group and their own particular abilities. Employee involvement in the overall performance of the group continues to be encouraged through the employee profit sharing scheme and the share option plan. There are in existence various well established committees and discussion groups which range from formal structures to less formal gatherings and which deal with a whole range of issues from the group's financial performance to health and safety issues. Copies of this annual report are available to all employees.

Environmental policy

A policy has been issued and implemented on safeguarding against air, water, noise and land pollution. The management team constantly reviews and implements at every opportunity the most effective use of materials and energy. A number of control measures have been introduced and these, combined with materials storage and handling methods, together with training, form the basis of the environmental programme. The policy is fully endorsed by the directors and is under constant review to ensure full compliance with the UK Environmental Protection Act 1990. All employees, suppliers and contractors are made aware of the environmental policy which is also freely available to the general public and regulatory authorities.

Health and safety

The health and safety of the group's employees, customers and members of the general public who may be affected by the group's activities continue to be matters of primary concern. It is therefore the group's policy to manage its activities so far as to avoid causing any unnecessary or unacceptable risk to the health and safety of all those affected by its activities. In order to ensure that the group's high standards in this area are maintained, a substantial programme of training and retraining of employees took place throughout the year.

Research and development

We remain totally committed to the continuing development of our processes and our products to both satisfy the needs of our customers and ensure that we remain at the forefront of our industry.

Directors' responsibilities statement

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements;
- state, with regard to the parent company financial statements, whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements which may vary from legislation in other jurisdictions.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. The directors' responsibilities also extend to the ongoing integrity of the financial statements contained therein.

Going concern

After making enquiries the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Auditor's remuneration – non-audit related fees

Our auditor may undertake non-audit related work. This work would be tendered for separately from audit work.

The board has always sought to ensure that the auditor does not automatically receive additional fees. This approach, the board believes, enables the company to ensure value for money on the company's part, and maintains the independence of the auditor.

Auditor

A resolution to re-appoint BDO LLP as auditor will be proposed at the forthcoming annual general meeting.

Directors' statement as to the disclosure of information to the auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors' are not aware of any relevant audit information of which the auditor is unaware.

Approved by the board of directors and signed on behalf of the board.

D W Drillingcourt
Secretary

30 September 2014

Beechfield,
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Board Report on Remuneration

Remuneration committee

The remuneration committee comprises the non-executive directors, with Mr J A Wild, as chairman. The committee meets at least once a year, although usually more frequently, to determine the remuneration packages of the executive directors of the group.

The remuneration policy for the non-executive directors is determined by the board as a whole by reference to market rates. They do not participate in the group bonus scheme, pension scheme or share option scheme. No director can vote in regard to his own remuneration.

Remuneration policy

The remuneration policy is to provide terms of employment such that the recruitment, motivation and retention of high calibre personnel is achieved and maintained to the mutual benefit of shareholders and employees. The committee is assisted from time to time by data supplied by independent professional remuneration consultants as to comparable companies, although identical circumstances are rarely found.

Basic salary and bonus payments

Annual bonus schemes are in place which reward the executive directors on achieving performance objectives. Performance is determined by index-linked profit improvements through a trend of earnings per share growth. UK based executives are eligible members of the employee share scheme. Performance bonuses of £350,000 to each of the group chief executive and group finance director were paid during the year.

Share option schemes

The remuneration committee believes that share option plans are an important long term incentive to executive directors and other senior employees. They are intended to link the exercise of the option to a sustained and significant improvement in the underlying financial performance of the group.

The share option plan is reviewed by the remuneration committee and is open to executive directors and selected employees of the group. The option price per ordinary share will not be less than the market value on the day of grant. A limit of four times earnings has been placed on the value of the aggregate price payable on the exercise of all options or rights to subscribe for ordinary shares granted to an individual employee under the share option plan and under all other discretionary schemes.

Pensions

The company operates Inland Revenue Approved defined benefit and defined contribution pension schemes. The group chief executive and group finance director are members of the defined benefit scheme. Pension entitlements are calculated on basic salary only.

All members of the schemes are required to contribute a percentage of their pensionable earnings. Several years ago pensionable salary was restricted to the growth in the consumer price index.

Other benefits within the schemes are death in service lump sums, spouse's and dependants' pensions following death in service of the member and ill health early retirement where the appropriate circumstances arise.

Service agreements

The chairman and the group chief executive do not have service agreements. The group finance director has a service agreement which terminates within or is terminable by the company and the executive on not more than one year's notice. The remuneration committee has taken the view that notice periods of one year are reasonable and in the interests of both the company and its executive directors having regard to prevailing market conditions and current practice. Mr S D Hall has a service contract for an initial term of two years from the date of his appointment, which can be terminated by either party by one month's written notice. Mr J A Wild does not have a service agreement.

J A Wild
Chairman of the Remuneration Committee

Statement of Corporate Governance

The board

The membership of the board during the year comprised three executive directors and three non-executive directors.

The board, which meets regularly (six times during the last financial year including the annual general meeting) determines the policies and objectives of the group and provides overall strategic direction to ensure that the policies and objectives are carried out. There is a list of matters which are specifically the responsibility of the board to resolve. Monthly management accounts are circulated to the directors. An agenda of matters to be discussed, including latest group management accounts, is circulated to board members in advance of each main board meeting and discussions and decisions taken at those meetings are minuted in full.

The board believes Mr S D Hall and Mr J A Wild to be independent.

Given the size of the group, the board does not consider it necessary to change the ratio of non-executives to executive directors, or to have formal procedures for the directors, in the furtherance of their duties, to take independent professional advice at the company's expense. All directors have access to company secretarial services and advice.

Attendance at the six board meetings was as follows:

	Possible	Actual
G Halstead – non-executive	6	6
M Halstead	6	6
G R Oliver	6	6
E K Lotz	6	5
J A Wild – non-executive	6	6
S D Hall – non-executive	6	6

Board committees

The following board committees have been in operation throughout the year:

The Audit Committee – comprising Mr J A Wild as chairman, Mr G Halstead and Mr S D Hall meets twice a year. The external auditor is present at the meetings and the executive directors may attend at the request of the committee.

The Remuneration Committee – comprising Mr J A Wild as chairman, Mr G Halstead and Mr S D Hall decides on the remuneration of the executive directors.

The Nomination Committee – comprising the whole board is chaired by Mr G Halstead and considers the appointment of directors. As a result, the committee consists of three executive directors and three non-executive directors.

Internal control

The board has ultimate responsibility for the system of internal control operating throughout the group and for reviewing its effectiveness. Internal control systems in any group are designed to meet the particular needs of that group and the risks to which it is exposed. No system of internal control can provide absolute assurance against material misstatement or loss. The group's system is designed to manage rather than eliminate the risk of failure in order to achieve business objectives and to provide the board with reasonable assurance that potential problems will normally be prevented or will be detected in a manner which will enable appropriate action to be taken.

The key procedures which the directors have established with a view to providing effective internal control are as follows:

- the group directors are responsible for establishing, maintaining and reviewing the group's system of internal control and meet regularly to consider group financial performance, business development and management issues, and to review these against predetermined objectives;
- the group board establishes corporate strategy and business objectives. Management of subsidiary companies integrate these objectives into their business strategies for presentation to the group board with supporting financial objectives;
- subsidiary company budgets, containing financial and operating targets, capital expenditure proposals and performance/profitability indicators, are presented to and reviewed by the group executive directors. The consolidated group budget is approved by the group board;
- there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group. These risks are appraised and evaluated by responsible executives and endorsed by subsidiary and group management. This process has been in place throughout the year and up to the date of approval of the annual accounts;
- as part of the regular monitoring and review, the group executive directors hold regular meetings with the management of the subsidiary companies at which reports covering such areas as forecasts, business development, strategic planning, risk exposure and performance against budget, are presented and discussed. These are then reported to the group board, on a quarterly basis;

Statement of Corporate Governance
continued

- the group board reviews and considers any major problem which may have occurred and assesses how the risks have changed in the period under review;
- there is a group-wide policy governing appraisal and approval of capital expenditure and asset disposals;
- to underpin the effectiveness of controls, it is the group's policy to recruit management and staff of high calibre, integrity and appropriate disciplines. High standards of integrity, business ethics and compliance with laws, regulations and internal policies are demanded from staff at all levels;
- the audit committee keeps under review the effectiveness of the system of internal control and reports its conclusions to the full board;
- the board also conducts an assessment of the effectiveness of the internal control system. This assessment consists of a review of all the significant areas of internal control, including risk assessment, the control environment, control activities, information and communication, and monitoring.

Relations with shareholders

The executive directors are available to meet institutional shareholders and fund managers, given reasonable notice. The entire board is available to answer shareholders' questions at the annual general meeting.

Independent Auditor's Report to the Members of James Halstead plc

We have audited the financial statements of James Halstead plc for the year ended 30 June 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of the financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Storer (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

Manchester
United Kingdom
30 September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated Income Statement
for the year ended 30 June 2014

	Note	2014 £'000	Restated 2013 £'000
Revenue	5	223,488	217,082
Cost of sales		(131,765)	(126,799)
Gross profit		91,723	90,283
Selling and distribution costs		(40,559)	(39,877)
Administration expenses		(8,928)	(9,715)
Operating profit		42,236	40,691
Finance income	9	203	394
Finance cost	9	(686)	(590)
Profit before income tax	7	41,753	40,495
Income tax expense	10	(10,301)	(10,446)
Profit for the year attributable to equity shareholders		31,452	30,049
Earnings per ordinary share of 5p			
– basic	11	15.2p	14.5p
– diluted	11	15.1p	14.5p

All amounts relate to continuing operations.

Details of dividends paid and proposed are given in note 12.

The prior period has been restated as explained in note 31.

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2014

	2014 £'000	Restated 2013 £'000
Profit for the year	31,452	30,049
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	(2,459)	(2,913)
Deferred taxation – change of rate	71	35
	(2,388)	(2,878)
Items that could be reclassified subsequently to the income statement if specific conditions are met:		
Foreign currency translation differences	(2,260)	(93)
Fair value movements on hedging instruments	(606)	767
	(2,866)	674
Other comprehensive income for the year net of tax	(5,254)	(2,204)
Total comprehensive income for the year	26,198	27,845
Attributable to:		
Equity holders of the company	26,198	27,845

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 10.

The prior period has been restated as explained in note 31.

Consolidated Balance Sheet
as at 30 June 2014

	Note	2014 £'000	2013 £'000
Non-current assets			
Property, plant and equipment	14	31,358	33,391
Intangible assets	15	3,232	3,232
Deferred tax assets	16	4,755	5,545
		39,345	42,168
Current assets			
Inventories	17	57,423	56,761
Trade and other receivables	18	36,621	33,158
Derivative financial instruments	26	342	827
Cash and cash equivalents	19	38,677	34,866
		133,063	125,612
Current liabilities			
Trade and other payables	20	53,334	55,903
Derivative financial instruments	26	211	63
Current income tax liabilities		3,350	5,647
		56,895	61,613
Net current assets		76,168	63,999
Non-current liabilities			
Retirement benefit obligations	22	15,554	13,902
Deferred tax liabilities	16	744	815
Borrowings	21	200	200
Other payables	20	428	454
		16,926	15,371
Net assets		98,587	90,796
Equity			
Equity share capital	23	10,353	10,335
Equity share capital (B shares)	23	160	160
		10,513	10,495
Share premium account		2,740	2,101
Capital redemption reserve		1,174	1,167
Currency translation reserve		3,086	5,346
Hedging reserve		104	710
Retained earnings		80,970	70,977
Total equity attributable to shareholders of the parent		98,587	90,796

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2014.

M Halstead
Director

G R Oliver
Director

James Halstead plc Registration Number 140269

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2012	5,324	1,974	6,334	5,439	(57)	75,324	94,338
Changes In equity							
Profit for the year	–	–	–	–	–	30,049	30,049
Actuarial loss on the pension scheme	–	–	–	–	–	(2,913)	(2,913)
Deferred taxation change of rate	–	–	–	–	–	35	35
Foreign currency translation differences	–	–	–	(93)	–	–	(93)
Fair value movements on hedging instruments	–	–	–	–	767	–	767
Total comprehensive income for the year	–	–	–	(93)	767	27,171	27,845
Dividends	–	–	–	–	–	(31,518)	(31,518)
Issue of share capital	5,171	127	(5,167)	–	–	–	131
Balance at 30 June 2013	10,495	2,101	1,167	5,346	710	70,977	90,796
Changes In equity							
Profit for the year	–	–	–	–	–	31,452	31,452
Actuarial loss on the pension scheme	–	–	–	–	–	(2,459)	(2,459)
Deferred taxation change of rate	–	–	–	–	–	71	71
Foreign currency translation differences	–	–	–	(2,260)	–	–	(2,260)
Fair value movements on hedging instruments	–	–	–	–	(606)	–	(606)
Total comprehensive income for the year	–	–	–	(2,260)	(606)	29,064	26,198
Dividends	–	–	–	–	–	(18,638)	(18,638)
Issue of share capital	25	639	–	–	–	–	664
Shares purchased for cancellation	(7)	–	7	–	–	(433)	(433)
Balance at 30 June 2014	10,513	2,740	1,174	3,086	104	80,970	98,587

The prior period profit for the year and actuarial loss on the pension scheme have been restated as explained in note 31.

Consolidated Cash Flow Statement
for the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Cash inflow from operations	24	35,034	42,147
Interest received		203	394
Interest paid		(47)	(67)
Taxation paid		(11,500)	(11,353)
Cash inflow from operating activities		23,690	31,121
Purchase of property, plant and equipment		(2,941)	(3,731)
Proceeds from disposal of property, plant and equipment		1,719	242
Cash outflow from investing activities		(1,222)	(3,489)
Equity dividends paid		(18,638)	(31,518)
Shares issued		664	131
Purchase of own shares		(433)	–
Cash outflow from financing activities		(18,407)	(31,387)
Net increase/(decrease) in cash and cash equivalents		4,061	(3,755)
Effect of exchange differences		(250)	(83)
Cash and cash equivalents at start of year		34,866	38,704
Cash and cash equivalents at end of year		38,677	34,866

Notes to the Group Accounts

1. General information

James Halstead plc ("the company" or "the parent company") is a limited liability company, incorporated and domiciled in the United Kingdom. The address of its registered office is Beechfield, Hollinhurst Road, Radcliffe, Manchester, M26 1JN. The accounts of the company are presented on pages 47 to 56.

The group financial statements presented by the company on pages 16 to 46 consolidate the accounts of the company and its subsidiaries (together referred to as "the group"). The group financial statements are presented in pounds sterling.

2. Accounting policies

Basis of preparation

The group financial statements have been prepared on the historical cost basis as modified by the valuation of financial assets and financial liabilities (including derivative instruments) at fair value through the profit and loss account, in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the applicable provisions of the Companies Act 2006.

Basis of consolidation

The group financial statements consolidate the accounts of the parent company and all its subsidiaries, drawn up to 30 June each year. 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 30 June 2014, 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.

Recent accounting developments

The financial statements are prepared in accordance with International Financial Reporting Standards and interpretations in force at the reporting date. The group has not adopted any standards or interpretations in advance of the required implementation dates

IAS 19 "Employee benefits" was amended in June 2011. The amendment has been implemented in these financial statements and the prior period has been restated as required (see note 31).

There have been no new standards, interpretations and amendments, which are effective for accounting periods beginning on or after 1 July 2014, which are expected to have a material effect on the group's future financial statements.

Segment reporting

Operating segments are those segments for which results are reviewed by the group's chief operating decision maker ("CODM") to assess performance and make decisions about resources to be allocated. The CODM is the group board which meets regularly throughout the year to discuss the performance and results of the group as a whole. The business of the group is focussed almost entirely on the manufacture and distribution of flooring products. The group operates through separate legal entities in certain areas of the world and in order to provide information in a structured manner to readers of the accounts who are unfamiliar with the internal management reporting of the group, these operations are discussed by the chief executive in his report. However, having carefully considered the criteria in IFRS 8, the directors have concluded that the results of these operations be aggregated to create one reportable segment. This is consistent with the core principle of IFRS 8, which is to disclose information to enable users of the financial statements to evaluate the nature and financial effects of the business activities in which the group engages and the economic activities in which it operates.

Notes to the Group Accounts
continued

2. Accounting policies (continued)

Foreign currencies

Functional and presentation currency – the group's consolidated financial statements are presented in pounds sterling, the functional currency of the parent company, being the currency of the primary economic environment in which the parent company 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 (none of which has the currency of a hyperinflationary economy), 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 excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Goodwill is reviewed for impairment at least annually and when there are indications that the carrying amount may not be recoverable. For the purpose of impairment review, goodwill is allocated to the relevant cash generating unit (CGU) within the group. An impairment loss is recognised if the carrying value of the goodwill or its CGU exceeds its recoverable amount. Any impairment loss 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.

2. Accounting policies (continued)

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 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 not discounted and are based on tax rates and laws that are 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 on a weighted average cost basis. 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.

Trade and other receivables

Trade and other receivables are non-interest bearing and are stated at their nominal amount less provisions made for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on historical experience together with specific amounts that are not expected to be collectible. Individual amounts are written off when management deems them not to be collectible.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term (with an original maturity of three months or less) deposits 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.

Notes to the Group Accounts
continued

2. Accounting policies (continued)

Pension scheme arrangements (continued)

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 service cost is charged against operating profit and the net interest cost is charged as a finance cost. The net interest cost is calculated using the discount rate at the beginning of the period. The retirement benefit obligations recognised on the balance sheet represent the difference between the fair value of the scheme's assets and the present value of the scheme's defined benefit obligations measured at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method.

Actuarial gains and losses are recognised in the period in which they arise in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment is 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 over the estimated useful lives of the assets as follows:

Freehold buildings 10 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.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their nominal value.

Revenue recognition

Revenue comprises the amounts received or receivable in respect of the sale of goods provided in the normal course of business, net of trade discounts, rebates, 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.

2. Accounting policies (continued)

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, 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.

3. Financial risk management

Financial risk and treasury policies

The group's activities expose it to a number of financial risks as detailed below. These risks are managed, with the objective of limiting adverse effects, from the group's head office in accordance with policies determined by and decisions made by the group board.

There have been no changes in financial risks from the previous year.

Market risks

Market risk is the risk that changes in market prices, such as currency exchange rates and interest rates will affect the group's results. The objective of market risk management is to control it within suitable parameters.

(a) Foreign exchange risk

The group operates internationally and is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than sterling. There are a range of currencies giving rise to this risk, but most significant is the euro. To mitigate risks associated with future exchange rate fluctuations, the group's policy is to use forward exchange contracts to hedge its known and certain forecast transaction exposures based on historical experience and projections. The group hedges at least 25% but rarely more than 100% of the next twelve months' anticipated exposure.

(b) Interest rate risk

The group does not use derivative financial instruments to mitigate its exposure to interest rate risk. The main element of interest rate risk concerns sterling deposits which are made on floating market based rates and short-term overdrafts in foreign currencies which are also on floating rates.

Notes to the Group Accounts
continued

3. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group's trade receivables from customers and monies on deposit with financial institutions.

With regard to trade receivables, the group is not subject to significant concentration of credit risk. Exposure is spread across a large number of companies and the underlying local economic and sovereign risks vary across the world. Trade receivable exposures are managed locally in the individual operating units where they arise and credit limits are set as deemed appropriate. Where practicable and deemed necessary the group endeavours to minimise credit risks by the use of trade finance instruments such as letters of credit and insurance.

The group controls credit risk in relation to counterparties to other financial instruments by dealing only with highly rated financial institutions.

The group's maximum credit exposure on financial assets is represented by their book value.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Capital risk

The group's objectives in managing capital are to safeguard the ability of all entities within the group to continue as going concerns, whilst maximising the overall return to shareholders over time. The capital structure of the group consists of equity attributable to equity holders of the parent company less cash and cash equivalents.

The group will only usually take on borrowings where those borrowings would be financed by the cash expected to be generated by the related investment opportunity and where the borrowing would not significantly increase the group's exposure to risk.

At the year end the group had preference shares classified as debt of £200,000 and no other debt.

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain 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.

The estimates and judgements that have had the most significant effect on the amounts included in these consolidated financial statements are as follows:

4. Critical accounting estimates and judgements (continued)

Allowance for doubtful debts

Provision is made against accounts that in the estimation of management may be impaired. Within each of the operating units, assessment is made locally of the recoverability of trade receivables based on a range of factors including the age of the receivable and the creditworthiness of the customer. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payment. If the group is cautious as to the financial condition of the customer the group may provide for accounts that are subsequently recovered. Similarly, if the group is optimistic as to the financial condition of the customer, the group may not provide for an account that is subsequently determined to be irrecoverable. In recent years the group has not experienced significant variation in the amount charged to the income statement in respect of doubtful accounts, when compared to sales.

Inventories

For financial reporting purposes the group evaluates its inventory to ensure it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted within each business. Provision for slow moving and obsolete inventories is assessed by each business as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales. Future sales are assessed based on historical experience, and adjusted where the market conditions are known to have changed. To the extent that future events impact the saleability of inventory these provisions could vary significantly. For example, changes in specifications or regulations may render inventory, previously considered to have a realisable value in excess of cost, obsolete and require such inventory to be fully written off.

Income taxes

In determining the group's provisions for income tax and deferred tax it is necessary to consider transactions in a small number of key tax jurisdictions for which the ultimate tax determination is uncertain. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to income tax and deferred tax provisions held in the period the determination is made.

Retirement benefit obligations

The liability recognised in respect of retirement benefit obligations is dependent on a number of estimates including those relating to mortality, inflation, salary increases, and the rate at which liabilities are discounted. Any change in these assumptions would impact the retirement benefit obligations recognised. Further details on these estimates are provided in note 22.

Goodwill

Each year the group carries out impairment tests of its goodwill balances. This requires estimates to be made of the value in use of the relevant cash generating units (CGUs). These value in use calculations are dependent on estimates of the future cash flows and long-term growth rates of the relevant CGUs.

Notes to the Group Accounts
continued

5. Segmental information

Operating segments are those segments for which results are reviewed by the group's chief operating decision maker ("CODM") to assess performance and make decisions about resources to be allocated. The CODM is the group board which meets regularly throughout the year to discuss the performance and results of the group as a whole. The business of the group is focussed almost entirely on the manufacture and distribution of flooring products. The directors consider that under the definitions contained within IFRS 8 there is, therefore, only one reportable segment, which is the group as a whole. This is consistent with the core principle of IFRS 8, which is to disclose information to enable users of the financial statements to evaluate the nature and financial effects of the business activities in which the group engages and the economic activities in which it operates. Therefore the majority of the disclosures required under IFRS 8 have already been given in these financial statements.

Segment assets include property, plant and equipment, intangibles, inventories, receivables and derivative financial instruments. Cash and taxation are not included. Geographical disclosures in respect of revenues and total segment assets are provided below:

Revenue	2014 £'000	2013 £'000
United Kingdom	77,322	72,220
Europe and Scandinavia	96,607	93,825
Australasia and Asia	33,502	36,620
Rest of the World	16,057	14,417
	223,488	217,082

Assets	2014 £'000	2013 £'000
United Kingdom	70,288	70,730
Europe and Scandinavia	40,976	41,272
Australasia and Asia	16,654	14,581
Rest of the World	1,058	786
Total segment assets	128,976	127,369
Deferred tax assets	4,755	5,545
Cash and cash equivalents	38,677	34,866
Total assets	172,408	167,780

Revenue is by location of customer. Assets are by location of asset.

6. Employee profit share

Profit for the year is after charging the cost of the James Halstead plc share ownership plan. Since 1980 the group has operated an employee share scheme, approved under the Finance Act 1978. In December 2001 the shareholders approved a new share ownership plan in line with the requirements of legislative changes. The aim of this scheme is to enable employees to build up a personal shareholding in James Halstead plc and to participate in its continued expansion and success as shareholders as well as employees. As members of the scheme the UK directors, with the exception of Mr S D Hall and Mr J A Wild, of the parent company each received shares to the value of £3,000.

Under the rules of the schemes up to 5% of profit before taxation of the subsidiaries is paid out in profit share. In the case of UK employees this is paid to the trustees of the scheme who then acquire shares in the group. These shares are appropriated unconditionally to eligible employees by reference to their earnings and length of service.

	2014	2013
5p ordinary shares held by the trustees as at 30 June on behalf of the employees	1,026,614	1,337,798
As a percentage of shares in issue	0.50%	0.65%

7. Profit before income tax

Profit before tax is stated after charging/(crediting) the following:

	2014	2013
	£'000	£'000
Depreciation of property, plant and equipment	2,638	2,323
Operating lease rentals – land and buildings	2,060	1,786
Operating lease rentals – other	1,203	1,209
Research and development	1,820	1,822
Profit on disposal of property, plant and equipment	(120)	(72)
Fees payable to the group's auditor for the audit of the parent company and consolidated financial statements	38	36
Fees payable to the group's auditor and its associates for other services:		
the audit of the group's subsidiaries pursuant to legislation	95	77
taxation services	36	54
other services	3	1

Notes to the Group Accounts
continued

8. Staff costs and numbers

	2014 £'000	2013 £'000
Staff costs comprised:		
Wages and salaries	28,647	28,144
Social security costs	3,305	3,208
Pension costs – defined benefit scheme	506	577
– defined contribution schemes	611	575
	33,069	32,504

The average monthly number of employees during the year was:

	2014 Number	2013 Number
Manufacturing, selling and distribution	695	693
Administration	133	136
	828	829

The directors' remuneration was:

	2014 £'000	2013 £'000
Salary or fees	867	885
Bonuses	700	720
Benefits	10	10
Employee profit share scheme shares	9	9
Total remuneration excluding pension contributions	1,586	1,624
Pension contributions	51	50
	1,637	1,674

9. Finance income/(cost)

	2014 £'000	Restated 2013 £'000
Interest receivable and similar income:		
On bank deposits	199	393
Other	4	1
Finance income	203	394
Preference share dividend	(11)	(11)
Interest on short-term borrowing and other financing costs	(36)	(56)
	(47)	(67)
Net pension interest cost	(639)	(523)
Finance cost	(686)	(590)
Net finance cost	(483)	(196)

The prior period has been restated as explained in note 31.

10. Income tax expense

	2014 £'000	Restated 2013 £'000
Current tax		
Current tax – current year	9,804	10,655
Current tax – adjustments in respect of prior years	(557)	(722)
	9,247	9,933
Deferred tax		
Deferred tax – current year	568	136
Deferred tax – adjustments in respect of prior years	486	377
	1,054	513
Total taxation	10,301	10,446

The effective rate for the year to 30 June 2014 is higher (2013: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2014 £'000	Restated 2013 £'000
Profit before tax	41,753	40,495
Profit before tax multiplied by the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%)	9,394	9,618
Effects of:		
Adjustments to tax in respect of prior periods	(71)	(345)
Overseas tax rates	713	972
Permanent differences	164	122
Remeasurement of deferred tax due to change in UK tax rate	101	79
Total taxation	10,301	10,446

In addition to the amounts above £302,000 has been credited (2013: £736,000 credited) as other comprehensive income in respect of the actuarial loss (2013: loss) on the pension scheme, and have been netted off the amounts shown in the Consolidated Statement of Comprehensive Income.

The prior period has been restated as explained in note 31.

Notes to the Group Accounts
continued

11. Earnings per share

	2014 £'000	Restated 2013 £'000
Profit for the year attributable to equity shareholders	31,452	30,049
Weighted average number of shares in issue	206,955,099	206,643,767
Dilution effect of outstanding share options	669,102	954,657
Diluted weighted average number of shares	207,624,201	207,598,424
Basic earnings per 5p ordinary share	15.2p	14.5p
Diluted earnings per 5p ordinary share	15.1p	14.5p

The prior period has been restated as explained in note 31.

12. Dividends

	2014 £'000	2013 £'000
Equity dividends		
Special dividend nil (2013: 7.00p)	–	14,468
Interim dividend for current year of 3.00p (2013: 2.75p)	6,210	5,684
Final dividend for previous year of 6.00p (2013: 5.50p)	12,428	11,366
Amounts recognised as distributions to equity holders in the year	18,638	31,518

A final dividend of 7.00p per share, amounting to a total of £14,503,000 for the year ended 30 June 2014 will be proposed at the Annual General Meeting. This dividend is not reflected in these financial statements as it is not approved at the balance sheet date.

13. Profit of parent company

The profit attributable to the shareholders of James Halstead plc includes a profit, after dividends received, of £24,755,000 (2013: £24,776,000) which has been dealt with in the accounts of that company. James Halstead plc, which prepares its accounts in accordance with UK GAAP, has taken advantage of the legal dispensations contained in Section 408 of the Companies Act 2006 allowing it not to publish either a separate profit and loss account or a separate statement of total recognised gains and losses for the year ended 30 June 2014. The aggregate amount of directors' emoluments excluding pension contributions was £1,586,000 (2013: £1,624,000) of which the highest paid director's emoluments were £707,000 (2013: £726,000). The directors' salaries or fees for the year ended 30 June 2014 were Mr G Halstead £90,000, Mr M Halstead £352,000, Mr G R Oliver £325,000, Mr J A Wild £32,000, Mr E K Lotz £48,000 and Mr S D Hall £20,000.

14. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 30 June 2012	25,584	58,151	83,735
Additions	81	3,650	3,731
Disposals	(384)	(1,020)	(1,404)
Exchange differences	537	(33)	504
At 30 June 2013	25,818	60,748	86,566
Additions	246	2,695	2,941
Disposals	(1,456)	(1,041)	(2,497)
Exchange differences	(629)	(423)	(1,052)
At 30 June 2014	23,979	61,979	85,958
Depreciation			
At 30 June 2012	5,583	46,459	52,042
Charge for the year	625	1,698	2,323
Disposals	(384)	(850)	(1,234)
Exchange differences	87	(43)	44
At 30 June 2013	5,911	47,264	53,175
Charge for the year	617	2,021	2,638
Disposals	(99)	(799)	(898)
Exchange differences	(115)	(200)	(315)
At 30 June 2014	6,314	48,286	54,600
Net book value			
At 30 June 2012	20,001	11,692	31,693
At 30 June 2013	19,907	13,484	33,391
At 30 June 2014	17,665	13,693	31,358

Notes to the Group Accounts
continued

15. Intangible assets

Intangible assets consist entirely of goodwill. There were no additions to goodwill in the year. An impairment review was undertaken as at 30 June 2014 using cash flow projections, based on current levels of profitability and assumed growth of 0%-5% and a discount rate of 6%. The result of the review indicated that no impairment was required.

16. Deferred tax assets and liabilities

	Pension scheme deficit £'000	Accelerated tax depreciation £'000	Property revaluation £'000	Other timing differences £'000	Total £'000
At 30 June 2012	2,488	107	(850)	2,767	4,512
Charged to income statement – restated	(27)	(364)	–	(122)	(513)
Credited to equity – restated	736	–	35	–	771
Exchange differences	–	–	–	(40)	(40)
At 30 June 2013	3,197	(257)	(815)	2,605	4,730
Charged to income statement	(233)	(51)	–	(770)	(1,054)
Credited to equity	302	–	71	–	373
Exchange differences	–	–	–	(38)	(38)
At 30 June 2014	3,266	(308)	(744)	1,797	4,011

The prior period has been restated as explained in note 31.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same tax authority. The balances after allowing for such offsets are as follows:

	Asset £'000	Liability £'000	Total £'000
At 30 June 2012	5,362	(850)	4,512
At 30 June 2013	5,545	(815)	4,730
At 30 June 2014	4,755	(744)	4,011

All deferred tax assets and liabilities are analysed as non-current.

17. Inventories

	2014 £'000	2013 £'000
Raw materials	2,976	2,841
Consumable stores	81	588
Work in progress	1,036	1,140
Finished goods	53,330	52,192
	57,423	56,761

An amount of £1,437,000 has been credited (2013: £3,413,000 charged) to the income statement in respect of movements in inventory write-downs.

18. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	33,526	30,620
Other receivables	850	883
Prepayments and accrued income	2,245	1,655
	36,621	33,158

All amounts within trade and other receivables are due within one year. The fair value of amounts included trade and other receivables approximates to book value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The group does not hold any collateral as security.

The group's trade receivables are stated after a provision for impairment of £2,340,000 (2013: £2,246,000). Other balances within trade and other receivables do not contain impaired assets. The provision for impairment against trade receivables is based on specific risk assessments taking into account past default experience and is analysed as follows:

	2014 £'000	2013 £'000
At 1 July	2,246	2,817
Exchange movements	(23)	8
Charged/(credited) to income statement – selling and distribution costs	117	(579)
At 30 June	2,340	2,246

As at 30 June 2014, trade receivables of £9,774,000 (2013: £8,394,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 £'000	2013 £'000
Up to three months	8,922	7,854
Over three months	852	540
Total	9,774	8,394

The maximum exposure to credit risk for trade and other receivables by currency was:

	2014 £'000	2013 £'000
Sterling	9,898	7,976
Euro	12,905	12,398
Australian Dollars	2,914	3,100
New Zealand Dollars	787	969
Norwegian Krone	786	670
US Dollars	3,022	3,048
Hong Kong Dollars	1,732	1,227
Other currencies	2,332	2,115
Total	34,376	31,503

Notes to the Group Accounts
continued

19. Cash and cash equivalents

The fair values of cash and cash equivalents approximate to book value due to their short maturities.

The currency analysis of cash and cash equivalents is as follows:

	2014 £'000	2013 £'000
Sterling	30,669	31,852
Euro	2,586	1,085
Australian Dollars	2,287	1,446
New Zealand Dollars	344	(64)
Norwegian Krone	610	567
US Dollars	1,631	297
Other currencies	550	(317)
Total	38,677	34,866

20. Trade and other payables

	2014 £'000	2013 £'000
Amounts falling due within one year		
Trade payables	33,270	35,790
Value added, payroll and other taxes	3,074	2,111
Other payables	1,554	1,585
Accruals	15,436	16,417
	53,334	55,903
Amounts falling due after more than one year		
Other payables	428	454

The fair value of amounts included in trade and other payables approximates to book value.

21. Borrowings

	2014 £'000	2013 £'000
Non-current liabilities		
Preference shares	200	200

All items included within borrowings are denominated in pounds sterling.

The cumulative preference shares have no fixed repayment date. They are not listed and therefore no market price is available. At 30 June 2014 and 30 June 2013 the fair value of the preference shares was not materially different from their book value.

22. Retirement benefit obligations

In the UK the group operates a defined benefit pension scheme which was closed to new members in 2002. In addition some employees both in the UK and overseas are provided with retirement benefits through defined contribution arrangements. Executive directors Mr M Halstead and Mr G R Oliver are members of the defined benefit scheme and the employer pension contributions for the year were £26,000 and £25,000 respectively. At 30 June 2014 the accrued pension for the highest paid director was £96,000 and the transfer value of this accrued benefit was £1,663,000.

Disclosures relating to the defined benefits pension scheme are as follows:

The company sponsors the Halstead Group Pension Scheme, a funded defined benefit pension scheme in the UK. The scheme is administered within a trust which is legally separate from the company. Trustees are appointed by both the company and the scheme's membership and act in the interest of the scheme and all relevant stakeholders, including the members and the company. The trustees are also responsible for the investment of the scheme's assets.

Existing members accrue an annual pension of 1/60th or 1/80th (depending on category) of final salary for each year of pensionable service, increasing in line with inflation whilst in payment. On the death of an active member the scheme provides the widow(er) a lump sum and a spouse's pension. Members who leave service before retirement are entitled to a deferred pension.

Active members of the scheme pay contributions at the rate of either 7.5% or 6% of salary depending on category and the company pays the balance of the cost as determined by regular actuarial valuations.

The scheme poses a number of risks to the company, for example, longevity risk, investment risk, interest rate risk, inflation risk and salary risk. The trustees are aware of these risks and use various techniques to control them. The trustees have a number of internal control policies including a risk register, which are in place to manage and monitor the various risks they face.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. An actuarial valuation is currently in progress with an effective date of 5 April 2014. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The last formal actuarial valuation was carried out as at 5 April 2011. The results of that valuation have been projected forward to 30 June 2014 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

IAS 19 "Employee benefits" was amended in June 2011. The amendment has been implemented in these financial statements and the prior period has been restated as required (see note 31).

	2014	2013
Principal actuarial assumptions at the balance sheet date		
Discount rate at end of year	4.55%	4.90%
Future salary increases	2.45%	2.35%
Future pension increases	3.20%	3.10%
Rate of inflation – RPI	3.20%	3.10%
– CPI	2.45%	2.35%
Future expected lifetime of current pensioner at age 65:		
Male born in 1949	22.1 years	22.0 years
Female born in 1949	24.8 years	24.8 years
Future expected lifetime of future pensioner at age 65:		
Male born in 1969	23.0 years	23.0 years
Female born in 1969	26.0 years	25.9 years

Notes to the Group Accounts
continued

22. Retirement benefit obligations (continued)

The sensitivities of the principal assumptions used to measure the scheme liabilities are as follows:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 0.1%	Increase by 1.5%
Rate of inflation	Increase by 0.1%	Increase by 1.5%
Expected lifetime	Increase by 1 year	Increase by 3.6%

The sensitivities may not be representative of the actual change in the present value of the scheme obligations, as it is unlikely that the change in assumptions would occur in isolation of each other, as the assumptions may be linked.

Amounts recognised in the balance sheet	2014 £'000	2013 £'000
Present value of funded obligations	(67,399)	(61,440)
Fair value of scheme assets	51,845	47,538
Net liability before deferred taxation	(15,554)	(13,902)
Related deferred tax asset	3,266	3,197
Net liability after deferred taxation	(12,288)	(10,705)

Amounts recognised in the income statement	2014 £'000	Restated 2013 £'000
Current service cost	(506)	(577)
Net interest cost	(639)	(523)
	(1,145)	(1,100)

	2014 £'000	Restated 2013 £'000
Amounts recognised in other comprehensive income		
Return on assets excluding amount included in net interest cost	2,311	3,234
Loss arising from changes in financial assumptions	(5,072)	(6,883)
	(2,761)	(3,649)
Deferred tax	302	736
	(2,459)	(2,913)

The actual return on the scheme assets in the year was a £4,632,000 gain (2013: £5,272,000 gain).

22. Retirement benefit obligations (continued)

	2014 £'000	Restated 2013 £'000
Changes in the present value of the scheme assets		
Opening fair value of scheme assets	47,538	43,263
Interest income	2,321	2,038
Return on assets excluding interest income	2,311	3,234
Employer contributions	2,254	1,214
Employee contributions	269	303
Benefits paid	(2,848)	(2,514)
	51,845	47,538

	2014 £'000	2013 £'000
Changes in the present value of the scheme obligations		
Opening defined benefit obligations	61,440	53,630
Service cost	506	577
Interest cost	2,960	2,561
Employee contributions	269	303
Actuarial losses arising from changes in financial assumptions	5,072	6,883
Benefits paid	(2,848)	(2,514)
	67,399	61,440

Major categories of scheme assets

	2014 £'000	2013 £'000
Return seeking		
UK equities	23,986	11,928
Overseas equities	5,874	–
Diversified growth fund	13,969	31,700
	43,829	43,628
Debt instruments		
Corporates	1,490	1,955
Gilts	570	–
Index linked	102	–
	2,162	1,955
Other		
Property	2,435	1,202
Cash	3,419	753
	5,854	1,955
Total market value of assets	51,845	47,538

All of the scheme assets are held in pooled managed funds which can be classified as level 2 instruments based on the definition in IFRS 13.

The scheme has no investments in the company or in property occupied by the company.

Notes to the Group Accounts
continued

22. Retirement benefit obligations (continued)

Scheme liabilities by category of membership

	2014 £'000	2013 £'000
Active members	28,874	24,445
Deferred pensioners	11,061	9,986
Pensions in payment	27,464	27,009
	67,399	61,440

Average duration of scheme liabilities

	2014 years	2013 years
Active members	20	20
Deferred pensioners	18	18
Pensions in payment	11	11
All scheme liabilities	16	16

Normal company contributions of £1,215,000 are expected to be paid into the scheme during the year ended 30 June 2015.

23. Share capital

Ordinary shares – allotted, issued and fully paid	2014 Number	2013 Number	2014 £'000	2013 £'000
At 1 July ordinary shares of 5p each	206,696,188	103,290,844	10,335	5,164
Bonus issue of ordinary shares of 5p each	–	103,325,594	–	5,167
Other ordinary shares of 5p each issued	501,820	79,750	25	4
Ordinary shares of 5p each purchased for cancellation	(135,000)	–	(7)	–
At 30 June ordinary shares of 5p each	207,063,008	206,696,188	10,353	10,335
Ordinary B shares of 1p each at 1 July 2013 and 30 June 2014	16,042,530	16,042,530	160	160
Total allotted, issued and fully paid			10,513	10,495

The group also has preference shares in issue as detailed below which are required, under accounting rules, to be disclosed as financial instruments within creditors. Full details of these are given in note 8 of the financial statements of the company.

Preference shares	2014 £'000	2013 £'000
Authorised		
9,265,580 C preference shares of 60p each	5,559	5,559
200,000 5.5% preference shares of £1 each	200	200
Allotted, issued and fully paid		
200,000 5.5% preference shares of £1 each	200	200

The respective rights of each class of shares are detailed in note 8 of the financial statements of the company.

23. Share capital (continued)

Issue of ordinary shares and number of ordinary shares under option

Under the terms of the executive share option scheme approved on 3 December 1998, options were exercised on 501,820 shares, and 40,000 options were granted during the year. Details of those options still outstanding are as follows:

Director	Date of grant	Date exercisable	Date of expiry	Exercise price (pence)	Number b/fwd at 01.07.13	Exercised in the year	Granted in the year	Number c/fwd at 30.06.14
G Halstead	4 May 05	3 May 08	3 May 15	64.0625	120,000	–	–	120,000
	9 Jan 06	8 Jan 09	8 Jan 16	88.5625	80,000	–	–	80,000
	4 Jul 07	3 Jul 10	3 Jul 17	144.7125	160,000	–	–	160,000
	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	60,000	–	–	60,000
M Halstead	4 Jul 07	3 Jul 10	3 Jul 17	144.7125	160,000	(150,000)	–	10,000
	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	80,000	–	–	80,000
G R Oliver	4 Jul 07	3 Jul 10	3 Jul 17	144.7125	160,000	(150,000)	–	10,000
	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	80,000	–	–	80,000
E K Lotz	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	60,000	–	–	60,000
Total – directors					960,000	(300,000)	–	660,000

Employees	Date of grant	Date exercisable	Date of expiry	Exercise price (pence)	Number b/fwd at 01.07.13	Exercised in the year	Granted in the year	Number c/fwd at 30.06.14
	9 Jan 06	8 Jan 09	8 Jan 16	88.5625	80,000	–	–	80,000
	4 Jul 07	3 Jul 10	3 Jul 17	144.7125	140,180	(44,448)	–	95,732
	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	383,240	(157,372)	–	225,868
	9 Apr 14	8 Apr 17	8 Apr 24	290.2500	–	–	40,000	40,000
Total – employees					603,420	(201,820)	40,000	441,600
Grand total					1,563,420	(501,820)	40,000	1,101,600

The market price of the shares at 30 June 2014 was 280p (2013: 273p).

The share price during the year ranged from 238p to 338p.

Notes to the Group Accounts
continued

23. Share capital (continued)

Issue of ordinary shares and number of ordinary shares under option (continued)

The average share price at the date on which options were exercised in the year was £2.92.

At 30 June 2014 there were 1,061,600 (2013: 1,563,420) share options exercisable at a weighted average price of £1.08 (2013: £1.16).

Aggregate gains on the exercising of share options by directors in the year amounted to £452,000 (2013: £nil) of which £226,000 (2013: £nil) related to the highest paid director. Options were exercised over nil shares in the year to 30 June 2013.

A summary of movements in numbers of share options is as follows:

	Number of options	Average exercise price (£)
At 30 June 2012	1,677,920	1.16
Exercised in the year	(114,500)	1.15
At 30 June 2013	1,563,420	1.16
Exercised in the year	(501,820)	1.32
Granted in the year	40,000	2.90
At 30 June 2014	1,101,600	1.15

Share based payments

The group's equity settled share based payments comprise the grant of share options to certain employees under the group's executive share option scheme. Details of such options are given above. The group calculated the fair value of the options at the date of grant using the Black Scholes model.

An expense based on the fair value calculated at the date of grant was recognised in the profit and loss account over the vesting period of the options. There was no share based payment expense for the two years ended 30 June 2014.

24. Cash inflow from operations

	2014 £'000	2013 £'000
Operating profit	42,236	40,691
Depreciation	2,638	2,323
Profit on sale of property, plant and equipment	(120)	(72)
Increase in inventories	(2,603)	(3,964)
Increase in trade and other receivables	(5,181)	(1,903)
(Decrease)/increase in trade and other payables	(78)	5,629
Defined benefit pension scheme service cost	506	577
Defined benefit pension scheme employer contributions paid	(2,254)	(1,214)
Changes in fair value of financial instruments	(110)	80
	35,034	42,147

25. Commitments

	2014 £'000	2013 £'000
Capital commitments		
Contracted for but not incurred – property, plant and equipment	–	63

Operating lease commitments

The group leases various warehouses and items of plant and equipment under non-cancellable leases over various periods. The future minimum aggregate lease payments under non-cancellable operating leases are as follows:

	2014 Land and buildings £'000	2014 Other £'000	2013 Land and buildings £'000	2013 Other £'000
Not later than one year	2,102	899	2,173	845
Later than one year and not later than five years	6,180	1,074	7,023	1,395
Later than five years	496	31	2,062	1,727
	8,778	2,004	11,258	3,967

26. Derivative financial instruments

The group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the entity concerned. The currencies giving rise to this risk are various, but the most significant are US Dollar and Euro. Forward exchange contracts are used to manage this exposure to fluctuations in foreign exchange rates.

The group hedges, using forward exchange contracts, transactions denominated in a foreign currency which are not matched against other transactions in the same currency within the group. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. The group buys or sells foreign currency at spot where necessary to address any short-term imbalances.

The group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value.

The fair values have been calculated by applying (where relevant), for equivalent maturity profiles, the rate at which forward currency contracts with the same principal amounts could be acquired at the balance sheet date.

Changes in the fair value of forward exchange contracts for which no hedge accounting is applied or where the hedge is considered ineffective are recognised in the income statement.

Other than the use of forward exchange contracts as detailed above, the group does not make use of derivative financial instruments.

Notes to the Group Accounts
continued

27. Financial instruments

For cash and cash equivalents and trade and other payables and receivables the fair value approximates to their book value due to the short maturity profile of these financial instruments. On receivables, allowances are made within the book value for credit risk. The fair value of forward exchange contracts is determined by reference to spot rates adjusted for the forward points to the contract value date.

The book values and fair values of financial instruments are set out below:

	2014 Book value £'000	2014 Fair value £'000	2013 Book value £'000	2013 Fair value £'000
Current:				
Trade and other receivables	34,376	34,376	31,503	31,503
Forward exchange contracts	342	342	827	827
Cash and cash equivalents	38,677	38,677	34,866	34,866
Trade and other payables	(50,260)	(50,260)	(53,792)	(53,792)
Forward exchange contracts	(211)	(211)	(63)	(63)
Total	22,924	22,924	13,341	13,341
Non-current:				
Borrowings	(200)	(200)	(200)	(200)

Other than forward exchange contracts which are categorised as derivative instruments, all financial assets are categorised as loans and receivables and all financial liabilities are categorised as financial liabilities measured at amortised cost.

The nominal values of the forward exchange contracts outstanding at the year end are disclosed in note 13 of the financial statements of the company.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. IFRS 7 requires that these be grouped into Levels 1 to 3 based on the degree to which the fair value is observable. All items in the table below are categorised as Level 2 which, as defined by IFRS 7, refers to those items whose fair value measurement is derived from inputs other than that are observable for the asset or liability either directly or indirectly.

	2014 £'000	2013 £'000
Forward exchange contracts at fair value through profit and loss account	50	4
Forward exchange contracts at fair value through hedging reserve	81	760
	131	764

27. Financial instruments (continued)

Sensitivity analysis

The group's principal exposures in relation to market risks are to changes in the Euro exchange rate against sterling and to changes in UK interest rates. The group does not fix the interest rate receivable on its sterling balances, and based on balances held at the year end, a 1% increase or decrease in sterling interest rates would lead to an increase or decrease in post-tax earnings of £238,000 (2013: £243,000). The table below details the notional impact of changes in the Euro exchange rate against sterling on the group's post-tax profit and equity. The gains and losses arise from the translation of receivables, payables, cash and forward exchange contracts which are denominated in currencies other than each subsidiary's reporting currency.

	2014 Post-tax profits £'000	2014 Equity £'000	2013 Post-tax profits £'000	2013 Equity £'000
Euro 5% stronger against sterling	(24)	(24)	23	23
Euro 5% weaker against sterling	22	22	(21)	(21)

28. Group companies

At 30 June 2014, the trading subsidiaries of the group were:

Name of subsidiary	Activity	Country of incorporation	Proportion owned (%)
Polyflor Limited	Flooring manufacturing and distribution	England	100
Riverside Flooring Limited	Flooring manufacturing	England	100
Polyflor Australia Pty Limited	Flooring distribution	Australia	100
James Halstead Flooring New Zealand Limited	Flooring distribution	New Zealand	100
Polyflor Canada Inc.	Flooring distribution	Canada	100
Objectflor Art und Design Belags GmbH	Flooring distribution	Germany	100
Karndean International GmbH	Flooring distribution	Germany	100
James Halstead France SAS	Flooring distribution	France	100
Falck Design AB	Flooring distribution	Sweden	100

Notes to the Group Accounts
continued

29. Exchange rates

The currency exchange rates used to translate the results, assets and liabilities of foreign subsidiaries were:

	2014 Average	2014 Closing	2013 Average	2013 Closing
Euro	1.20	1.25	1.21	1.17
Australian dollar	1.77	1.81	1.53	1.66
New Zealand dollar	1.96	1.95	1.91	1.96
Canadian dollar	1.74	1.82	1.58	1.60
Swedish Krona	10.63	11.43	10.36	10.24

30. Related parties

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The group's contributions to the defined benefit pension scheme are disclosed in note 22.

Details of other related party transactions for the group are shown in the directors' report, board report on remuneration and in the notes to the financial statements.

31. Prior period restatement

IAS 19 "Employee benefits" was amended in June 2011. The amendment has been implemented in these financial statements and the prior period has been restated as required.

Previously the net pension interest cost comprised the expected return on scheme assets less the interest on scheme liabilities at the discount rate. The amendment requires the net pension interest cost to be calculated on the scheme net liabilities at the discount rate. This has a consequential impact on the amounts recognised in other comprehensive income.

The effects of the prior period restatement were as follows:

	2013 £'000
Profit for the year as previously reported	30,599
Increase in net pension interest cost	(714)
Deferred tax credit	164
Profit for the year as restated	30,049
Other comprehensive income for the year net of tax as previously reported	(2,754)
Adjustment to actuarial loss on the defined benefit pension scheme	714
Deferred tax on the adjustment	(164)
Other comprehensive income for the year net of tax as restated	(2,204)

The total comprehensive income for the year is unchanged by the restatement.

The consolidated balance sheet and cash flow statement are not affected by the restatement.

If the amendment to IAS 19 had not been implemented then the basic and diluted earnings per share for the year ended 30 June 2014 would have been 0.3p higher (2013: 0.3p higher).

Company Balance Sheet
as at 30 June 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible fixed assets	2	4,248	5,753
Investments	3	18,850	18,843
		23,098	24,596
Current assets			
Debtors	4	41,023	36,484
Cash at bank, in hand and on short-term deposit	13	19,400	17,463
		60,423	53,947
Creditors – amounts falling due within one year	6	(10,672)	(12,042)
Net current assets		49,751	41,905
Total assets less current liabilities		72,849	66,501
Creditors – amounts falling due after more than one year	7	(200)	(200)
		72,649	66,301
Capital and reserves			
Equity share capital		10,353	10,335
Equity share capital (B shares)		160	160
Called up share capital	8	10,513	10,495
Share premium account	9	2,740	2,101
Capital redemption reserve	10	1,174	1,167
Profit and loss account	11	58,222	52,538
Total shareholders' funds		72,649	66,301

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2014.

M Halstead
Director

G R Oliver
Director

James Halstead plc Registration Number 140269

Notes to the Financial Statements of the Company

1. Accounting policies

Basis of preparation

The financial statements for the company have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The company continues to prepare its financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP). The directors consider that the accounting policies set out below are applicable, are supported by reasonable judgements and estimates and have been consistently applied. The financial statements have been prepared on the going concern basis.

Profit and recognised gains and losses of the company

The company has taken advantage of the legal dispensation contained in Section 408 of the Companies Act 2006 allowing it not to publish a separate profit and loss account and related notes.

Dividends

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

Share based payments

The company grants share options to certain James Halstead group 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 company uses the Black Scholes model for the purpose of computing fair value.

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.

Tangible fixed assets

Fixed assets are stated at cost, which includes the costs of transport, installation and commissioning. Interest is not capitalised. Depreciation of freehold buildings has been calculated at a rate of 2% of cost or valuation. No depreciation has been provided in respect of the company's interests in land or for assets in the course of construction. Depreciation of plant, machinery and equipment is provided mainly on the straight line method and has been calculated at appropriate rates varying between 5% and 40% as determined by reference to the anticipated life of each asset.

Investments

Investments in subsidiaries are stated at cost less provision for impairment in value.

1. Accounting policies (continued)

Deferred taxation

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising on unremitted earnings of subsidiaries where there is no commitment to remit these earnings.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension scheme arrangements

The company operates a defined benefit scheme, which was closed to new members in 2002. The company also operates a defined contribution scheme for those employees who prefer this option or who are unable to join the defined benefit scheme. As the company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme on a consistent and reasonable basis, the company accounts for the scheme as though it were a defined contribution scheme. Accordingly the amount charged to the profit and loss account is the contribution payable in the year to both the defined benefit and defined contribution schemes. Differences between contributions payable in the year and contributions actually paid are shown as accruals or prepayments in the balance sheet.

2. Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 30 June 2013	9,152	466	9,618
Additions	105	56	161
Disposals	(1,456)	(98)	(1,554)
At 30 June 2014	7,801	424	8,225
Depreciation			
At 30 June 2013	3,591	274	3,865
Charge for the year	227	63	290
Disposals	(99)	(79)	(178)
At 30 June 2014	3,719	258	3,977
Net book value			
At 30 June 2014	4,082	166	4,248
At 30 June 2013	5,561	192	5,753

Notes to the Financial Statements of the Company
continued

3. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 30 June 2013	28,243
Group transfers	7
At 30 June 2014	28,250
Provision for impairment	
At 30 June 2013	9,400
At 30 June 2014	9,400
Net book value	
At 30 June 2014	18,850
At 30 June 2013	18,843

At 30 June 2014, the company held directly and indirectly 100% of the equity and voting rights of the following undertakings:

Name of subsidiary	Activity	Country of incorporation	Proportion owned (%)
Owned by the company			
Polyflor Limited	Flooring manufacturing and distribution	England	100
Riverside Flooring Limited	Flooring manufacturing	England	100
Halstead Flooring International Limited	Dormant company	England	100
Titan Leisure Group Limited	Holding company	England	100
Halstead Flooring Concepts Pty Limited	Holding company	Australia	100
Polyflor Canada Inc.	Flooring distribution	Canada	100
Objectflor Art und Design Belags GmbH	Flooring distribution	Germany	100
James Halstead France SAS	Flooring distribution	France	100
Falck Design AB	Flooring distribution	Sweden	100
Owned by subsidiaries			
Polyflor Australia Pty Limited	Flooring distribution	Australia	100
James Halstead Flooring New Zealand Limited	Flooring distribution	New Zealand	100
Karndean International GmbH	Flooring distribution	Germany	100

4. Debtors

	2014 £'000	2013 £'000
Trade debtors	117	129
Amounts owed by group undertakings	40,437	35,555
Deferred tax assets (note 5)	205	458
Other debtors	76	191
Prepayments and accrued income	188	151
	41,023	36,484

5. Deferred taxation

	2014 £'000	2013 £'000
Accelerated capital allowances	(153)	(163)
Short-term timing differences	358	621
	205	458
Opening balance	458	531
Charge to profit and loss account	(253)	(73)
Closing balance	205	458

6. Creditors – amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	185	604
Amounts due to group undertakings	6,631	6,631
Corporation tax payable	52	263
Other taxation and social security	109	100
Other creditors	237	206
Accruals and deferred income	3,458	4,238
	10,672	12,042

7. Creditors – amounts falling due after more than one year

	2014 £'000	2013 £'000
Preference shares	200	200

Notes to the Financial Statements of the Company
continued

8. Share capital

Ordinary shares – allotted, issued and fully paid	2014 Number	2013 Number	2014 £'000	2013 £'000
At 1 July ordinary shares of 5p each	206,696,188	103,290,844	10,335	5,164
Bonus issue of ordinary shares of 5p each	–	103,325,594	–	5,167
Other ordinary shares of 5p each issued	501,820	79,750	25	4
Ordinary shares of 5p each purchased for cancellation	(135,000)	–	(7)	–
At 30 June ordinary shares of 5p each	207,063,008	206,696,188	10,353	10,335
Ordinary B shares of 1p each at 1 July 2013 and 30 June 2014	16,042,530	16,042,530	160	160
Total allotted, issued and fully paid			10,513	10,495

The group also has preference shares as detailed below which are required, under accounting rules to be disclosed as financial instruments within creditors.

Preference shares	2014 £'000	2013 £'000
Authorised		
9,265,580 C preference shares of 60p each	5,559	5,559
200,000 5.5% preference shares of £1 each	200	200
Allotted, issued and fully paid		
200,000 5.5% preference shares of £1 each	200	200

Shareholders approved a proposal for the return of capital ("return of capital") at an extraordinary general meeting on 6 December 2004. This resulted in the creation of the 1 pence B ordinary shares ("B shares") and the 60 pence C preference shares ("C shares") as described below.

8. Share capital (continued)

The B shares were issued on 14 January 2005 on the basis of 1 B share for every ordinary share held on the record date by those shareholders who either (a) elected to receive B shares or (b) elected to receive C shares, but whose allocation was scaled back according to the restriction on the number of C shares available for issue. Following the issue of the B shares, holders received a single dividend of 60p for every B share held, after which all B shares were automatically converted into deferred shares. These shares are not listed, have extremely limited rights and are of negligible value.

The 5.5% cumulative preference shares of £1 shall confer on the holders thereof the right to receive in priority to all other shares in the capital of the company out of the profits of the company which it shall be determined to distribute, a fixed cumulative preferential dividend at the rate of 5.5% per annum on the capital for the time being paid up thereon and the right in the event of a winding up, in priority to all other shares in the capital of the company, to repayment of the capital paid up thereon together with a premium of 5p per share and a sum equivalent to any arrears and accruals of the said fixed cumulative preferential dividend thereon (whether earned or declared or not) calculated up to the date of such repayment of capital but shall not confer any further right to participate in profits or assets of James Halstead plc.

The company shall not be at liberty to create or issue any further share ranking in priority to or *pari passu* with the preference shares without the consent in writing of the holders of three-fourths of the issued preference shares or the sanction of an extraordinary resolution of the holders of such preference shares passed at a separate general meeting of such holders. The preference shares shall not confer upon the holders thereof the right to attend or vote at any general meeting of the company or to receive notice thereof, unless either:

(i) At the date of the notice convening the meeting the fixed cumulative preferential dividend on the preference shares is six months in arrears and then so long only as such dividend shall remain unpaid, and so that for this purpose the dividend on the preference shares shall be deemed to accrue due and be payable by equal half-yearly instalments on 30 June and 31 December in every year, or

(ii) The business of the meeting includes the consideration of a resolution for reducing the capital or winding up the company or for the sale of its undertaking or of any resolution directly abrogating or varying any of the special rights or privileges attached to the preference shares.

The preference shares shall nevertheless entitle the holders thereof to receive notice of every general meeting. At a general meeting at which the holders of preference shares are entitled to attend and vote, the preference shares shall entitle a holder thereof, or his proxy, to vote only for every preference share held by him.

9. Share premium account

	2014 £'000	2013 £'000
At 1 July	2,101	1,974
Shares issued	639	127
At 30 June	2,740	2,101

Notes to the Financial Statements of the Company
continued

10. Capital redemption reserve

	2014 £'000	2013 £'000
At 1 July	1,167	6,334
Bonus issue	–	(5,167)
Shares purchased for cancellation	7	–
At 30 June	1,174	1,167

11. Profit and loss account

	2014 £'000	2013 £'000
At 1 July	52,538	59,280
Profit for the year	24,755	24,776
Equity dividends paid	(18,638)	(31,518)
Shares purchased for cancellation	(433)	–
At 30 June	58,222	52,538

Audit fees for the company are given in note 7 to the group accounts.

12. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the year	24,755	24,776
Equity dividends paid	(18,638)	(31,518)
Issue of share capital	664	131
Shares purchased for cancellation	(433)	–
Net increase/(decrease) in shareholders' funds for the year	6,348	(6,611)
Opening equity shareholders' funds	66,301	72,912
Closing equity shareholders' funds	72,649	66,301

13. Financial instruments

A full description of the James Halstead plc group's treasury policy is contained in the financial director's review on page 6.

FRS 13 "Derivatives and Other Financial Instruments: disclosures" requires certain disclosures in respect of financial assets and liabilities and these are set out below.

The company has taken advantage of the exemption available under FRS 13 and accordingly details in respect of short-term debtors and creditors are excluded from all the following disclosures.

(i) Preference shares
The preference shares in issue are fully described in note 8. The preference shares have no fixed repayment date. The book value of the preference shares in issue at 30 June 2014 was £200,000 (2013: £200,000). The fair value of the preference shares was not materially different to their book value. Under the requirements of FRS 25 the preference shares are included in creditors.

13. Financial instruments (continued)

(ii) Currency and interest rate profile of financial assets

	Book and fair values	
	2014	2013
	£'000	£'000
Cash at bank, in hand and on short-term deposit	19,400	17,463

All balances are current accounts or overnight deposits and in all cases interest rates are floating and are based on relevant national bank base and deposit rates.

For the purposes of managing the James Halstead group's currency exposures, the company operates bank accounts in certain foreign currencies with its UK clearing banks some of which are generally operated as overdrafts. Cash at bank and in hand in the company balance sheet is shown net of overdrafts in line with the company's arrangements with its bankers.

(iii) The management of the currency risk for the James Halstead plc group as a whole is undertaken by the company. The group uses foreign currency bank accounts and fixed forward currency exchange contracts to manage its exposure to risk from fluctuations in forward exchange rates. The vast majority of the group's forward contracts and all of its foreign currency bank accounts used for this purpose are managed by and are in the name of the holding company, James Halstead plc. The vast majority of the transactions the value of which are exposed to exchange rate fluctuations are not those of the company but of its subsidiaries. Hence the disclosures below relate almost entirely to bank accounts and fixed forward contracts as at the year end.

Net foreign currency monetary financial assets/(liabilities) within the balance sheet were:

	2014	2013
	£'000	£'000
Australian Dollars	727	(354)
Canadian Dollars	(3)	(44)
Euro	507	(280)
Hong Kong Dollars	(136)	(388)
New Zealand Dollars	(173)	(330)
Norwegian Krone	(324)	(203)
US Dollars	1,204	(111)
Others	(326)	(532)
	1,476	(2,242)

Notes to the Financial Statements of the Company
continued

13. Financial instruments (continued)

The nominal values of forward exchange contracts outstanding at the year end, were as follows:

	2014 £'000	2013 £'000
Contracts to sell:		
Australian Dollars	6,244	3,956
Canadian Dollars	1,487	1,522
Euro	3,321	1,713
Hong Kong Dollars	1,848	1,342
New Zealand Dollars	1,341	1,129
Norwegian Krone	1,375	1,481
Others	2,872	1,955
	18,488	13,098
Contracts to sell Euro/buy US Dollars	19,737	19,713

The fair values of forward exchange contracts outstanding at the year end were as follows:

	2014 Asset/(liability) £'000	2013 Asset/(liability) £'000
Contracts to sell:		
Australian Dollars	(49)	379
Canadian Dollars	12	24
Euro	114	2
Hong Kong Dollars	36	(15)
New Zealand Dollars	(26)	68
Norwegian Krone	46	79
Others	47	70
	180	607
Contracts to sell Euro/buy US Dollars	(49)	157

14. Related party transactions

The company has taken advantage of the exemption conferred in FRS 8 "Related party disclosures" not to disclose transactions with wholly owned subsidiaries.

Ten Year Summary (Unaudited)

	2005 UK GAAP	2006 UK GAAP	2007 IFRS	2008 IFRS	2009 IFRS	2010 IFRS	2011 IFRS	2012 IFRS	2013 IFRS	2014 IFRS
Revenue	112,353	126,024	137,252	158,740	169,263	186,424	213,944	226,335	217,082	223,488
Profit before income tax	13,760	17,481	23,206	29,605	32,604	35,307	37,538	41,726	40,495	41,753
Income tax	(4,276)	(5,647)	(7,569)	(9,431)	(8,036)	(9,948)	(10,768)	(11,941)	(10,446)	(10,301)
Profit after income tax	9,484	11,834	15,637	20,174	24,568	25,359	26,770	29,785	30,049	31,452

Unless otherwise stated all amounts are in £ thousands.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Basic earnings per 5p share	4.80p	5.95p	7.68p	9.84p	11.94p	12.26p	12.89p	14.37p	14.54p	15.20p
Dividends paid per 5p share	2.34p	2.66p	3.31p	4.38p	5.64p	6.25p	6.94p	7.40p	8.25p	9.00p
Dividend cover based on basic earnings and dividends paid per 5p share	2.05	2.24	2.32	2.25	2.12	1.96	1.85	1.94	1.76	1.69

Figures for years ended 30 June 2005 and 30 June 2006 have not been restated to reflect the impact of IFRS. Had this exercise been undertaken the major changes would have been the re-allocation of settlement and volume discounts to revenue, with no impact on profit before income tax and the removal of the amortisation of goodwill.

Figures for the years ended 30 June 2007 to 30 June 2013 have been restated to reflect the impact of the revision to IAS 19 which was implemented in the year ended 30 June 2014.

Figures for previous years have been restated to take account of the two for one share issue in the year ended 30 June 2006, the one for one bonus share issue in the year ended 30 June 2011 and the one for one bonus share issue in the year ended 30 June 2013. Special dividends are not included.

Shareholder Information

Financial calendar

Annual general meeting	5 December 2014 (see notice of meeting on pages 60 to 62).

Announcement of results

For the half year	March
For the full year	September/October

Dividend payments

Ordinary shares – interim	May
– final	December
Preference shares	June and December

Share dealing information

The ordinary shares of the company are traded on the Alternative Investment Market of the London Stock Exchange.

Information concerning the day-to-day movement of the share price can be found on the London Stock Exchange website.

Shareholder analysis

as at 12 September 2014

By size of holding	Number of holders	Number of shares	%
1-10,000	2,363	7,622,776	3.68
10,001-50,000	708	15,591,972	7.53
50,001-250,000	180	19,333,324	9.33
250,001 and over	86	164,634,936	79.46
	3,337	207,183,008	100.00

By category	Number of holders	Number of shares	%
Banks and nominee companies	1,056	74,459,484	35.94
Other limited companies/corporate bodies	37	1,449,405	0.70
Miscellaneous bodies/pension funds	12	198,861	0.10
Private individuals	2,223	130,920,042	63.19
Investment trusts and funds	9	155,216	0.07
	3,337	207,183,008	100.00

Share Fraud Warning

Share fraud includes scams where investors are called out of the blue and offered shares that often tum out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Services Authority (FSA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FSA Register at www.fsa.gov.uk/fsaregister to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Consumer Helpline on 0845 606 1234 if there are no contact details on the Register or you are told they are out of date.
5. Search our list of unauthorised firms and individuals to avoid doing business with.
6. REMEMBER: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Finandal Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM

If you are approached about a share scam you should tell the FSA using the share fraud reporting form at www.fsa.gov.uk/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0845 606 1234.

If you have already paid money to share fraudsters you should contact Action Fraud on

0300 123 2040.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the NINETY NINTH ANNUAL GENERAL MEETING of the company will be held at the AJ Bell Stadium, 1 Stadium Way, Eccles, Manchester, M30 7EY on 5 December 2014 at 12 Noon for the following purposes:

Ordinary Business

1 To receive and adopt the report of the directors and the statement of accounts for the year ended 30 June 2014 together with the report of the auditors.

2 To declare a final dividend on the ordinary shares in the capital of the company for the year ended 30 June 2014.

3 To re-elect Mr E K Lotz who is retiring by rotation under the articles of association as a director.

4 To re-elect Mr S D Hall who is retiring by rotation under the articles of association as a director.

5 To re-appoint BDO LLP as auditors of the company and authorise the directors to fix their remuneration for the ensuing year.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 6 and 7 shall be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

6 That, subject to the passing of the ordinary and special resolutions numbered 7 and 8 below, the directors be and they are hereby authorised, pursuant to article 35.14 of the company's articles of association:

(i) to exercise the power contained in article 35.14 so that, to the extent determined by the directors, the holders of ordinary shares be permitted to elect to receive new ordinary shares of 5.0p each in the capital of the company, credited as fully paid, instead of all or part of any interim or final dividends which shall be declared before the conclusion of the next annual general meeting of the company after the passing of this resolution; and

(ii) to capitalise the appropriate amount of new ordinary shares falling to be allotted pursuant to any elections made as aforesaid out of profits, or sums standing to the credit of any share premium account or capital reserves of the company, to apply such sums in paying up such new ordinary shares and to allot such new ordinary shares to the members of the company making such elections in accordance with their respective entitlements.

7 That in substitution for all existing and unexercised authorities and powers, the directors of the company be and they are hereby generally and unconditionally authorised for the purpose of section 551 Companies Act 2006 (the "Act") to exercise all or any of the powers of the company to allot shares of the company or to grant rights to subscribe for, or to convert any security into, shares of the company (such shares and rights being together referred to as "Relevant Securities") up to an aggregate nominal value of £3,452,705 to such persons at such times and generally on such terms and conditions as the directors may determine (subject always to the articles of association of the company) PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the company in general meeting, expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the company (if earlier) save that the directors of the company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities or equity securities (as the case may be) to be allotted after the expiry of such period and the directors of the company may allot relevant securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

8 That subject to the passing of the ordinary resolution numbered 7 above the directors be and they are hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 subsection (1) of the said Act) for cash pursuant to the authority conferred by resolution numbered 7 above as if Section 561 of the said Act did not apply to any such allotment provided that this power shall be limited to:

(i) the allotment of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practical) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of 5 per cent. of the ordinary share capital of the company in issue at the date of the passing of this resolution;

and shall expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the company (if earlier) save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

9 That the company is hereby generally and unconditionally authorised for the purposes of section 693 and 701 of the Companies Act 2006 to make one or more market purchases (within the meaning of section 693(4) of the said Act) of fully paid ordinary shares of 5 pence each in the capital of the company ("ordinary shares") provided that:

(i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 10% of the ordinary shares in issue at the date of passing of this resolution;

(ii) the maximum price (exclusive of any expenses) which may be paid for an ordinary share shall not be more than 5% above the average of the middle market quotations for an ordinary share as derived from the Daily Official List of The London Stock Exchange plc for the five business days immediately preceding the day on which the ordinary share is purchased;

(iii) the minimum price which may be paid for each ordinary share is 5 pence (exclusive of any expenses);

(iv) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the company or twelve months from the date, if earlier, of passing this resolution;

(v) the company may make a contract or contracts to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and the company may make a purchase of its ordinary shares in pursuance of such contract as if the authority hereby conferred had not expired; and

(vi) the directors may elect to hold shares purchased under this authority in the form of treasury shares (subject to a maximum of 10% of the issued ordinary share capital of the company at any one time).

By order of the board
D W Drillingcourt
Secretary

17 October 2014

Beechfield,
Hollinhurst Road,
Radcliffe,
Manchester,
M26 1JN

Notice of Annual General Meeting
continued

Notes

1 Preference shareholders are advised that they are not entitled to attend or vote at the annual general meeting.

2 Members entitled to attend and to speak and vote at the AGM are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you require additional forms, please contact the company's registrars at, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

3 To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand by the company's registrars at, PXS, 34 Beckenham Road, Beckenham BR3 4TU, in each case no later than 12 noon on 3 December 2014. Any power of attorney or other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.

4 If you wish to attend the meeting in person, please attend at the address set out at the beginning of this notice on 5 December 2014 bringing either your attendance card or other appropriate identification so that you can be identified by the company's registrars. It is recommended that you arrive at least 15 minutes before the time appointed for the meeting to begin.

5 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the company of the votes they may cast), shareholders must be registered in the register of members of the company at 6 pm on 3 December 2014.

6 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7 The following documents will be available for inspection at the company's registered office during normal business hours from the date of this notice until the time of the meeting and at the address set out at the beginning of this notice from 15 minutes before the meeting until it ends:

(i) the register of interests of the directors in the share capital of the company; and

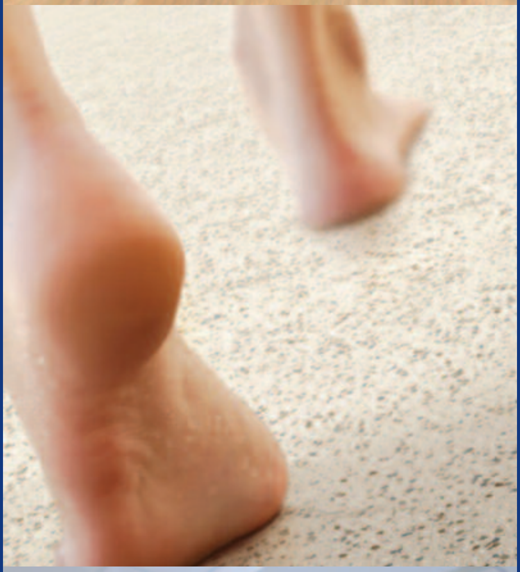
(ii) copy of the service contract of Mr G R Oliver.

8 Warrants for the final dividend, if approved, will be posted on 5 December 2014 to shareholders on the register as at 7 November 2014.

James Halstead

JAMES HALSTEAD PLC

2007 2011



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