JAMES HALSTEAD PLC

Covering the World

Report and Accounts 2016

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
D W Drillingcourt ACA

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Chairman's Statement

Results

Under the circumstances it is gratifying to report turnover of £226.1 million (2015: £227.3 million) as this was affected by the adverse sterling exchange rate. In constant currency terms turnover was higher by around 2%. The profit before tax grew some 3% to £45.5 million (2015: £44.2 million). Of the millions of square metres of flooring installed in the year a few to note are The Royal Mint Visitor Centre in Pontyclun, the Central Bank of Malta, the Fudan University Ophthalmology Hospital in Shanghai and for "Baggies" fans the new concourse at the Hawthorns is a fine example of our flooring in use in a high footfall area.

Strategy

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

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

Dividend

Profit and earnings per share have increased and our cash reserves remain, as usual, robust.

Cash flow from operating activities is £40.2 million and some 19.2% ahead of last year. Our dividends paid in the last year were some £39.9 million, being 90% above the prior year as a result of another special dividend (£16.3 million).

It is pleasing to report that the Board proposes, once again, an increased final dividend. The final dividend will be 8.5p (2015: 7.858p) representing an 8.2% increase which combined with the interim dividend, paid in June 2016, of 3.5p (2015: 3.142p) makes a total of 12.0p (2015: 11.0p) for the year, an increase of 9.1%. Once again a record level of dividend in our long history.

Acknowledgements

As we close this year I would like to express the gratitude of the Board to our customers and employees for their part in our success. A particular thanks to the Contract Flooring Association whose members voted us as the "Manufacturer of the Year" for the third consecutive year and our safety flooring as "Product of the Year" for the seventh consecutive year.

Outlook

I have every expectation that we will continue in the vein we have mined so successfully over the last generation. Whether it is La Casa Rosada (the executive mansion of the President of Argentina), the Christiaan Barnard Memorial Hospital in Cape Town or the Guizhou Anshun Hospital in China, Polyflor continues to cover the world.

On behalf of the board

Geoffrey Halstead
Chairman

30 September 2016

Chief Executive's Review

The one hundred and first year of trading has proved to be a year of two different halves. The first half continuing the worldwide growth we saw in the early part of 2015 and the latter showing a distinct slowing down in UK sales whilst exports continued to expand.

Overall the picture is one of a good result for 2015/16 and our position as market leader remains unchanged. The malaise in the UK in the second half has been tangible and might be allied to the 'Brexit' nervousness leading up to the referendum in June. More certain is that a little publicised cut to the NHS repairs fund will have affected demand. The 2016 budget reduced the repair fund by £1.1 billion (some 30%) and some of this would have been allocated to flooring refurbishment.

Our companies operate in different economic environments but our continued focus is to ensure our products, manufactured by us or 3rd parties, are stocked by distributors and sold on to contractors for either refurbishment or new build projects. Our sales forces are multi-focused to not only ensure the sale in volume to stockists, but also to promote sales directly to end-users in conjunction with contractors, architects or specifiers. The diversity of installation from Taiwan public buses, Dunkin Donuts stores in Warsaw and Santiago Bernabéu (the home of Real Madrid) continues to impress.

Reviewing the businesses in more detail:

Objectflor/Karndean and James Halstead France, our European operations

Overall, Objectflor increased sales by some 3.7% in a highly competitive market which was satisfying. Germany is the largest market for vinyl flooring in Europe and the relative weakness of the EU marketplace has made all business hard won. To have like for like growth is commendable though there has been a degree of margin erosion due to the weakness of the Euro during the year in question affecting landed cost of product. Inevitably there was a small (3.5%) dip in profit.

The company saw good growth in rubber flooring and heterogeneous sheet (manufactured at Teesside) progressed on the back of new range launches, notably Expona Flow. "Karndean" branded sales of luxury vinyl tiles have expanded with the demand from retail shop fitting being solid. We have adopted a policy of attending more regional trade fairs to meet contractors face-to face and our attendance at A&W in Lyon, the EXPO in Holzund and VTDN in Belgium has been positive in gaining new business.

James Halstead France continues to progress with a 12.5% increase in turnover in the year.

In France we have expanded our sales network and improved our customer service, the results of which have given us confidence to continue this investment. Our market share remains, as yet, small but despite difficult market conditions continues to grow at the expense of our competitors.

Some of the projects completed last year include Le Bon Marche in Paris, one of the leading department stores. Indeed, our team in France won the project to supply flooring to Orange Telecom in Madagascar, once again illustrating our global connections.

A restructuring of our sales focus in central Europe has seen us target new market sectors for our products and in conjunction with new collections continue to attract market interest. In 2015/16 Objectflor has continued to show its strength within Germany and now also has a solid presence in the rest of Europe.

Examples of our successes are the new Hyundai headquarters in Belgium, the refurbished Marriott hotels in Rotterdam and Amsterdam and the Hotel Arora in Croatia. In Germany itself the Johannisgarten development of over 100 apartments in Erfurt has been supplied by us.

It is also pleasing to note that the re-launch of our Artigo range of rubber flooring has been well received.

As a result of the growth in these markets our warehousing has reached capacity and plans are afoot to invest in an expansion of this function which will encompass a new enlarged service centre, showroom and customer training facilities.

In the Benelux, we have revised our sales network and are now focused on this region as a stand-alone territory in order to further increase our market share.

Chief Executive's Review
continued

Polyflor Pacific – encompassing Australia, New Zealand and Asia

Polyflor Australia increased turnover by some 7% in the year in constant currency terms. The adverse translation effect was around 8%

New management in Australia has overseen a total re-evaluation of this business and throughout 2015/16 the growth in market share has been a great success, with our sales teams securing many new projects such as 135 Woolworths stores and 55 Kmart stores. Against a flat economic backdrop, with a 5% reduction in construction, our core sales sectors in healthcare, retail and education are moving against this trend.

Internally we have made logistics changes over the last 18 months which have resulted in discontinued stock standing at less than 2% of total inventory, a healthy position. In addition, we have boosted our representation to architects and improved customer service focus by extending operating hours to support an expansion of next day delivery. Further customer service gains should ensue on the re-location of our Victoria warehouse, for which plans are at an advanced stage.

But despite this year's good results we believe the main rewards are yet to come and we remain confident that sales and profit will continue on an upward trend.

In New Zealand sales were 9.4% ahead in constant currency terms. It is pleasing to report that New Zealand continued its steady recovery and grew its sales of Polyflor manufactured products which now comprise far in excess of 50% of New Zealand turnover.

We continue to win projects and with our pending move to new warehousing in Auckland we anticipate a further year of growth.

Asia by contrast has proved to be a difficult market throughout the year with margins under pressure. In response we focused on the basics and the price structure in this large, but competitive market. Key to this is a focus on core market sectors such as ship building, healthcare and educational infrastructure projects. Whilst we continue to win projects, the day to day distribution business remains difficult to access despite our complete understanding of customer service that benefits us in many of our other markets.

Polyflor & Riverside Flooring, based in UK

There was a 0.7% decline in UK turnover. Profit margins held up due to raw material prices softening and improved plant productivity at Riverside.

In Radcliffe the latter part of the year saw adverse volumes (mainly from the UK) leading to over-capacity against our shift patterns. To a great extent this was also the result of improved line speed and conversion improvements meaning that the same volume could be produced with fewer man hours. This led to a period of short time working and the redundancy of twenty six shop floor employees, in effect we reduced a whole shift. The reduced volumes were mainly of homogenous sheet vinyl. Our luxury vinyl tile and heterogeneous sheet vinyl production continued to grow.

Notwithstanding the challenges our UK profits increased.

Our market share remains unchanged and impressive and during the year our Voyager Maritime collection (targeted at marine shipping) was re-launched; our Simplay loose lay luxury vinyl tile collection was re-vamped; and Polysafe Wood FX (our heterogeneous sheet) was re-launched with new colours.

Recofloor, our recycling initiative has, once again, received recognition winning an award for excellence in recycling and waste management. We now recover and recycle in excess of 500 tonnes of waste per annum.

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

The Scandinavian markets in 2015/16 saw less sales activity than in the prior year with a 10% shortfall against last year. However, sales of Polyflor products remained strong and overall on a par with the previous year. Sourced product sales did not fare so well in this market, being very much project orientated in a year where projects were fewer.

The Norwegian market was sluggish and in Sweden projects were very competitively fought.

Polyflor Canada, based in Toronto

It is pleasing to report on our continuing success as our business in Canada goes from strength to strength and has consequently been further supported through increased sales representation.

The retail sector continues to present new projects and we have supplied numerous clients of which a few examples are Shoppers Drug Mark, Indigo and Good Life Fitness with our flooring solutions.

Healthcare and education are also key markets and recent successes include the Bergeron Centre in York University, Toronto.

As a result we now have a programme to invest further in expanding our sales network and service.

Polyflor India, based in Mumbai

We continue to build our structure in India which is still largely in the formation stage although we have now appointed dealers in the key cities of Mumbai, Bangalore, Chennai, Hyderabad, Cochin, Delhi and Kolkata. Our sales team are focused on gaining specifications for projects in the healthcare, education and retail sectors. Current projects include Made Easy Primary School in Delhi and Howards Storage World in Bangalore.

We firmly believe the small team we started the business with are now starting to prove both themselves and our faith in the market and we will continue to cautiously expand our representation across this large territory.

Although projects are being won and sales continue to grow it will take time before this market delivers the true results we are aiming for.

Outlook

We continue to have a large market share in the UK but the curbing of repair and renewal spending by the NHS was very noticeable in the first two months' trading of the new financial year. It would seem that refurbishment in the education sector too has seen reticence in this period, which is uncharacteristic. However, the UK represents only about a third of the business and the doubts over the economy in the weeks after the "Brexit" referendum seem to be lessening.

Moreover, far more important is the positive effect of a weakened sterling on both the competitiveness of our offering around the globe and on margins.

I remain optimistic for the coming year.

On behalf of the board

Mark Halstead
Chief Executive

30 September 2016

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.

The company accounts for the first time are prepared in accordance with FRS101 which is a disclosure framework that complies with the Companies Act 2006. The consolidated accounts are unaffected and the main change is to recognise the defined benefit retirement obligations in the company balance sheet. Given that there are excess liabilities over assets in the scheme this has the effect of reducing distributable reserves.

This year's profit before tax is a record being 3.0% ahead of the profit in the year to 30 June 2015.

Profit after tax is also at a record level being 3.9% ahead of the prior year to 30 June 2015.

Our gross margins increased as a percentage and in absolute terms. The main reason was, broadly, a favourable sales mix biased to higher margin safety and design flooring combined with volume increases in the Teesside plant, offset to a large degree by exchange rates. There were monthly fluctuations in raw material prices but these were generally trending downward over the year as a whole.

Some key statistics:

- Group turnover at £226.1 million (2015: £227.3 million) was ½% lower than last year but this figure would have been 1.7% higher had translation been at constant exchange rates.
- Net finance income (excluding the effects of IAS19 accounting for pensions) was £0.2 million (2015: £0.2 million) reflecting rates that remain very low.
- Selling and distribution costs were 1.1% ahead of last year reflecting inflationary effects
- Trade debtors increased to £30.7 million (2015: £28.7 million). Trade creditors were higher at £32.8million (2015: £29.3 million). Both changes are almost wholly related to the year end exchange rate which fell sharply in the days after the referendum vote on the UK's EU membership.
- Stock levels have risen and stand at £62.8 million (2015: £58.7million) and this 7% increase is largely related to year end translation where the exchange rate has moved 8.5% against from last year. In cash flow terms there was a 1% decline in stock (i.e. based on average exchange rates in the year).
- Cash stands at £44.1 million (2015: £47.4 million) even after the payment of £39.9 million in dividends, £10.2 million in tax and £4.8 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 vote in the referendum for the UK to leave the EU ("Brexit") is an uncertainty. It has affected exchange rate and interest rates, at least in the short term, but it is as yet unclear what will unfold and we continue to await the evolvement of the repercussions.

"Risk comes from not knowing what you are doing". The Board constantly assesses risks and discusses business issues regularly. 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. Excess capacity exists in our businesses and across Europe, but turnover and profit have advanced.

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 terms of credit risk certain companies have insurance in place and where there is no insurance we often require letters of credit or bills of exchange but fundamentally credit control and market awareness are important. Our cash balances, and bank facilities combined with a robust balance sheet are buffers against liquidity risk.

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 increase/(decrease) in the value of our overseas assets are as follows:

	£'000
2016	4,808
2015	(3,868)
2014	(2,260)
2013	93
2012	(1,851)

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.

James Halstead

Financial Director's Review
continued

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 2002 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.

Actuaries undertake a tri-annual valuation of the 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).There was much debate recently over the old British Steel pension fund and talk of legislation to cap pension in payments at CPI rather than the discredited RPI. The implications are broadly beneficial to the group, but since the issue was raised the effects of "Brexit" have taken precedence.

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 £ 7.4 million against a net actuarial loss in 2015 of £2.7 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 £4.09 (2015: £4.02) are:

- The net deficit to market capitalisation is 2.5% (2015: 1.8%);
- The total liabilities to market capitalisation is 9.6% (2015: 8.7%); and,
- The deficit to operating profit is 55.2% (2015: 41.4%).

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 above merely give some idea of the "affordability" of the deficit to the company. The dominant assumption that drives up the deficit is that the current very low gilt yields are used to determine liabilities. There is an irony in that pension funds have an unquenchable appetite for government bonds at ever lower interest rates.

On behalf of the board

Gordon Oliver
Finance Director

30 September 2016

Report of the Directors

The directors are pleased to present their report, together with the audited accounts for the year ended 30 June 2016.

Results and dividends

The group results for the year and the financial position at 30 June 2016 are shown in the consolidated income statement on page 16 and the consolidated balance sheet on page 18.

The directors are recommending a final dividend of 8.5p per share on the ordinary share capital for payment on 2 December 2016 to those shareholders whose names appear on the register at 4 November 2016. This final dividend together with the interim dividend paid on 3 June 2016 makes a total of 12.0p per share (2015: 11.0p).

Directors

Mr G R Oliver and Mr J A Wild, 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 2016		30 June 2015	
	Beneficial	As Trustee	Beneficial	As Trustee
Ordinary shares				
G Halstead	8,401,937	–	8,321,937	–
G R Oliver	207,550	583,575	207,550	766,869
M Halstead	13,241,468	11,693,081	13,241,468	11,876,375
E K Lotz	–	–	–	–
J A Wild	150,300	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 20 September 2016 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	17.1
Rulegale Nominees	34,118,983	16.4
Vidacos Nominees Limited	6,592,464	3.2

Share capital

During the year new ordinary shares were issued and allotted as fully paid to enable share options to be exercised as follows:

17 July 2015	9,000
24 July 2015	80,000
29 October 2015	90,000
30 November 2015	1,500
1 December 2015	7,500
	188,000

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 2017.

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 £3,458,977 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 2017 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.

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 2017 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

Report of the Directors
continued

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 annual report 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. The directors 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) including Financial Reporting Standard 101 Reduced Disclosure Framework. 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 group and the company 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; 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 2016

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

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 £390,000 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

Corporate Governance

As an AIM listed company, the company is not required to comply with the provision of the UK Corporate Governance Code. However, the board recognises the importance of, and is committed to, ensuring that effective corporate governance procedures relevant to smaller listed companies are in place.

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;

Corporate Governance
continued

- 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;
- 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 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements 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 2016 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.

Timothy Entwistle (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

Manchester
United Kingdom
30 September 2016

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 2016

	Note	2016 £'000	2015 £'000
Revenue	5	226,141	227,261
Cost of sales		(130,177)	(132,453)
Gross profit		95,964	94,808
Selling and distribution costs		(41,105)	(40,664)
Administration expenses		(8,776)	(9,424)
Operating profit		46,083	44,720
Finance income	9	177	198
Finance cost	9	(761)	(734)
Profit before income tax	7	45,499	44,184
Income tax expense	10	(10,243)	(10,250)
Profit for the year attributable to equity shareholders		35,256	33,934
Earnings per ordinary share of 5p			
– basic	11	17.0p	16.4p
– diluted	11	17.0p	16.3p

All amounts relate to continuing operations.

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	2016 £'000	2015 £'000
Profit for the year	35,256	33,934
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	(7,360)	(2,720)
Deferred taxation – change of rate	106	35
	(7,254)	(2,685)
Items that could be reclassified subsequently to the income statement if specific conditions are met:		
Foreign currency translation differences	4,808	(3,868)
Fair value movements on hedging instruments	(2,126)	1,323
	2,682	(2,545)
Other comprehensive income for the year net of tax	(4,572)	(5,230)
Total comprehensive income for the year	30,684	28,704
Attributable to:		
Equity holders of the company	30,684	28,704

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.

Consolidated Balance Sheet
as at 30 June 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	14	34,384	31,172
Intangible assets	15	3,232	3,232
Deferred tax assets	16	5,129	4,908
		42,745	39,312
Current assets			
Inventories	17	62,828	58,707
Trade and other receivables	18	33,820	31,402
Derivative financial instruments	26	433	2,242
Cash and cash equivalents	19	44,096	47,428
		141,177	139,779
Total assets		183,922	179,091
Current liabilities			
Trade and other payables	20	53,395	48,022
Derivative financial instruments	26	2,066	8
Current income tax liabilities		4,300	4,814
		59,761	52,844
Non-current liabilities			
Retirement benefit obligations	22	25,431	18,492
Deferred tax liabilities	16	603	709
Borrowings	21	200	200
Other payables	20	460	386
		26,694	19,787
Total liabilities		86,455	72,631
Net assets		97,467	106,460
Equity			
Equity share capital	23	10,374	10,364
Equity share capital (B shares)	23	160	160
		10,534	10,524
Share premium account		3,096	2,917
Capital redemption reserve		1,174	1,174
Currency translation reserve		4,026	(782)
Hedging reserve		(699)	1,427
Retained earnings		79,336	91,200
Total equity attributable to shareholders of the parent		97,467	106,460

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2016.

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 2016

	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 2014	10,513	2,740	1,174	3,086	104	80,970	98,587
Profit for the year	–	–	–	–	–	33,934	33,934
Actuarial loss on the pension scheme	–	–	–	–	–	(2,720)	(2,720)
Deferred taxation change of rate	–	–	–	–	–	35	35
Foreign currency translation differences	–	–	–	(3,868)	–	–	(3,868)
Fair value movements on hedging instruments	–	–	–	–	1,323	–	1,323
Total comprehensive income for the year	–	–	–	(3,868)	1,323	31,249	28,704
Dividends	–	–	–	–	–	(21,020)	(21,020)
Issue of share capital	11	177	–	–	–	–	188
Share based payments	–	–	–	–	–	1	1
Balance at 30 June 2015	10,524	2,917	1,174	(782)	1,427	91,200	106,460
Profit for the year	–	–	–	–	–	35,256	35,256
Actuarial loss on the pension scheme	–	–	–	–	–	(7,360)	(7,360)
Deferred taxation change of rate	–	–	–	–	–	106	106
Foreign currency translation differences	–	–	–	4,808	–	–	4,808
Fair value movements on hedging instruments	–	–	–	–	(2,126)	–	(2,126)
Total comprehensive income for the year	–	–	–	4,808	(2,126)	28,002	30,684
Dividends	–	–	–	–	–	(39,867)	(39,867)
Issue of share capital	10	179	–	–	–	–	189
Share based payments	–	–	–	–	–	1	1
Balance at 30 June 2016	10,534	3,096	1,174	4,026	(699)	79,336	97,467

Consolidated Cash Flow Statement

for the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
Cash inflow from operations	24	50,325	42,015
Interest received		177	198
Interest paid		(43)	(48)
Taxation paid		(10,220)	(8,416)
Cash inflow from operating activities		40,239	33,749
Purchase of property, plant and equipment		(4,842)	(3,855)
Proceeds from disposal of property, plant and equipment		200	187
Cash outflow from investing activities		(4,642)	(3,668)
Equity dividends paid		(39,867)	(21,020)
Shares issued		189	188
Cash outflow from financing activities		(39,678)	(20,832)
Net (decrease)/increase in cash and cash equivalents		(4,081)	9,249
Effect of exchange differences		749	(498)
Cash and cash equivalents at start of year		47,428	38,677
Cash and cash equivalents at end of year		44,096	47,428

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.

2. Accounting policies

Basis of preparation

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as endorsed by the European Union ("endorsed IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under endorsed IFRS. The company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and are presented separately following the group financial statements.

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.

Basis of consolidation

The group financial statements consolidate the accounts of the parent company and all its subsidiaries, as if they formed a single entity. Subsidiaries are entities controlled by the group. Control exists if all three of the following elements are present: power over the entity, exposure to variable returns from the entity, and the ability to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Control is normally achieved by a majority shareholding. 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 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.

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 July 2015. None of the amendments to standards that are effective from that date had a significant effect on the group's financial statements.

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the group's future financial statements:

IFRS 9 Financial Instruments
IFRS 16 Leases
IFRS 15 Revenue from Contracts with Customers
Clarification of acceptable Methods of Depreciation and Amortisation: Amendments to IAS 16 and IAS 38
Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
Annual Improvements to IFRSs 2012-2014 cycle.

The effects of IFRS 15 and 16 are still being assessed, as these new standards may have a significant effect on the group's financial statements.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 July 2016 and which have not been adopted early, are expected to have a material effect on the group's future financial statements.

Notes to the Group Accounts
continued

2. Accounting policies (continued)

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 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, the directors consider that under the definitions contained within IFRS 8 there is 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.

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 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.

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
Plant and equipment 2 to 20 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

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

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 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	2016 £'000	2015 £'000
United Kingdom	84,579	85,194
Europe and Scandinavia	91,013	91,914
Australasia and Asia	34,243	34,430
Rest of the World	16,306	15,723
	226,141	227,261

Assets	2016 £'000	2015 £'000
United Kingdom	74,218	71,958
Europe and Scandinavia	42,263	38,594
Australasia and Asia	16,660	14,831
Rest of the World	1,556	1,372
Total segment assets	134,697	126,755
Deferred tax assets	5,129	4,908
Cash and cash equivalents	44,096	47,428
Total assets	183,922	179,091

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 following directors received shares to the value of, Mr G Halstead £nil, Mr M Halstead £nil and Mr G R Oliver £nil.

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.

	2016	2015
5p ordinary shares held by the trustees as at 30 June on behalf of the employees	583,575	766,869
As a percentage of shares in issue	0.28%	0.37%

7. Profit before income tax

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

	2016	2015
	£'000	£'000
Depreciation of property, plant and equipment	2,872	2,726
Operating lease rentals – land and buildings	1,889	1,944
Operating lease rentals – other	1,057	1,150
Research and development	2,144	2,440
Profit on disposal of property, plant and equipment	(46)	(42)
Fees payable to the group's auditor for the audit of the parent company and consolidated financial statements	41	38
Fees payable to the group's auditor and its associates for other services:		
the audit of the group's subsidiaries pursuant to legislation	88	85
taxation compliance	31	25
taxation advisory	7	9
other services	11	9

Notes to the Group Accounts
continued

8. Staff costs and numbers

	2016 £'000	2015 £'000
Staff costs comprised:		
Wages and salaries	29,959	28,771
Social security costs	3,422	3,251
Pension costs – defined benefit scheme	544	579
– defined contribution schemes	814	850
Share based payments	1	1
	34,740	33,452

The average monthly number of employees during the year was:

	2016 Number	2015 Number
Manufacturing, selling and distribution	694	697
Administration	139	141
	833	838

The directors' remuneration was:

	2016 £'000	2015 £'000
Salary or fees	924	895
Bonuses	780	730
Benefits	14	11
Employee profit share scheme shares	–	8
Total remuneration excluding pension contributions	1,718	1,644
Pension contributions	53	52
	1,771	1,696

9. Finance income/(cost)

	2016 £'000	2015 £'000
Interest receivable and similar income:		
On bank deposits	163	192
Other	14	6
Finance income	177	198
Preference share dividend	(11)	(11)
Interest on short-term borrowing and other financing costs	(32)	(37)
	(43)	(48)
Net pension interest cost	(718)	(686)
Finance cost	(761)	(734)
Net finance cost	(584)	(536)

10. Income tax expense

	2016 £'000	2015 £'000
Current tax		
Current tax – current year	10,251	10,505
Current tax – adjustments in respect of prior years	(653)	(556)
	9,598	9,949
Deferred tax		
Deferred tax – current year	418	122
Deferred tax – adjustments in respect of prior years	227	179
	645	301
Total taxation	10,243	10,250

The effective rate for the year to 30 June 2016 is higher (2015: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2016 £'000	2015 £'000
Profit before tax	45,499	44,184
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.75%)	9,100	9,168
Effects of:		
Adjustments to tax in respect of prior periods	(426)	(377)
Overseas tax rates	1,143	1,196
Permanent differences	360	217
Remeasurement of deferred tax due to change in UK tax rate	66	46
Total taxation	10,243	10,250

In addition to the amounts above £839,000 has been credited (2015: £485,000 credited) as other comprehensive income in respect of the actuarial loss (2015: loss) on the pension scheme, and have been netted off the amounts shown in the Consolidated Statement of Comprehensive Income.

Notes to the Group Accounts
continued

11. Earnings per share

	2016 £'000	2015 £'000
Profit for the year attributable to equity shareholders	35,256	33,934
Weighted average number of shares in issue	207,431,307	207,238,042
Dilution effect of outstanding share options	473,629	562,584
Diluted weighted average number of shares	207,904,936	207,800,626
Basic earnings per 5p ordinary share	17.0p	16.4p
Diluted earnings per 5p ordinary share	17.0p	16.3p

12. Dividends

	2016 £'000	2015 £'000
Equity dividends		
Interim dividend for current year of 3.5p (2015: 3.142p)	7,262	6,513
Final dividend for previous year of 7.858p (2015: 7.0p)	16,302	14,507
Special dividend of 7.858p (2015: nil)	16,303	–
Amounts recognised as distributions to equity shareholders in the year	39,867	21,020

A final dividend of 8.5p per share for the year ended 30 June 2016, amounting to £17,641,000, 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 the parent company

The company has taken advantage of the provisions of Section 408 of the Companies Act 2006 and elected not to present its own profit and loss account. The profit after taxation for the financial year dealt with in the financial statements of the company was £33,474,000 (2015: £27,453,000). The aggregate amount of directors' emoluments excluding pension contributions was £1,718,000 (2015: £1,644,000) of which the highest paid director's emoluments were £775,000 (2015: £737,000). The directors' salaries or fees for the year ended 30 June 2016 were Mr G Halstead £90,000, Mr M Halstead £382,000, Mr G R Oliver £355,000, Mr J A Wild £32,000, Mr E K Lotz £45,000 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 2014	23,979	61,979	85,958
Additions	983	2,872	3,855
Disposals	(43)	(640)	(683)
Exchange differences	(1,031)	(761)	(1,792)
At 30 June 2015	23,888	63,450	87,338
Additions	1,405	3,437	4,842
Disposals	–	(694)	(694)
Exchange differences	1,370	805	2,175
At 30 June 2016	26,663	66,998	93,661
Depreciation			
At 30 June 2014	6,314	48,286	54,600
Charge for the year	602	2,124	2,726
Disposals	(43)	(495)	(538)
Exchange differences	(212)	(410)	(622)
At 30 June 2015	6,661	49,505	56,166
Charge for the year	639	2,233	2,872
Disposals	–	(540)	(540)
Exchange differences	319	460	779
At 30 June 2016	7,619	51,658	59,277
Net book value			
At 30 June 2014	17,665	13,693	31,358
At 30 June 2015	17,227	13,945	31,172
At 30 June 2016	19,044	15,340	34,384

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 2016 using cash flow projections, based on current levels of profitability and assumed growth of 0% to 5% and a discount rate of 4% to10%. 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 2014	3,266	(308)	(744)	1,797	4,011
Charged to income statement	(53)	(73)	–	(175)	(301)
Credited to equity	485	–	35	–	520
Exchange differences	–	–	–	(31)	(31)
At 30 June 2015	3,698	(381)	(709)	1,591	4,199
Charged to income statement	(214)	(38)	–	(393)	(645)
Credited to equity	839	–	106	–	945
Exchange differences	–	–	–	27	27
At 30 June 2016	4,323	(419)	(603)	1,225	4,526

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 2014	4,755	(744)	4,011
At 30 June 2015	4,908	(709)	4,199
At 30 June 2016	5,129	(603)	4,526

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

17. Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	3,306	3,071
Work in progress	1,284	1,281
Finished goods	58,238	54,355
	62,828	58,707

An amount of £1,218,000 has been credited (2015: £3,808,000 charged) to the income statement in respect of movements in inventory write-downs.

18. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	30,688	28,738
Other receivables	1,146	1,101
Prepayments and accrued income	1,986	1,563
	33,820	31,402

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 £3,048,000 (2015: £2,810,000). 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:

	2016 £'000	2015 £'000
At 1 July	2,810	2,340
Exchange movements	91	(42)
Charged to the income statement – selling and distribution costs	147	512
At 30 June	3,048	2,810

As at 30 June 2016, trade receivables of £6,014,000 (2015: £5,282,000) 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:

	2016 £'000	2015 £'000
Up to three months	5,938	4,116
Over three months	76	1,166
Total	6,014	5,282

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

	2016 £'000	2015 £'000
Sterling	9,733	9,062
Euro	11,105	11,113
Australian Dollars	3,663	3,080
New Zealand Dollars	877	828
Norwegian Krone	486	612
US Dollars	3,265	2,169
Hong Kong Dollars	582	673
Other currencies	2,123	2,302
Total	31,834	29,839

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:

	2016 £'000	2015 £'000
Sterling	30,428	39,488
Euro	4,451	2,069
Australian Dollars	2,251	1,466
New Zealand Dollars	385	156
Norwegian Krone	703	643
US Dollars	4,916	3,101
Other currencies	962	505
Total	44,096	47,428

20. Trade and other payables

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade payables	32,806	29,296
Value added, payroll and other taxes	3,891	3,433
Other payables	1,533	1,447
Accruals	15,165	13,846
	53,395	48,022
Amounts falling due after more than one year		
Other payables	460	386

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

21. Borrowings

	2016 £'000	2015 £'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 2016 and 30 June 2015 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 £27,000 and £26,000 respectively. At 30 June 2016 the accrued pension for the highest paid director was £102,000 and the transfer value of this accrued benefit was £2,034,000.

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. 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 2014. The results of that valuation have been projected forward to 30 June 2016 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

	2016	2015
Principal actuarial assumptions at the balance sheet date		
Discount rate at end of year	3.15%	4.10%
Future salary increases	2.20%	2.50%
Future pension increases	2.95%	3.25%
Rate of inflation – RPI	2.95%	3.25%
– CPI	2.20%	2.50%
Future expected lifetime of current pensioner at age 65:		
Male born in 1951	22.1 years	22.1 years
Female born in 1951	25.0 years	24.9 years
Future expected lifetime of future pensioner at age 65:		
Male born in 1971	23.1 years	23.1 years
Female born in 1971	26.1 years	26.1 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 £1.3m
Rate of inflation	Increase by 0.1%	Increase by £1.1m
Expected lifetime	Increase by 1 year	Increase by £3.5m

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	2016 £'000	2015 £'000
Present value of funded obligations	(81,655)	(72,692)
Fair value of scheme assets	56,224	54,200
Net liability before deferred taxation	(25,431)	(18,492)
Related deferred tax asset	4,323	3,698
Net liability after deferred taxation	(21,108)	(14,794)

Amounts recognised in the income statement	2016 £'000	2015 £'000
Current service cost	(544)	(579)
Net interest cost	(718)	(686)
	(1,262)	(1,265)

	2016 £'000	2015 £'000
Amounts recognised in other comprehensive income		
Return on assets excluding amount included in net interest cost	49	823
Loss arising from changes in financial assumptions	(8,248)	(5,194)
Experience gain	–	1,166
	(8,199)	(3,205)
Deferred tax	839	485
	(7,360)	(2,720)

The actual return on the scheme assets in the year was a £2,266,000 gain (2015: £3,162,000 gain).

22. Retirement benefit obligations (continued)

	2016 £'000	2015 £'000
Changes in the present value of the scheme assets		
Opening fair value of scheme assets	54,200	51,845
Interest income	2,217	2,339
Return on assets excluding interest income	49	823
Employer contributions	2,522	1,532
Employee contributions	272	270
Benefits paid	(3,036)	(2,609)
	56,224	54,200

	2016 £'000	2015 £'000
Changes in the present value of the scheme obligations		
Opening defined benefit obligations	72,692	67,399
Service cost	544	579
Interest cost	2,935	3,025
Employee contributions	272	270
Actuarial loss arising from changes in financial assumptions	8,248	5,194
Experience gain	–	(1,166)
Benefits paid	(3,036)	(2,609)
	81,655	72,692

Major categories of scheme assets

	2016 £'000	2015 £'000
Return seeking		
UK equities	953	25,572
Overseas equities	24,707	6,701
Diversified growth fund	12,105	10,645
	37,765	42,918
Debt instruments		
Corporates	5,178	3,445
Gilts	1,625	1,128
Index linked	7,801	1,092
	14,604	5,665
Other		
Property	1,592	2,822
Cash	2,263	2,795
	3,855	5,617
Total market value of assets	56,224	54,200

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

	2016 £'000	2015 £'000
Active members	33,158	27,029
Deferred pensioners	13,415	11,919
Pensions in payment	35,082	33,744
	81,655	72,692

Average duration of scheme liabilities

	2016 years	2015 years
Active members	20	20
Deferred pensioners	21	21
Pensions in payment	11	11
All scheme liabilities	16	16

Normal company contributions of £1,350,000 are expected to be paid into the scheme during the year ended 30 June 2017.

23. Share capital

Ordinary shares – allotted, issued and fully paid	2016 Number	2015 Number	2016 £'000	2015 £'000
At 1 July ordinary shares of 5p each	207,282,508	207,063,008	10,364	10,353
Ordinary shares of 5p each issued	188,000	219,500	10	11
At 30 June ordinary shares of 5p each	207,470,508	207,282,508	10,374	10,364
Ordinary B shares of 1p each at 1 July 2015 and 30 June 2016	16,042,530	16,042,530	160	160
Total allotted, issued and fully paid			10,534	10,524

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 11 of the financial statements of the company.

Preference shares	2016 £'000	2015 £'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 11 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 188,000 shares, and 80,000 options lapsed 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 01.07.15	Exercised in the year	Lapsed in the year	Number c/fwd at 30.06.16
G Halstead	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	10,000	–	–	10,000
	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	80,000	–	–	80,000
	21 Jul 14	20 Jul 17	20 Jul 24	270.2900	20,000	–	–	20,000
G R Oliver	4 Jul 07	3 Jul 10	3 Jul 17	144.7125	10,000	(10,000)	–	–
	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	80,000	(80,000)	–	–
	21 Jul 14	20 Jul 17	20 Jul 24	270.2900	20,000	–	–	20,000
E K Lotz	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	60,000	–	–	60,000
Total – directors					580,000	(170,000)	–	410,000

Employees	Date of grant	Date exercisable	Date of expiry	Exercise price (pence)	Number b/fwd at 01.07.15	Exercised in the year	Lapsed in the year	Number c/fwd at 30.06.16
	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	81,232	–	–	81,232
	6 Oct 08	5 Oct 11	5 Oct 18	105.2500	140,868	(18,000)	–	122,868
	9 Apr 14	8 Apr 17	8 Apr 24	290.2500	40,000	–	–	40,000
	21 Jul 14	20 Jul 17	20 Jul 24	270.2900	91,500	–	–	91,500
Total – employees					433,600	(18,000)	(80,000)	335,600
Grand total					1,013,600	(188,000)	(80,000)	745,600

The market price of the shares at 30 June 2016 was 409p (2015: 402p).

The share price during the year ranged from 385p to 520p.

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 when options were exercised in the year was £4.44.

At 30 June 2016 there were 574,100 (2015: 842,100) share options exercisable at a weighted average exercise price of £1.23 (2015: £1.14).

Aggregate gains on the exercising of share options by directors in the year amounted to £584,000 (2015: £248,000) of which £nil (2015: £nil) related to the highest paid director. Options were exercised over 120,000 shares by directors in the year to 30 June 2015.

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

	Number of options	Average exercise price (£)
At 30 June 2014	1,101,600	1.15
Exercised in the year	(219,500)	0.85
Granted in the year	131,500	2.70
At 30 June 2015	1,013,600	1.42
Exercised in the year	(188,000)	1.00
Lapsed in the year	(80,000)	0.80
At 30 June 2016	745,600	1.58

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. The inputs into the model were as follows:

	2016	2015
Expected life of option	–	3.5 years
Expected share price volatility	–	10.0%
Expected dividend yield	–	5.5%
Risk free interest rate	–	2.0%
Exercise price	–	£2.7029

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. The share based payment expense for the year ended 30 June 2016 was £1,000 (2015: £1,000).

24. Cash inflow from operations

	2016 £'000	2015 £'000
Profit for the year attributable to equity shareholders	35,256	33,934
Income tax expense	10,243	10,250
Profit before income tax	45,499	44,184
Finance cost	761	734
Finance income	(177)	(198)
Operating profit	46,083	44,720
Depreciation	2,872	2,726
Profit on sale of property, plant and equipment	(46)	(42)
Decrease/(increase) in inventories	539	(5,075)
Decrease in trade and other receivables	842	3,395
Increase/(decrease) in trade and other payables	2,051	(2,834)
Defined benefit pension scheme service cost	544	579
Defined benefit pension scheme employer contributions paid	(2,522)	(1,532)
Changes in fair value of financial instruments	(39)	77
Share based payments	1	1
	50,325	42,015

25. Commitments

	2016 £'000	2015 £'000
Capital commitments		
Contracted for but not incurred – property, plant and equipment	–	–

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:

	2016 Land and buildings £'000	2016 Other £'000	2015 Land and buildings £'000	2015 Other £'000
Not later than one year	1,911	709	1,908	791
Later than one year and not later than five years	4,965	489	3,812	726
Later than five years	691	11	241	40
	7,567	1,209	5,961	1,557

Notes to the Group Accounts
continued

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.

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:

	2016 Book value £'000	2016 Fair value £'000	2015 Book value £'000	2015 Fair value £'000
Current:				
Trade and other receivables	31,834	31,834	29,839	29,839
Forward exchange contracts	433	433	2,242	2,242
Cash and cash equivalents	44,096	44,096	47,428	47,428
Trade and other payables	(49,504)	(49,504)	(44,589)	(44,589)
Forward exchange contracts	(2,066)	(2,066)	(8)	(8)
Total	24,793	24,793	34,912	34,912
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.

27. Financial instruments (continued)

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.

	2016 £'000	2015 £'000
Forward exchange contracts at fair value through profit and loss account	(195)	28
Forward exchange contracts at fair value through hedging reserve	(1,438)	2,206
	(1,633)	2,234

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 £249,000 (2015: £313,000). 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.

	2016 Post-tax profits £'000	2016 Equity £'000	2015 Post-tax profits £'000	2015 Equity £'000
Euro 5% stronger against sterling	20	20	(16)	(16)
Euro 5% weaker against sterling	(18)	(18)	14	14

28. Group companies

At 30 June 2016, 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
Polyflor New Zealand Limited	Flooring distribution	New Zealand	100
Polyflor Canada Inc.	Flooring distribution	Canada	100
Polyflor India Pvt Limited	Flooring distribution	India	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

A complete list of the group's subsidiaries is provided in note 4 of the financial statements of the company.

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:

	2016 Closing	2016 Average	2015 Closing	2015 Average
Euro	1.20	1.34	1.41	1.31
Australian dollar	1.80	2.04	2.05	1.89
New Zealand dollar	1.88	2.23	2.33	2.03
Canadian dollar	1.74	1.97	1.96	1.84
Swedish krona	11.33	12.50	13.05	12.22
Indian rupee	90.23	98.48	100.15	97.78

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. The key management personnel are the directors.

Company Balance Sheet

as at 30 June 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	3	4,987	4,054
Investments	4	19,152	18,900
		24,139	22,954
Current assets			
Debtors due within one year		35,983	34,903
Debtors due after one year		4,339	3,747
Total debtors	5	40,322	38,650
Derivative financial instruments	7	433	2,242
Cash at bank and in hand		21,952	31,572
Total current assets		62,707	72,464
Creditors – amounts falling due within one year	8	(9,837)	(10,199)
Derivative financial insturments	7	(2,066)	(8)
Net current assets		50,804	62,257
Total assets less current liabilities		74,943	85,211
Creditors – amounts falling due after more than one year	9	(200)	(200)
Retirement benefit obligations	10	(25,431)	(18,492)
		49,312	66,519
Capital and reserves			
Equity share capital		10,374	10,364
Equity share capital (B shares)		160	160
Called up share capital	11	10,534	10,524
Share premium account		3,096	2,917
Capital redemption reserve		1,174	1,174
Hedging reserve		(1,438)	2,206
Profit and loss account		35,946	49,698
Total shareholders' funds		49,312	66,519

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2016.

M Halstead
Director

G R Oliver
Director

James Halstead plc Registration Number 140269

Company Statement of Changes in Equity

for the year ended 30 June 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Hedging reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 30 June 2014	10,513	2,740	1,174	81	45,984	60,492
Profit for the year	–	–	–	–	27,453	27,453
Actuarial loss on the pension scheme	–	–	–	–	(2,720)	(2,720)
Fair value movements on hedging instruments	–	–	–	2,125	–	2,125
Total comprehensive income for the year	–	–	–	2,125	24,733	26,858
Dividends	–	–	–	–	(21,020)	(21,020)
Issue of share capital	11	177	–	–	–	188
Share based payments	–	–	–	–	1	1
Balance at 30 June 2015	10,524	2,917	1,174	2,206	49,698	66,519
Profit for the year	–	–	–	–	33,474	33,474
Actuarial loss on the pension scheme	–	–	–	–	(7,360)	(7,360)
Fair value movements on hedging instruments	–	–	–	(3,644)	–	(3,644)
Total comprehensive income for the year	–	–	–	(3,644)	26,114	22,470
Dividends	–	–	–	–	(39,867)	(39,867)
Issue of share capital	10	179	–	–	–	189
Share based payments	–	–	–	–	1	1
Balance at 30 June 2016	10,534	3,096	1,174	(1,438)	35,946	49,312

Notes to the Financial Statements of the Company

1. Accounting policies

Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework as issued by the Financial Reporting Council. The impact of adopting FRS 101 is included in note 13.

The company has used the disclosure exemptions available under FRS 101 in relation to presentation of a cash flow statement, comparative information for certain assets, capital management, transactions with other group companies, compensation of key management personnel and the effects of new but not yet effective IFRS.

As the consolidated financial statements include the equivalent disclosures, the company has used the disclosure exemptions available under FRS 101 in relation to share based payments, and financial instruments. The disclosures for the defined benefit retirement obligations are included in the consolidated financial statements.

The financial statements are prepared on a going concern basis and in accordance with the historical cost convention, except for certain financial instruments that have been measured at fair value.

The accounting policies of the company are the same as those set out in the consolidated financial statements. The critical accounting estimates and judgements are income taxes and retirement benefit obligations as set out in the consolidated financial statements.

The following additional accounting policies are specific to the company's financial statements.

Investments

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

Investment land and buildings

Investment land and buildings are stated at cost less depreciation and any provision for impairment. Depreciation is calculated to write off the buildings on a straight line basis over their estimated economic life of fifty years. No depreciation is charged in respect of land.

2. Profit for the year

The company has taken advantage of the provisions of Section 408 of the Companies Act 2006 and has elected not to present its own profit and loss account. The profit after taxation for the financial year dealt with in the financial statements of the company was £33,474,000 (2015: £27,453,000).

Notes to the Financial Statements of the Company
continued

3. Tangible fixed assets

	Investment land and buildings £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 30 June 2015	6,479	1,311	449	8,239
Additions	1,192	–	18	1,210
Disposals	–	–	(40)	(40)
Group transfers	–	–	13	13
At 30 June 2016	7,671	1,311	440	9,422
Depreciation				
At 30 June 2015	3,710	180	295	4,185
Charge for the year	188	24	65	277
Disposals	–	–	(38)	(38)
Group transfers	–	–	11	11
At 30 June 2016	3,898	204	333	4,435
Net book value				
At 30 June 2016	3,773	1,107	107	4,987
At 30 June 2015	2,769	1,131	154	4,054

The investment land and buildings relates to a freehold property that is occupied by a subsidiary company. The rental income was £500,000 (2015: £500,000).

4. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 30 June 2015	28,300
Additions	252
At 30 June 2016	28,552
Provision for impairment	
At 30 June 2015	9,400
At 30 June 2016	9,400
Net book value	
At 30 June 2016	19,152
At 30 June 2015	18,900

At 30 June 2016, 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
Titan Leisure Group Limited	Holding company	England	100
Halstead Flooring International Limited	Dormant company	England	100
Expona Limited	Dormant company	England	100
JHL Limited	Dormant company	England	100
Arai (UK) Limited	Dormant company	England	100
Halstead Floorings Limited	Dormant company	Ireland	100
Halstead Flooring Concepts Pty Limited	Holding company	Australia	100
Polyflor Canada Inc.	Flooring distribution	Canada	100
Polyflor India Pvt Limited	Flooring distribution	India	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			
Phoenix Distribution (NW) Limited	Dormant company	England	100
Polyflor Australia Pty Limited	Flooring distribution	Australia	100
Colonia Flooring Pty Limited	Dormant company	Australia	100
Polyflor New Zealand Limited	Flooring distribution	New Zealand	100
Karndean International GmbH	Flooring distribution	Germany	100

Notes to the Financial Statements of the Company
continued

5. Debtors

	2016 £'000	2015 £'000
Trade debtors	76	80
Amounts owed by group undertakings	35,594	34,488
Other debtors	136	78
Prepayments and accrued income	177	257
Debtors due within one year	35,983	34,903
Deferred tax assets (note 6)	4,339	3,747
Debtors due after one year	4,339	3,747
Total debtors	40,322	38,650

6. Deferred tax assets

	Pension scheme deficit £'000	Accelerated tax depreciation £'000	Other timing differences £'000	Total £'000
At 30 June 2015	3,698	(147)	196	3,747
Charged to income	(214)	28	(61)	(247)
Credited to equity	839	–	–	839
At 30 June 2016	4,323	(119)	135	4,339

7. Derivative financial instruments

Derivative financial instruments are forward foreign exchange contracts recognised in the balance sheet at fair value.

8. Creditors – amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	517	247
Amounts due to group undertakings	6,631	6,631
Corporation tax payable	11	57
Other taxation and social security	114	107
Other creditors	231	254
Accruals and deferred income	2,333	2,903
	9,837	10,199

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

	2016 £'000	2015 £'000
Preference shares	200	200

10. Retirement benefit obligations

	2016 £'000	2015 £'000
Present value of funded obligations	(81,655)	(72,692)
Fair value of scheme assets	56,224	54,200
Net liability	(25,431)	(18,492)

The company sponsors the Halstead Group Pension Scheme. Disclosure information is provided in note 22 to the group accounts.

11. Share capital

Ordinary shares – allotted, issued and fully paid	2016 Number	2015 Number	2016 £'000	2015 £'000
At 1 July ordinary shares of 5p each	207,282,508	207,063,008	10,364	10,353
Ordinary shares of 5p each issued	188,000	219,500	10	11
At 30 June ordinary shares of 5p each	207,470,508	207,282,508	10,374	10,364
Ordinary B shares of 1p each at 1 July 2015 and 30 June 2016	16,042,530	16,042,530	160	160
Total allotted, issued and fully paid			10,534	10,524

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	2016 £'000	2015 £'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.

Notes to the Financial Statements of the Company
continued

11. 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.

12. Related party transactions

The company has taken advantage of the exemption granted by FRS 101 not to disclose transactions and balances with other group companies.

13. Transition to FRS 101

These are the company's first finanical statements prepared in accordance with FRS 101. The transition date was 30 June 2014. The effects of the transition to FRS 101 were as follows.

	Total shareholders' funds 30 June 2015 £'000	Total shareholders' funds 30 June 2014 £'000
Previously reported UK GAAP	79,079	72,649
Retirement benefit obligations	(18,492)	(15,554)
Deferred tax asset related to retirement benefit obligations	3,698	3,266
Derivative financial instruments	2,234	131
FRS 101	66,519	60,492

	Total comprehensive income for the year ended 30 June 2015 £'000
Previously reported UK GAAP	27,261
Retirement benefit obligations	(2,938)
Deferred tax related to retirement benefit obligations	432
Derivative financial instruments	2,103
FRS 101	26,858

The company sponsors the Halstead Group Pension Scheme. FRS 101 requires the retirement benefit obligations to be recognised in the company's financial statements.

The company has forward foreign exchange contracts. FRS 101 requires these derivative financial instruments to be recognised in the company's financial statements at fair value.

Ten Year Summary (Unaudited)

	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000
Revenue	137,252	158,740	169,263	186,424	213,944	226,335	217,082	223,488	227,261	226,141
Profit before income tax	23,206	29,605	32,604	35,307	37,538	41,726	40,495	41,753	44,184	45,499
Income tax	(7,569)	(9,431)	(8,036)	(9,948)	(10,768)	(11,941)	(10,446)	(10,301)	(10,250)	(10,243)
Profit after income tax	15,637	20,174	24,568	25,359	26,770	29,785	30,049	31,452	33,934	35,256

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Basic earnings per 5p share	7.7p	9.8p	11.9p	12.3p	12.9p	14.4p	14.5p	15.2p	16.4p	17.0p
Dividends paid per 5p share	3.3p	4.4p	5.6p	6.3p	6.9p	7.4p	8.3p	9.0p	10.1p	11.4p

Figures for the years ended 30 June 2007 to 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 one for one bonus share issues in the years ended 30 June 2011 and 2013.

Special dividends are not included.

Shareholder Information

Financial calendar

Annual general meeting	2 December 2016

Announcement of results

For the half year	March
For the full year	September

Dividend payments

Ordinary shares – interim	June
– 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 20 September 2016	Number of holders	Number of shares	%
By size of holding			
1-10,000	2,336	7,312,999	3.5
10,001-50,000	658	14,705,039	7.1
50,001-100,000	96	6,710,581	3.2
100,001-500,000	97	22,042,763	10.6
500,001 and over	53	156,767,226	75.6
	3,240	207,538,608	100.0

	Number of holders	Number of shares	%
By category			
Banks and nominee companies	1,150	89,987,292	43.4
Other limited companies/corporate bodies	36	1,237,191	0.6
Miscellaneous bodies/pension funds	12	226,816	0.1
Private individuals	2,036	115,981,493	55.8
Investment trusts and funds	6	105,816	0.1
	3,240	207,538,608	100.0

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ONE HUNDREDTH and FIRST ANNUAL GENERAL MEETING of the company will be held at the Oldham Event Centre, off Hilbre Avenue, Oldham, Lancs, OL2 5BL on 2 December 2016 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 2016 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 2016.

3 To re-elect Mr G R Oliver who is retiring by rotation under the articles of association as a director.

4 To re-elect Mr A J Wild 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 £3,458,977 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

14 October 2016

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 30 November 2016. 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 2 December 2016 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 close of business on 30 November 2016.

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 2 December 2016 to shareholders on the register as at 4 November 2016.

JAMES HALSTEAD plc

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