JAMES HALSTEAD PLC

Covering the World

Report and Accounts 2021

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Chairman's Statement

Results

I am pleased to report turnover in the year was £266.4 million (2020: £238.6 million), 11.6% ahead of last year. Profit before tax at £51.3 million (2020: £43.9 million), was up 16.9%. Both sales and profits are at record levels. The projects we have been associated with in the year are as diverse as ever from Knattspyrnufélagið Fram – perhaps the largest football stadium in Iceland – to the Optimed Eye-Clinic in Belarus.

Our business, as have many, suffered disruptions in the year with production at our factories affected by labour shortages and raw material scarcity. However, healthy stock holdings supported sales. I am pleased to report these efforts were greatly appreciated by the trade and indeed we were recognised for those efforts by, for example, ProCure22 (the Construction Procurement Framework administrated by NHS England) with an award for outstanding support to the NHS during the pandemic.

The board, and I, are pleased to report we were able to continue to supply the many independent flooring contractors who worked on through the lock-downs. Our network of stockists were key to supplying these contractors and I would note that our business was also awarded the title "Flooring Manufacturer of the Year", which was particularly gratifying as the voting for this award was by the floor laying contractors (the Contract Flooring Association) that install our products.

These results are more than satisfying against the backdrop that all our major markets were faced with lockdowns of various durations and severity affecting many of our end users' needs for flooring. There were numerous delays and deferrals of maintenance and refurbishment work as well as new build projects as priorities and funding were diverted.

That said, the many global projects that we undertook involved healthcare and Covid-19 related installations (whether in temporary hospital wards, vaccination centres, test facilities or vaccine manufacturing) but it did not fully replace our normal level of healthcare directed flooring. One example was the flooring for a significant number of "campaign" hospitals for Covid patients next to main hospitals in eight different towns/cities in Portugal. Another example was a series of mobile hospitals within the seven emirates (Abu Dhabi, Dubai, Sharjah, Umm al-Qaiwain, Fujairah, Ajman, and Ra's al-Khaimah), where each field hospital contained 150 to 259 beds. Our ability to respond to these demands from stock was key to our strong performance.

The supply chain was under constant pressure over the year. Raw material costs rose and availability was challenging particularly on the supply of basic polymers as the global petrochemical companies struggled to maintain production. The reasons for this were varied but the most significant factors were:

- the ravaging of one of the world's largest production plants in Louisiana, USA, which was put out of action by Hurricane Ida. This one plant serviced 40% of US demand for PVC and its closure meant that these materials across the globe were in shorter supply;
- many of our basic materials are derived from the cracking process that produces aviation fuel and the decimation of that industry by the pandemic led to several refineries being temporarily closed;
- the Covid-19 virus and the related self-isolation protocols led to severe shortages of labour and consequent output reduction.

It was due to the dedication of our sourcing team and our long and close relationships with suppliers that we kept our production lines fed. It was not an easy task and this was at a time when we also had severe production pressure owing to the non-availability of labour.

The company and our strategy

James Halstead plc is a group of companies involved in the manufacture and supply of flooring for commercial and domestic purposes, based in Bury UK. James Halstead plc has been listed on the London Stock Exchange for more than 70 years.

The group was established in 1914 and continues to operate out of the original premises in Bury. In its factories in Bury and Teesside it manufactures resilient flooring for distribution in the UK and worldwide.

The company's strategy is to constantly develop its brand identity and its reputation for quality, durability and availability thereby enhancing and maintaining goodwill with the aim of achieving repeat business. Our focus is to work with stockists who in turn distribute those bulk deliveries whilst promoting and representing the products to the end users and specifiers who will purchase the stock from those stockists.

This approach is designed to increase and secure revenue streams and drive profitability and cash flow which enables the continuation of dividends thereby creating shareholder wealth. In the normal course of business one key element of the company ethos is having dedicated sales personnel to present our product to our customers' clientele. In this last year face to face relationships were not possible but I am pleased to say that our customer service and reputation for delivery were enhanced despite the trials and tribulations of the last year.

Over many years our strategy has also included a policy of continual investment in both process improvement and in product development to improve output efficiency and product offering. I can be confident in saying that the loose lay flooring (both in sheet and tile) that we have launched into the market some two years ago was very well regarded over the last difficult year.

Corporate governance and corporate social responsibility

The board has over many years recognised its responsibility towards good corporate governance. It is part of our character and, I believe, contributes to our ability to deliver long-term shareholder value. Increasingly companies are, quite rightly, tasked with demonstrating that their environmental credentials and supply chain management are supported by social and economic dimensions and stewardship.

We can now say that almost 100% of our electric usage is now derived from renewables. Our bi-annual Sustainability Report is about to be published and we have this report independently audited to further underline our credentials.

PVC polymer is one of our main raw materials and we began recycling waste into our processes in the 1950s and have continued to use waste PVC as part of the process of manufacturing in ever increasing volumes. For many years we have funded waste collection with Recofloor – our UK joint venture that collects post installation waste PVC within our industry. We are also founder members of the European PVC recycling venture, the AgPr, which funds the recycling of post-consumer PVC waste and diverts waste from landfill back into the manufacturing process.

An important point to note about PVC is that it has evolved and it is no longer just derived from petrochemicals. It is increasingly produced from bio-mass. Indeed, the by-products of PVC manufacturing, chlorine and caustic soda, are indispensable to the medical and food industries. Often a maligned material, PVC manufacture has the lowest consumption of primary energy of any of the major commodity plastics and our PVC flooring is made with over 80% renewable materials (excluding recyclates which further lessen the use of non-renewables).

As part of our focus on the future and the footprint of our industry we are major partners in industry wide bodies. One example is that our Technical Director is Chairman of the ERFMI (the European Resilient Flooring Manufacturing Institute). ERFMI activities range from involvement in the EU carbon neutral strategy through to funding new recycling initiatives to extend the ability of PVC to be recovered and recycled. In the past year initiatives include:

The Circular Plastics Alliance, a plastics industry association, to which ERFMI are a signatory has a target to achieve ten million tonnes of recycled plastic in new products in Europe by 2025.

In addition ERFMI has engaged consultants, based in Belgium, to undertake the following research:

- Recycling technologies that can be used for the recycling of PVC floor coverings, with particular focus on extraction of legacy additives.
- Identification and sorting technologies that can identify flooring containing legacy additives and the ability to sort it from flooring that does not contain legacy additives.

The scope of this engagement is to review technologies that have been tried in the past, that are emerging or used for other applications. This is just one example of working together for the future and we feel it is part of our duty as a responsible manufacturer (as opposed to importers) to be involved in a sustainable future.

The UK may have left the EU but our work on standards, the circular economy, sustainability and meaningful recycling is both Europe wide and globally focused and is progressing at pace. In no way has "Brexit" lessened our involvement as Europeans in the flooring industry.

Dividend

Profits and earnings per share have increased and we continue un-geared. Our cash balances stand at £83.3 million (2020: £67.4 million), even after dividends paid in the last year that amounted to £34.1 million, and taxation of £9.9 million. Our cash reserves continue to provide the foundation of our strong balance sheet.

Chairman's Statement
continued

It is pleasing to report that the Board proposes, subject to the approval of the shareholders at the upcoming AGM, to pay a record final dividend. The final dividend will be 11.0p (2020: 10.0p). This, combined with the interim dividends paid in June of 4.25p (2020: 4.25p), makes a total of 15.25p (2020: 14.25p) for the year, an increase of 7.0%.

Bonus Issue

The board considered the merits and will be proposing a bonus issue of one ordinary share for every share held at the upcoming AGM.

James Halstead plc has a long history of such issues and these have always been in addition to dividends not in substitution. The board believes that bonus issues are welcomed by the smaller holders of shares and promote liquidity amongst retail investors. A bonus issue such as this is not an economic event in that no wealth changes hands but nevertheless these issues have been popular with shareholders and it emphasises the history of our share price growth.

We would anticipate that, as in the past, the bonus will increase liquidity of the shares.

Acknowledgements

I would like to thank our staff for outstanding diligence in the face of significant turmoil during the course of the year. Many employees faced confusion and concern as we entered the pandemic tunnel and in many respects this was not helped by the headlines and media reporting. Whilst as a Board we knew that our flooring would be needed by healthcare authorities quickly and in volume, the authorities did not, initially, identify key industries or manufacturing as something to be encouraged to continue. We were able to source PPE, sanitising equipment and supplies from our global contacts to protect our workforce. Our health and safety teams and management rose well to these challenges.

My thanks go to our staff in the UK and around the world whose hard work continues to allow us to continue to grow the business. This year was particularly challenging as we all faced uncertainties and I would make particular mention of those who have worked hard, not to just put the safeguards in place, but to move the business forward in a positive way despite the prevailing challenges. Our senior management across the globe have faced dynamic challenges and have worked hard – thank you from myself and the board.

Outlook

Currently, some three months into the new trading year, our sales are on a par with the record trading of the comparative period. Business has bounced back beyond our prior expectations with refurbishment in some sectors buoyant, it is to be expected that our markets around the globe will further recover as more countries vaccination rollouts extend and they follow the European model of a return to "normality".

Supply shortages continue to frustrate whether they be due to the lack of availability of raw materials or to the widely publicised shortages of drivers and ongoing concerns with international freight. The cost of moving goods, the availability of shipping space and extended delivery times are both ongoing challenges. Our UK factories are in production and are tasked with raising stock levels and we have taken on extra shop-floor labour to assist in this task.

It is clear that ongoing issues with the global pandemic are not at an end and the cost pressures continue to persist but we do see signs of certain materials becoming more available and at a lower, albeit still high, cost.

Notwithstanding these concerns, I, and the board, can only be confident of another solid year of progress.

Anthony Wild
Chairman

1 October 2021

Chief Executive's Review

Turnover of £266.4 million (2020: £238.6 million) is a record level for the group and an increase against last year of 11.6%. Since the comparative year was affected by the first UK lockdown a more relevant comparison is against the year ended 30 June 2019 and turnover is some 5.3% ahead of that year.

Profit before tax at £51.3 million (2020: £43.9 million) is 16.9% ahead of the last year and against the 2019 comparative some 6.2% ahead.

As we entered this year our goal was to get back on track with the 2019 levels and to surpass this was a major achievement. Regarding sales turnover the split across areas was Europe 42%, UK 37%, Australasia 14% and the rest of the world 7% which is in line with the spilt over recent years. The largest sales growth year on year was in the sales within the UK with an increase of 24.0% compared to last year though, of course last year was impacted by the first national lockdown which had seen sales fall from 2019 levels. That being said, UK turnover was 10.9% ahead of 2019 levels.

Our contracts across the globe continue to expand and, for example, we have been involved with many installations in the Lebanon where we have supplied product used in the repair and refurbishment of the ruined hospitals and buildings that were devastated following the Beirut Port explosion in August 2020.

Overall there was a modest diminution in the gross margin percentage which was due to the adverse effects of raw material price increases, freight and other costs rising and adverse manufacturing efficiencies due to lower volume throughput and labour shortages. The labour shortages were principally due to absenteeism and "self-isolation" protocols. These adverse gross margin effects were offset to a large degree by a change in the sales product mix (i.e. the sales were more biased to higher value products) and the focus away from keenly priced volume projects.

Our business has always been able to respond quickly to large projects across the globe which are efficient to produce but almost always very keenly priced. Given material and labour shortages we placed less emphasis on this area of business during the year.

Overheads in the year rose as the administrative cost returned to a normalised level of about 5% of turnover.

The balance sheet shows its normal level of robustness but some key numbers do stand out. Stock has reduced and whilst this in isolation is positive for cash flow and bank balances it is below optimal levels and a key management focus is to increase stock levels. Trade debtors and other receivables are much higher than last year (£42.9 million this year and £28.4 million in the prior year) but last year we had seen the UK closed in the three months prior to the year end. The comparison of these two balance sheet dates is mainly a contrast of two different situations and is best summarised as healthy.

It continues to be the case that our worldwide manufacturing is certified to Quality Management System ISO9001 and ISO14001 to underline our robust environmental procedures. We are certified to BES9001, the standard for responsible sourcing which takes our credentials beyond our own factories to our suppliers. Added to this is our SA8000 accreditation based on the UN declaration of human rights that audits supplier provision of sound workplace conditions and standards. Our quality of product, availability of stock and adherence to strict standards set us apart from many other manufacturers as we continue to cover the world.

Reviewing the businesses in more detail:

Objectflor/Karndean and James Halstead France, our European operations

The level of turnover in our Central European business was higher than last year by around 6%. This market encompasses Germany, France, Austria, Benelux and several Eastern European countries. Turnover increased in all these countries and we can only describe this as a satisfactory situation. Our gross margins in the region held up and consequently we have seen the increased sales translate into an increased level of profit.

This was not an easily achieved result and the control of costs has been an ongoing challenge. Freight costs into the region and within the markets have seen upward pressure and our businesses have, in common with many businesses in Europe, introduced freight surcharges.

James Halstead France remained open but the staff faced restrictions on movement and curfews. Stock movement was an ongoing issue with inflationary pressure on the cost of transport. France in particular faced difficulties in the weeks after "Brexit" and whilst this is working better now, the situation is far from ideal. The near 9% increase in sales was, I believe, commendable in the circumstances. The sales force worked throughout the year although face to face meetings could not take place. Our major competitors manufacture in France and they were faced with raw

Chief Executive's Review
continued

material shortages and consequent lack of product, factors which no doubt helped in achieving this result.

Objectflor traded well but stock levels have been reducing as suppliers have struggled with international freight. However, it would seem clear that our competitors were worse hit and I believe Objectflor took market share. There were shortages in the wood laminate sector which is a competing product to our luxury vinyl tile and this pushed demand up for our businesses. Whilst our warehouses remained open throughout the year there were additional procedures regarding personal protection that did affect efficiency. There were no exhibitions during the year and much less travel which reduced costs but Objectflor did re-open their in house "campus" marketing facility and hosted many customer visits. Throughout the year the cost and availability of shipping to Germany became more problematic and Objectflor stock levels have been under pressure due to increased demand. The company introduced freight surcharges on sales which seems to have been generally accepted in this marketplace.

Polyflor Pacific – encompassing Australia, New Zealand and Asia

The region has been one the hardest hit by successive lockdowns with Australia in particular lurching in and out of various restrictions on a state by state basis. The confusion has affected staff morale and made it difficult to forward plan. Having said this, the turnover in Australia was some 8.2% ahead of the comparative year and we have sought to hold stock at higher levels to mitigate the uncertainty. We are confident that this has differentiated us from our competitors and allowed us to take market share. In addition, our regional warehousing in each of the federal states has helped us to progress as individual state lockdowns hampered interstate deliveries. As noted, in many markets domestic demand was bolstered by spend being redirected from holidays, car purchases etc to home improvement as a greater number of people worked from home.

The almost weekly "knee-jerk" restrictions saw disruption to logistics with customers premises sometimes closed as well as several periods of congestion at the main import point in Sydney Harbour.

In New Zealand we achieved record turnover with sales some 28% above the prior year (albeit that the comparative was affected by a closure of the economy in the spring of 2020). Having said this turnover was still some 23% ahead of the 2019 comparative. As with Australia the plan to bolster our stock levels in the market was correct and the lack of availability of competitors stock (largely supplied from Europe) increased sales and was very much appreciated by our customers – the flooring contractors. In New Zealand we continued to supply flooring to the national social housing upgrades and new product launches of loose lay flooring projects were very successful.

As noted in previous years the Asian markets have been brought under the management of our Australian business and despite the effects of the pandemic, we continue to progress.

In Malaysia we incorporated a new company and took on the trade of our former long-term distributor in November 2020. This will now act as our base for the South Asia markets of Malaysia, Singapore, Indonesia, Thailand, the Philippines and Vietnam. This gives us a local stockholding in Malaysia to continue and growing the sales of our previous distributor, as well as holding stock in a free trade zone that will be used to service the other countries listed above on a timelier basis rather than shipping from the UK.

Unfortunately, activity since we began trading in Malaysia has been hampered by movement controls and full lockdowns, but despite this, sales across the region of Southern Asia for the period increased by 23% over last year.

Our North Asian markets (China, Hong Kong, South Korea, Taiwan and Japan) were similarly hampered by the pandemic with travel restrictions, lockdowns and a slowdown and delay in projects and renovation work. The effect was to reduce the sales in the region from the previous year by 21%. In last year's annual report, we noted plans to have a stock presence in mainland China and this is now operational. This has helped service smaller ad hoc projects in the region as well as helping supply some smaller orders to Hong Kong and Macau. China sales have remained in line with last year, helped by securing the prestigious Gansu Province Women & Children's Medical Complex.

We expect further growth for the Pacific/Asia region as we start to see the effects of easing lockdowns and travel restrictions, vaccination rollouts and government stimulus packages.

Polyflor & Riverside Flooring, based in UK

Sales at Polyflor were 11.4% ahead of last year. There was strong sales growth in sales in the UK (increased by 24%) and a continuation of good sales through our international businesses though there was a decline in exports. The export business suffered as a result of delays in government funded healthcare projects in many parts of the globe as attention was focused on the immediate issue of the pandemic and vaccine rollout. In addition, with raw materials in short supply and manufacturing hampered by employee absenteeism, the smooth flow of production was hampered throughout the year. Raw material prices did start the financial year at lower prices than we had seen in the period from March 2020 through to June 2020 but very quickly rose to levels that were 70-80% higher.

Riverside, which sells only to Polyflor had around an 8% increase in turnover.

During the year for both our UK based companies were dogged by manufacturing problems due to the shortage of basic raw materials. Polymers, plasticisers, packaging and pallets were in short supply. Each of our competitors faced the same problems and prices were consequently higher and largely non-negotiable. As manufacturers we have commitments to stockists in terms of price commitments that we ourselves are not able to get. That said we put into the market price increases. The increased volume of sales, most notably in the UK, meant that we were able to increase profitability though it was greatly assisted by stock levels. For many years as a manufacturer we have committed to stock in the warehouse to smooth production pressures and to be able to supply large projects "off the shelf" rather than make to order. It is a key differentiator of our business and it can have its challenges but in this year it was a key strength. Despite the difficulties in maintaining output the manufactured output was higher than the previous year but the prior year included a ten week shutdown during the first lockdown and the start of that year was affected by a significant breakdown that affected one of the main production lines. In short output was below our potential and indeed the demand requirements but better than the year that preceded.

In our home market we have an extensive network of stockists and this helped us to capitalise on a return to more normal levels of demand for flooring as the year progressed. Our stock holding was key to this. In addition there were new distributors added to the UK market and there was a cross-over of our commercial product into the domestic segment as the demand driven by household refurbishment sought credible flooring solutions. In the year we saw a significant growth in internet supply of our flooring by a number of our existing customers and indeed some contractors have extended their business model to online supply.

New product launches were deferred. This was not a cap on the year's growth as there was simply not the need to compound the complications of supply and delivery. It would seem to be clear that Polyflor took market share in the UK during the year. In part this gain was from overseas competitors that faced difficulties in their own markets. It was perhaps also in part due to the "Brexit" changes in January 2021 but more significantly due to the import sector that sources Far Eastern product and re-brands for UK consumers. I have no reason to doubt that the extension of Polyflor into a wider consumer market (ie that of high end domestic) will lessen; the very high demand levels of household spending may be less pronounced but the product has performed and gained consumer credibility. The lockdown shortages have brought Polyflor ranges to a wider consumer base and contractor recommendation has become a key driver of consumer choice.

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

Sales across this region are broadly comparable with those of the prior year though the situation in Norway and Sweden contrasted sharply. In Norway sales were 11% ahead of the prior year but in Sweden down by a similar percentage. In Sweden the pandemic started with the lightest of touches but has been the most affected over the course of the year with staff on short time for a long time and commercial flooring projects at a much lower level. Norway in contrast remained open and adopted new working practices and procedures.

Although there were restrictions arising out of the national response to the pandemic in Norway the business remained open throughout. To keep their economy more active, restrictions in Sweden were less severe however some negative commercial impacts came later in the year as the economy and refurbishment slowed. There were many education projects in Sweden with examples being Orkerstern School, and the Svärtingeschool. Across the Scandinavian region, competitors had problems supplying some specifications to the advantage of our businesses where we were able to supply from stocks locally or from the UK. This is a trend that has continued into the 2021/22 financial year.

Polyflor Canada, based in Toronto

Turnover in Canada was modestly ahead of last year and profit increased. Canada as a market faced severe disruption with long periods of business restrictions particularly in Ontario (where our warehousing is based). In recent years

Chief Executive's Review

continued

Polyflor Canada has undertaken a lot of business in hospitality and retail and these sectors were hardest hit by the successive lockdowns. Our strategy in Canada has been defensive – controlling costs and deferring expenditure on expansion.

With broadly the same turnover and profit as the prior year we are satisfied with the outcome but this was not easy to achieve. Travel across the various regions has been subject to restrictions for much of the year and day to day refurbishment was restricted by the governments Covid-19 regulations.

Polyflor India, based in Mumbai

During the year we scaled back our business in India. It was difficult to undertake local sales due to the scale of the pandemic and we reluctantly reduced our sales representation. The business remained operational throughout the year and it was noticeable that projects were delayed or protracted due to working restrictions.

Despite this, our turnover in India increased as did profits. In part this was the result of product being sold to the Serum Institute for vaccine manufacturing. Our business is largely focused on healthcare, education and pharma and there is every expectation of growth in the coming year. There are significant challenges in terms of cost and availability of shipping to the Indian continent which will resolve over time.

Rest of the World

During the year some of our markets did reduce their level of sales and the common theme in these markets is that there were delays in infrastructure projects that are government funded. The Middle East, Hong Kong, Africa and North America were the markets most affected. Projects such as Hamad International Airport and the extension of the Aspire Museum both in Qatar and Extra Foods Supermarkets in Trinidad and Tobago are examples of breadth of our exports. In Argentina we have supplied the flooring for twelve modular hospitals built for dealing with Covid-19.

Conclusion and outlook

Given the circumstances we can only be pleased with the results for the year. The hard work, dedication and experience of our subsidiary directors and management has been a key factor in this achievement.

However, the challenges have not lessened. Though in many markets the task of living with the Covid-19 virus is underway there are issues in manufacturing manning levels at our UK factories and logistical and transportation issues. At this point in time it is frustrating that even where we have orders and stock it is difficult to move goods internationally. The difficulties of the Suez blockage and disruption of the Yantian port in China continue to ripple into the present but should ameliorate.

In the UK our stockists handle distribution to end users and there has been many issues within our sector relating to customer delivery. Internationally it is difficult to compare the current situation with any other time that has been as difficult.

To date we have continued to fulfil customer orders and demand levels continue to be positive. Raw material prices continue to be under pressure and we have in many cases had to pass on cost increases to customers. Despite these pressures we are starting to see some positives in raw material availability and though these adversities may persist for several months I am confident we can continue to grow our global activities.

Mark Halstead
Chief Executive

1 October 2021

Financial Director's Review

As is usual, we have prepared these accounts by the consistent application of accounting standards with due appraisal and judicious accrual for known probable liabilities with as yet uncertain outcome at the year end. As in previous years we, as a board, look to be prudent.

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.

Some key statistics:

- Group turnover at £266.4 million (2020: £238.6 million) was 11.6% higher than last year.
- Profit before tax was £51.3 million (2020: £43.9 million) 16.9% higher than last year.
- Finance income was £0.05 million (2020: £0.4 million) reflecting interest rates that remain very low.
- Selling and distribution costs were 2.3% higher than last year. Administration expenses were 23.7% higher than last year
- Trade debtors increased to £39.3 million (2020: £24.6 million). Trade creditors increased to £40.9 million (2020: £ 29.6 million). In both cases the comparative was affected by the UK lockdown in the months just prior to our year end.
- Stock levels stand at £60.7 million (2020: £68.5 million).
- Cash stands at £83.3 million (2020: £67.4 million) even after the payment of £34.1 million in dividends, £9.9 million in tax and £2.8 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. Cash flow has been a key performance measure.

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. These accounts contain analysis and more importantly we require each director to undertake a written report on their area and often these include key indicators (obvious examples are level of absenteeism in the factories, debtor days and margin by product line but these are backed up with detail of the key drivers of these ratios and the planned response).

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. One such indicator that is under close scrutiny is absenteeism.

In terms of non-financial KPIs brand awareness, reputation, customer satisfaction and market share are all important but difficult to assess. We do not believe that surveys and market share data, to the extent that they are collated by various trade bodies, is complete and wholly accurate. Consequently little reliance is placed upon this data. We subscribe to various third party reports on the flooring industry which to an extent match and compare us to our competitors and whilst valid snap-shots of the sector they are limited. Customer satisfaction awards are always welcome and we note these in our strategic report.

Principal decisions

The strategic report notes our approach to our Section 172 of the Companies Act 2006 and we have faced many decisions in the year. We define principal decisions as those that have a significant impact on the company and/or group and/or our stakeholders. Principal decisions that are currently confidential to the group are not included in the list below. Any such decision would be included in future report and accounts if and when confidentiality is no longer a factor.

The potential impact of principal decisions on stakeholders is assessed in detail by the board. Obviously a significant number of decisions had to be made in the period of the lockdown and principally the level of manufacturing activity. The executive directors kept the board appraised and these actions are described in the strategic review and in our interim reporting. To the extent that these decisions affect employees there is a bi-annual update on group performance. Each of the principal decisions has an effect on employment and hence employees as a whole so this high level update is important to provide context for the individuals.

During the year the following were considered by the board.

Financial Director's Review
continued

Payment of dividends

The board considered shareholder expectations in setting these dividends, along with the cash position of the company. Cash flow projections are an important part of this, particularly in the current economic environment - the executive directors were tasked with keeping the board appraised of debtors and working capital.

Bonus issue

The board considered and has proposed a bonus issue of one ordinary share for every share held. James Halstead plc has a long history of such issues and these are in addition to dividends not in substitution. The board believes that these issues are welcomed by the smaller holders of shares and promote liquidity amongst retail investors. A bonus issue such as this is not an economic event in that no wealth changes hands but nevertheless these issues have been popular with our shareholders and it emphasises the history of share price growth. We would anticipate an increase in liquidity of the shares.

Defined benefit (DB) pension scheme - deficit funding

During the year the tri-annual valuation took place. This was based on the position of the scheme at 5 April 2020. Given the turmoil in financial markets at that point, together with a drastic reduction in national interest rates there were large negative implications to the fund at that time. The board took the decision to fund a covenant review to give the trustees of the scheme some comfort on the future. With the recovery of financial markets it was agreed (in line with guidance from the Pension Scheme Regulator (TPR) to take a more balanced view on the assets of the scheme rather than focus on a single date. A new deficit reduction plan was agreed in July 2021. It can be seen from these accounts that the deficit is greatly reduced.

The board have discussed with the trustees the future accrual of benefits and the trustees made clear that an equitable payment by members would see an increase in member contributions of around 12-15%.

Review of long term executive incentives

Our last share option plan was approved by shareholders in 2010 and the board have revised this and a new plan was approved at the AGM on 12 November 2020. Many companies in recent years have moved to the issue of nil cost options: the board considers that whilst, on occasion, this might be appropriate (though has never done so) we should issue options at the market value of our shares and that benefit to executives is thereby dependant on value creation to shareholders. One relevant change was to give the board the power to waive the requirement for earnings per share to exceed the retail price index. The board feels that the effects of the lockdown on various economies had an effect on earnings and that the board should be able to reflect performance in the face of challenges that reduced earnings but were inevitably outside the control of the business.

Approval of group budget

A key process is to each year agree budgets with our trading subsidiaries and this is presented to the board towards the end of each trading year. Having regard to the unprecedented situation across our markets for the pandemic such a process this year would be neither accurate nor a useful use of time. The Board, therefore, has assessed progress against the prior year comparative. This year has allowed us to re-introduce a budget (i.e. for 2021/22) process but the flow of trade is still far from normal. In the normal course of budget preparation manning levels and shift patterns are assessed and this effect of working hours disseminated to the various departmental employees. Our business, as many others, is still experiencing unprecedented levels of absenteeism and this remains a challenge to the manufacturing process.

Warehouse expansion

Last year the board appraised the need for increased warehouse capacity in the UK and plans are being finalised for final approval. The board has agreed this in principle and the cost of this expansion will be in excess of £15 million (excluding stock holdings).

Little progress has been made on this project. Land has been identified and the scale of the project agreed but there have been delays in the planning process.

Price increases and settlement discounts

The increase in costs over many months has been reported in our financial results and in common with many other companies we have had to increase our prices and will undoubtedly have to do so again. As manufacturers there is no holding gain on a price increase. Many stockists can make a gain on the stock they hold.

In addition, our industry in common with some others offers a discount for payment within terms. These discounts were common in the manufacturing sector for many years but the rate (at 2.5%) has been out of proportion to interest rates in the current era and the board resolved to change this after the year end.

Principal business risks and uncertainties

The ongoing pandemic is an uncertainty. The actions we take will necessarily evolve. We have detailed procedures to minimise risk of transmission within our business. During the year with employees self-isolating and shielding we have struggled to run all of our production lines at once and there has been overtime costs of employees covering for those absent. Many governments have offered a range of financial support packages to help companies and these have been taken advantage of where appropriate. There is little doubt that whilst we offered secure employment there was among a number of people a degree of resentment that other people were paid to stay at home, not within the organisation but within the economy in general.

The situation regarding the UK leaving the EU ("Brexit") is still an ongoing uncertainty. The availability and free flow of raw materials has been disrupted but the complexities of the pandemic have superimposed themselves on the issue of border controls. The transport industry has not seen a normal period of activity and in the melee includes a mix of increased paperwork, employee shortages and excess demand.

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. During the year the unknowns associated with the pandemic were a key unknown and consequently a key risk. 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.

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 denominated 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. IFRS 7 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 wouldn't 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 twenty 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.

Financial Director's Review
continued

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

	£'000
2021	(615)
2020	336
2019	(170)
2018	(759)
2017	2,168

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

Defined benefit pension scheme

In common with other long established businesses we have the complications and uncertainty associated with having a "final salary" pension scheme. The scheme has been closed to new entrants since 2002 and was only offered to UK based employees; of our UK based work force around 20% of employees are members of this scheme. At this moment in time we are considering closure of the scheme to future accrual. Actuaries undertake a tri-annual valuation of the scheme.

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 arguably over prudent assumptions as driven by the actuarial profession.

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 income statement with actuarial gains / losses on the accrued benefits dealt with through the Consolidated Statement of Comprehensive Income. This year there is a net actuarial gain of £12.7 million against a net actuarial loss in 2020 of £5.1 million.

It is of note that since the adoption of the pension scheme into the balance sheet some years ago the deficit has had the potential 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 520p (2020: 518p) are:

- The net deficit to market capitalisation is 0.3% (2020: 1.7%);
- The total liabilities to market capitalisation is 7.5% (2020: 8.4%); and,
- The deficit to operating profit is 8.4% (2020: 52.6%).

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 group. 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. The focus on current interest rates as a determinant of long term liabilities continues and it should be noted that relatively small increases in this assumption eliminates the deficit.

It continues to be that our scheme augments past pensions to RPI though ongoing pensionable salaries and future accrual are to the more appropriate CPI. Several years ago the UK Statistics Authority balked at changing RPI even though it is widely discredited as an appropriate measure on which to base pensions. The latest proposal to alter RPI to the CPIH basis could reduce the deficit significantly.

Gordon Oliver
Finance Director

1 October 2021

Section 172 Statement

The directors and the board as a collective consider that they acted in a way that would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172(1) (a) to (f) of the Act) in the decisions taken during the year ended 30 June 2021.

The group comprises business units in various locations worldwide, all of which have engagement with their local stakeholders and other companies within the group structure. The group's governance delegation of authority allows decisions to be made at business unit level up to defined limits, which allows them to take account of the needs of their local stakeholders through their decisions implemented locally. The board routinely monitors these decisions and ultimately takes responsibility for the interaction with all stakeholders.

In consideration of major matters discussed at board level, the likely impact on all stakeholders are carefully considered and where possible, decisions are carefully explained and discussed with affected stakeholders before actions are implemented to ensure they understand and have any necessary support.

The group's key stakeholders and how we engage with them are set out below.

Stakeholder group	How do we engage with them?	How has the board considered their interests?
Shareholders	Members of the board have regular dialogue with institutional Investors and individual shareholders in order to develop an understanding of their views. The AGM is an important forum for private shareholders to meet the board and ask any questions they may have, directly. The company's website has an investors section which gives investors direct access to reports, press releases and business information. There is also a contact mailbox facility.	The board understands that shareholders require sustainable growth and value creation. In recognising this, it has implemented a policy which has resulted in increasing dividend returns and incremental shareholder returns over a sustained period. Shareholder views, together with movements in the shareholder base, are regularly reported to and discussed by the board and their views are considered. Our NOMAD's views on market sentiment are fed back on a regular basis, and are considered by the board where it impacts strategy.
Customers	We interact with our customers through: ■ Regular visits and meetings ■ Industry exhibitions ■ Customer site tours and presentations ■ Business unit websites ■ Supplying extensive samples and supporting literature ■ Delivering a high standard of technical support ■ Providing enhanced digital design services and support	Our strategy of attaining sustainable growth in profit and building goodwill in our brands will only be achieved through an understanding of the needs of our customers and the markets we serve. The board regularly considers the impact on customers when considering strategic decisions, for instance the major investment in a new warehousing facility has been driven by the need to improve customer service.

Section 172 Statement
continued

Suppliers	Engagement with suppliers and business partners is achieved by holding regular meetings, regular evaluation reviews and through audits of the supplier base.	The board recognises that relationships with the supplier base is important to the reputation and long term success of the group. There is regular dialogue between our management team and our suppliers, where quality, price, sustainability and health and safety are key to the discussions. Any matters which the board needs to be aware of are reported back as appropriate.
Employees	We engage with our employees through site communications, briefings, performance reviews, newsletters and notice boards. Employees are also written to individually on matters which are deemed important.	The board is aware that our employees are critical to the successful achievement of the strategic aims. The group prides itself on providing a friendly and safe working environment for all employees, and given the nature of our manufacturing process, health and safety is taken extremely seriously. There are a number of employees who have achieved thirty, forty and even fifty years' service. The group has operated a share scheme which enabled employees to build up personal shareholding in James Halstead plc and participate in its expansion and success.
Communities	We operate from multiple sites and seek to be a good neighbour with the local communities. Where possible we create opportunities to recruit and develop local people, which helps support the local economy and look after the environment. We also support local charities through fundraising and donations.	The board has a full understanding of the importance of good community relations with both internal and external stakeholders. The impact of our operations from an environmental perspective is recognised on a local and global level. Capital expenditure projects, for example, focus on improving energy efficiency and reducing environmental emissions.

The corporate social responsibility section of the latest Polyflor Sustainability Report outlines in further detail, the group's commitment to its stakeholders, including the supply chain, employees and the communities.

The principal decisions in the year are included in the Financial Director's Review.

The strategic report was approved by the board of directors and signed on behalf of the board.

D N Fletcher
Secretary

1 October 2021

Report of the Directors

The directors are pleased to present their report, together with the audited accounts for the year ended 30 June 2021.

Results and dividends

The group results for the year and the financial position at 30 June 2021 are shown in the consolidated income statement on page 33 and the consolidated balance sheet on page 35.

The directors are recommending a final dividend of 11.00p (2020: 10.00p) per share on the ordinary share capital for payment on 17 December 2021 to those shareholders on the register at 26 November 2021. This final dividend together with the interim dividend of 4.25p per share paid on 4 June 2021 makes a total dividend of 15.25p (2020: 14.25p) per share for the year.

Directors

The directors who held office during the year were as follows:

J A Wild
M Halstead
G R Oliver
S D Hall
M J Halstead
R P Whiting

Mr J A Wild and Mr M Halstead are the directors retiring by rotation, and 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 2021		30 June 2020	
	Beneficial	As Trustee	Beneficial	As Trustee
J A Wild	150,300	11,975,360	150,300	11,975,360
M Halstead	13,252,567	11,126,112	13,241,468	11,126,312
G R Oliver	215,259	130,034	207,550	130,234
S D Hall	5,700	–	5,700	–
M J Halstead	688,117	–	688,117	–
R P Whiting	–	–	–	–

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 27.

Substantial interests

As at 14 September 2021 the company had been notified of the following interests which represent 3% or more of the existing issued share capital:

	Number	%
Rulegale Nominees	36,943,534	17.7
John Halstead Settlement	35,447,218	17.0
Octopus Investment Nominees	11,466,214	5.5
Nortrust Nominees	8,340,872	4.0

Share capital

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

22 June 2021	18,808
	18,808

Bonus issue

The board proposes that the group should initiate a Bonus Issue of fully paid ordinary shares to the holders of ordinary shares on the register at the close of business on the record date of 13 January 2022 (the "Bonus Issue"), equating to 1 new ordinary share for every 1 ordinary share then held. The proposal is subject to shareholder approval at the Annual General Meeting of the company to be held on 18 November 2021.

The Bonus Issue is intended to increase the marketability and liquidity of the company's ordinary shares.

It is proposed that an amount equal to the aggregate nominal value of the ordinary shares of 5.0p each in the company in issue at close of business on 13 January 2022, being the credit balances on the capital redemption reserve and share premium accounts and part of the amount now standing to the credit of the profit and loss account of the company, will be utilised in paying up at par the new ordinary shares to be issued pursuant to the Bonus Issue (the "Bonus Shares").

Terms of Issue of the Bonus Shares

The rights and restrictions attaching to the Bonus Shares will be as currently set out in the articles of association of the company in relation to the existing ordinary shares. The Bonus Shares will rank pari passu in all respects with the existing ordinary shares, save that they will not rank for any dividend declared prior to the record date or for the proposed final dividend of the company in respect of the financial period ended 30 June 2021 referred to in resolution number 2 proposed for consideration at the Annual General Meeting of the company convened for 18 November 2021.

Report of the Directors
continued

The Bonus Shares, which will be capable of being held in either certificated or uncertificated (CREST) form as appropriate, will be issued to each shareholder and are not being marketed. Where ordinary shares are held in certificated form on the record date, shareholders will receive non-renounceable share certificates, which will be posted at the risk of the shareholders, in respect of their entitlements to Bonus Shares. Where ordinary shares are held in uncertificated form on the record date, the appropriate CREST accounts will be credited with the relevant number of Bonus Shares, save that the company reserves the right to issue the Bonus Shares in certificated form in exceptional circumstances, such as for example, in the event of any failure or breakdown of CREST. No temporary or renounceable documents of title will be issued. Definitive certificates for the Bonus Shares will be posted to shareholders no later than 27 January 2022 and stock accounts in CREST will be credited with the new ordinary shares on 14 January 2022.

Special business at the annual general meeting

The Bonus Issue is conditional on resolutions 8 and 9 set out in the notice of the Annual General Meeting being passed at the Annual General Meeting and upon Admission. The directors also reserve the right to elect not to proceed with the Bonus Issue in the event of a change of circumstances such that, in the directors' opinion, the Bonus Issue is no longer in the best interests of the company and/or shareholders as a whole.

Resolution 6 authorises the directors to apply an amount (which based on the current issued ordinary share capital of the company would be approximately £10,407,996, being the credit balances on the capital redemption reserve and share premium accounts and part of the amount now standing to the credit of the profit and loss account of the company), in paying up in full the Bonus Shares at par value for the purposes of the Bonus Issue.

Resolution 7 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 2022.

Resolution 8 authorises the directors to allot relevant securities pursuant to section 551 of the Companies Act 2006 up to a maximum nominal amount of £6,938,664 (including the Bonus Shares to be issued pursuant to resolution 6). This figure represents approximately 33.33% of the total enlarged ordinary share capital as enlarged by the 208,159,916 Bonus Shares (which is the number of Bonus Shares which would be issued on the basis of the current issued share capital of the company as at 30 September 2021). The authority will expire at the next Annual General Meeting of the company to be held in 2022 or six months after the next accounting reference date of the company (whichever is the earlier).

Except for the issue of shares under the Bonus Issue and the allotment 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 9 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 2022 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 as enlarged by the Bonus Issue. 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 10 seeks to renew the authority of shareholders to allow the company to purchase its own shares in respect of up to 10% of the issued capital at prices not exceeding 5% above the average of the middle market quotations for the five business days preceding the purchase. The directors undertake that the authority would only be exercised if the directors were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the company at that time. The directors may choose to hold shares purchased under such authority in the form of treasury shares (subject to a maximum of 10% of the issued ordinary share capital at any one time).

Going concern

The group's performance, position and business activities, together with the factors likely to affect its future development, are described in the Chief Executive's Statement.

The directors have reviewed current performance and forecasts, combined with capital investment and expenditure commitments, and a range of trading scenarios. The group has no net borrowings and owns the freeholds on many of its premises (the most significant being the four UK operating sites).

After making enquiries, the directors have the reasonable expectation that the group has adequate financial resources to continue in operation, including contractual and commercial commitments, for the foreseeable future.

As the global pandemic continues, but with many markets at advanced stages of vaccination, certain end user segments continue to be hit (restaurant and hospitality being the most obvious), but others have grown beyond the norm (portable buildings and school refurbishment). Given the extreme ease of cleaning vinyl flooring, its use in many projects is being widened.

Working with our teams we have tested extreme scenarios for the purpose of the statutory audit and, whilst we do not believe they are likely, this stress testing underpins the going concern concept. The cost and availability of international freight is frustrating stock holdings, and as part of the going concern review we have factored in the scenario that this will continue for another year.

Employment involvement

Within the UK we have both 25 year clubs and 40 year clubs for all employees. Many employees have worked their entire career for the group, and retaining an experienced workforce is important to our long term success. Our workforce retention rate is very high. Recruitment is biased to the local area, and we have a number of graduate recruits and offer internships to support younger people looking to develop their employment skills. We look to pass on knowledge and we are involved in skills training to the flooring industry, technical knowledge to the industry in general and involvement in the Chartered Institute of Human Resource Management's "Skills Ahead Mentoring Project". We have a floor fitting school for the industry and this is accessible to employees allowing them to gain skills for use in their own homes.

Promotion or opportunities in different departments are often recruited from within the business and is preferred to external candidates. The senior management and the directors having, in the main, come from lower positions within the business, including the executive directors of the main company. Our recycling partnership presents to senior management and staff on a regular basis to promote a better understanding of achievements and goals to involve more of our staff in sustainability.

We have a firm belief in equality and our main subsidiaries are SA8000 accredited (an independent standard for decent working environments). Also BS OHAS 18001 accredits our occupational and safety management protocols.

All our UK employees are offered pension scheme benefits with company contribution and the majority of UK employees are shareholders in the company by virtue of a long standing employee participation scheme. This is currently being reviewed to make it even more relevant to the group today. On the more personal level we operate a company supported social club for employees, we have outdoor seating, we offer bike sheds and there are shower facilities at most sites. Also there are break out zones and facilities to either buy or prepare food at all our sites. The company looks favourably on providing time for employees to undertake voluntary work.

Across our sites there are regular consultation meetings with employee representatives (some with trade union representatives).

Our employees are an important asset and are kept abreast of group performance at least twice a year. In this year with the pandemic we have made provision for many staff to work from home and created segregated teams to maximise social distancing. Obviously the production lines need manpower and much reorganisation has been undertaken to maintain a safe working environment. During the early days of the pandemic a great deal of time was spent in collaboration with external union officials and local health and safety officials to minimise risk and to allay employee concerns.

In terms of decisions directly affecting employees, communication is by line managers in the first instance, but the directors will discuss overall matters with designated representatives. In regard to the principal decisions of the business the board has considered the employees as a group and their wellbeing as a whole.

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.

Report of the Directors
continued

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.

Emissions and energy consumption

Scope 1 and 2 consumption and carbon dioxide emission data has been calculated in line with the 2019 UK Government environmental reporting guidance.

	Year ended 30 June	
	2021	2020
	Tonnes of CO_2e	Tonnes of CO_2e
Scope 1 - direct emissions (UK facilities and vehicles)	8,011	8,049
Scope 2 - indirect emissions (UK purchased electricity)	5,260	5,495
Total Scope 1 and Scope 2 emissions	13,271	13,544
Intensity metric – total scope 1 & 2 emissions per metric tonne produced	0.27	0.31
Total UK energy consumption (kWh)	68,377,491	67,086,645

The group is committed to year on year improvements in operational energy efficiency. A number of energy efficiency projects were completed in the year. These included the installation of LED lighting, in conjunction with PIR sensors to ensure that lighting is not in use when not required, the replacement of Fixed Speed Drives with Variable Speed Drives, which reduces the speed of plant motors to ensure they run no faster than is required, and the replacement of high voltage transformers with more energy efficient and reliable models. The group is mandated to comply with the Energy Savings Opportunity Scheme (ESOS), and the available energy efficiency improvements identified in phase 2 reporting are being reviewed and implemented where possible. Training in energy conservation and sustainability awareness is being considered for all staff across the business in the coming year. All these projects and initiatives reinforce the commitment to implementing an Energy & Environment strategy, which reduces energy and carbon usage, and is in line with the UK's 2050 net zero targets.

Risk management

Information in relation to risk management and future developments can be found in the financial director's review in the strategic report.

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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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.

Auditor's remuneration – non-audit related fees

During the year new rules were introduced by the UK audit profession on the non-audit work that can be undertaken by the group's auditors. For many years we have, as a board, put non-audit work to other firms though our auditors did undertake tax compliance services. The board had overseen changes in advance of these regulations (the Financial Reporting Council Ethical Guidance).

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 N Fletcher
Secretary

1 October 2021

Board Report on Remuneration

Remuneration committee

The remuneration committee comprises the non-executive directors, with Mr S D Hall, 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

The directors' salaries and fees for the year are disclosed in note 14. 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 £463,000 to each of the group chief executive and group finance director relating to the 2020 financial year 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. Increase in pensionable salary is restricted to the increase in the consumer price index.

Other benefits within the schemes are death in service lump sums, spouse's and dependant's 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, Mr M J Halstead and Mr R P Whiting each 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.

S D Hall
Chairman of the Remuneration Committee

Corporate Governance

Chairman's introduction to governance

The board has over many years recognised its responsibility towards good corporate governance. It is part of our character and, I believe, contributes to our ability to deliver long-term shareholder value. The Financial Reporting Council and the Quoted Company Alliance have both issued guidance on governance and having assessed these codes we have aligned our approach to the latter. In many ways this is a continuing process but in the following paragraphs we outline how we effect this code and I trust our shareholders will take the time to review our comments.

It is my belief that good governance is accountability to shareholders as a whole over time rather than being swayed by current short term objectives of individual holders. For many companies some shareholders are transient and focus short term, looking for ambitious acquisitions or risky strategies and yet quick to exit at the first sign of problems. Management need to be focused on the medium to long term goal as much as current issues.

Anthony Wild
Chairman

Directors and committees

The company is controlled by the board of directors. The board consists of a non-executive chairman, two executive directors, a senior independent director and two non-executive directors.

The board has two sub committees: a remuneration committee and an audit committee.

The directors are named below along with their membership of board committees.

Director	Role	Remuneration Committee	Audit Committee
Mr Anthony Wild	Non-executive Chairman	X	X
Mr Mark Halstead	Chief Executive		
Mr Gordon Oliver	Finance Director		
Mr Steve Hall	Senior Independent Director	X	X
Mr Michael Halstead	Non-executive Director	X	X
Mr Russell Whiting	Non-executive Director	X	X

The board

The role of the board is summarised as follows:

- To establish and maintain the group's vision, mission and values
- Decide on the current and future strategy to ensure the group's longevity
- To delegate to management the implementation of policies, strategies and business plans while ensuring the framework of internal controls is effective
- Account to shareholders and stakeholders to promote their interests and the goodwill to the group

The board comprises two executive directors and four non-executive directors. The roles of chairman and chief executive are separated.

Directors

Mr Anthony Wild – non-executive Chairman

Mr Wild was appointed to the board as senior independent director in 2001 and chairman in 2017. He is a Chartered Accountant and was senior partner in a local firm for many years offering management consultancy services. He brings a long and in depth knowledge of James Halstead plc, its heritage and strategy over many years along with business and commercial knowledge obtained in a career of business advice. A key responsibility of the chairman is to lead the board effectively and to oversee the adoption, delivery and communication of the company's corporate governance model. The chairman as a non-executive director has adequate separation from the day-to-day business to be able to have an independent view. The chairman ensures that the board receives accurate, timely and clear information and there should be good information flows within the board and its committees as well as between the NEDs and senior management.

Mr Mark Halstead – Chief Executive

Mr Halstead has over 30 years' experience in the group holding senior management positions within Polyflor prior to his appointment as group chief executive in 2002. Having gained his grounding in many aspects of the group's flooring activities Mr Halstead focused on exports and founded our operations in Europe. He brings unparalleled knowledge of the group's activities, the products and positioning in markets and experience to allow for the assessment of future opportunities for the group both in commercial terms and product related. Mr Halstead is tasked with the delivery of the business model agreed within the strategy set by the board.

Corporate Governance

continued

Mr Gordon Oliver – Finance Director

Mr Oliver is a Chartered Accountant. He trained with KPMG and held a number of financial positions in industry prior to joining James Halstead in 1987 as group financial controller. He was instrumental in the disposal of non-core businesses in the UK and overseas and became finance director of the group in 1999. He brings knowledge of financial management and control, corporate governance and business acumen to the business as well as development of future strategy arising from a long period as a member of the board. During his time with the company Mr Oliver's standing has been recognised by several awards from his peers and the financial press. Mr Oliver is tasked with working closely with the chief executive to progress the business and to have regard to mitigation of risk. In addition a key role is integrity of the financial information and communicating to the board the financial implications of areas of subjective judgement.

Mr Steve Hall – Senior independent director

Mr Hall was appointed to the board in 2012 as a non-executive director. He has 21 years' experience as a director of corporate banking for the Royal Bank of Scotland where he was responsible for corporate SMEs and quoted clients. For several years he has acted as a consultant outside of banking and is a non-executive director to a large retail chemist chain. He brings with him this banking experience as well as broad experience of mergers, acquisitions and disposals and the financing thereof. One of the key responsibilities of the SID is leading the performance evaluation of the chairman, or the search for a new chairman. As SID, Mr Hall is an alternative route of access for shareholders and other directors who have a concern that cannot be raised through the normal channels of the chair or the executive directors. Mr Hall is chairman of the remuneration and the audit committees.

Mr Michael Halstead – non-executive director

Mr Halstead was appointed to the board in 2017. He has many years' experience in the advertising industry having been an account director for Saatchi and Saatchi and more recently running his own company HH&S Group Limited. He brings general business acumen to the board along with specifics relating to marketing and public relations arising from his background. Mr Halstead provides oversight and scrutiny of the performance of the executive directors, whilst both constructively challenging and inspiring them, thereby ensuring the business develops, communicates and executes the agreed strategy and operates with reference to the risk management framework. Mr Halstead is in the 4th generation after the founder and has never worked within the business but is passionate to preserve the principles of the company and to contribute to its continued success.

Mr Russell Whiting – non-executive director

Mr Whiting was appointed to the board in 2017. He is a local businessman and is director of a company involved in leasing of assets, Associated Credits Holdings Ltd. As well as general business acumen he brings specific understanding of business and asset financing to a broad range of commercial enterprises. He has known the group for a number of years through his business. Mr Whiting possesses the critical skills that are relevant to modern companies, which includes both technical experience and the ability to positively challenge and to listen in equal measure.

Attendance at the six board meetings during the year was as follows:

	Possible	Actual
J A Wild	6	6
M Halstead	6	6
G R Oliver	6	6
S D Hall	6	6
M J Halstead	6	6
R P Whiting	6	6

Senior management team

Mr David Drillingcourt – Corporate development director

Mr Drillingcourt is a Chartered Accountant and trained with KPMG before joining the company in 1996 as group accountant. He served as finance director at two of the company's subsidiaries, Phoenix Distribution (NW) Limited (1999-2005) and Polyflor Limited (2005 – 2013). He served as company secretary (2013 – 2021). He was appointed corporate development director in 2019. Working closely with the board and subsidiary directors, the role is designed to help support the future growth of the business across the globe.

Internal control

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

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

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

The Quoted Company Alliance Code ("QCA code")

The directors recognise the importance of good corporate governance and have chosen to apply the QCA code as their framework to do so. The QCA code was developed by the Quoted Company Alliance in consultation with a number of institutional small company investors as an alternative code applicable to AIM companies. The QCA code was published in April 2018.

The QCA code sets out ten principles which seek to ensure that the overall framework for corporate governance is robust. The directors believe that this framework is appropriate to the size and operations of the business and each of the principles is commented on below. Many of the disclosures relevant to the code are already made in our annual report and accounts.

The chairman has the responsibility for corporate governance and has taken a lead on this matter. The executive team are directed with day to day management and are accountable to the rest of the board. The chairman expects and demands open discussion of issues facing the business and in the application of this code has sought input from the auditors, the company's advisors and a review by the company lawyer. The board is tasked with continuing the success of the business over time and through successive generations of management and the importance of corporate governance is to oversee the division of ownership and stewardship. The executive directors have the day to day responsibility of stewardship and the chairman and non-executives monitor and evaluate this on behalf of the owners.

James Halstead plc has been listed on the London stock exchange for over 70 years and continues to look for growth in sales and profit to continue its strong record of reward to shareholders in the form of dividend. Whilst this is a primary role, the board is proud of its reputation within its industry and the financial markets and corporate control is central to the ethos.

Corporate Governance

continued

The disclosures below were last reviewed and approved by the board on 1 October 2021.

QCA Principles and James Halstead plc's approach

1. Establish a strategy and business model which promote long-term value for shareholders

James Halstead plc's strategy is explained fully within our Strategic Report section in our Report and Accounts each financial year.

Our strategy is focussed on stable profitable growth from building the goodwill in our brands and products leading to increasing dividends over time.

Key risks and mitigating factors to our business are also detailed annually in our Report and Accounts.

2. Seek to understand and meet shareholder needs and expectations

The board has a track record of increasing dividends over many years. Where the business has generated funds in excess of its medium-term requirements and no specific investment requirements exist the board has also encouraged the payment of special dividends over the years.

Members of the board talk regularly to both institutional and private investors and the financial press to ensure that company's strategy and objectives are communicated. The group has a large number of shareholders and regular broker updates are published.

The company regularly hosts institution and broker site visits to update on progress and the executive directors are in ongoing contact with the nominated advisor who communicates more closely with the market.

Shareholders can contact the company secretary with questions and may be referred to the directors.

In addition, the AGM acts as a forum for all shareholders to meet with the board and raise any questions they may have.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The board recognises that the group has responsibilities to many stakeholders other than its shareholders. This includes employees, customers, suppliers and the wider societies in which we operate.

In terms of communications with stakeholders this is done in ways appropriate to the stakeholder and may take the form of formal announcements, individual meetings (for example appraisals with employees) and negotiations with other stakeholders.

The environmental impact of our manufacturing and our output is of significant importance to our medium term prospects not only to demonstrate our commitment to the community at large but also to customers who increasingly, and rightly, look for suppliers with strong ethical values.

As a member of the communities in which we operate the board takes seriously the impact the business has, positively in terms of being an employer and seeking continuous improvement with respect to the impact on the environment and communities. This is illustrated by our annual "Sustainability Report" copies of which are available on www.polyflor.com which outlines the impact of our manufacturing operations on the wider environment and improvements over time. Feedback from the local community is received directly to the head office. This report has been published for nearly two decades and is now an annual report.

We understand continuous development of our products also contributes to our responsibilities as well as the success of the business. This is illustrated, for example, by development of "dementia friendly" flooring in recent years.

The operating businesses encourage feedback from customers through their relationship managers in the business and customer service teams.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Risk management is reported annually in our Report and Accounts along with how those risks are mitigated and how they change over time.

The board meets six times a year during which business and other risks are assessed. Key subsidiaries have their own management boards which meet regularly and assess the risks relevant to that specific business and relevant responses. These are communicated to the main board either by direct representation or via group management structures that are in place. There are also formal and informal communication routes that allow for risks to be communicated to board members in a timely manner from all operational entities.

5. Maintain the board as a well-functioning, balanced team led by the chair.

Anthony Wild, the non-executive chairman is responsible for the running of the board and Mark Halstead as chief executive has responsibility for implementation of the board's direction.

A monthly report is provided to the board of the financial and operational performance of the group. Information is provided in advance of meetings.

The board is responsible for all strategic decisions and the overall governance and culture of the group.

All the directors have access to the services and advice of the company secretary and are able to take independent professional advice to enable them to do so. This may be done at the group's expense.

The board has a majority of non-executive directors and consider that they bring independent thought and judgement to bear as well as business experience out-with the group.

The board has sub committees with specific remits, specifically remuneration and audit committees and detail of the number of meetings and attendance by directors is noted in the Annual Report.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The board evaluates consistently those skills that are required and whether they are adequately provided for. In doing so and where relevant it will consider guidance available on appointment and training of board members. The Company Secretary has the responsibility to make the board aware of legal changes and will advise on the company's approach. For example the recent GDPR requirements and previously the Market Abuse Regulations (MAR).

The company secretary supports the chairman in addressing the training and development needs of the directors. In the case of new directors there is an induction process to ensure they become aware of the operations of the group.

The directors are aware of their individual responsibility to undertake appropriate continuing development.

7. Evaluate board performance based on clear and relevant objectives seeing continuous improvement.

The board will take account of the Financial Reporting Council's Guidance on Board Effectiveness as it evaluates on a regular basis its performance. The remuneration committee meets formally and is tasked with not only the remuneration of the executive directors but also evaluation of performance. To this end the board is circulated with press comment and market feedback on the business. Market share data and peer group analysis is available.

In terms of the financial performance the auditors meet the audit committee (comprising the non-executives) bi-annually and beyond the audit report do comment on the systems, procedures and efficacy of the management. The nominated advisor has access to the Chairman and meets the non-executives annually.

A rigorous recruitment process is undertaken for new directors prior to their proposal and election. In terms of re-election their performance is reconsidered prior to them being proposed to ensure they remain effective in their role and that they retain their independence.

Re-election is considered by the shareholders at the AGM at which shareholders have the opportunity as a body to approve or otherwise board membership. Succession planning for the board and as importantly the key executives around the world who manage our businesses is an ongoing topic of discussion.

8. Promote a corporate culture that is based on ethical values and behaviours.

The board expects the highest ethical standards of its members and management across the group.

The group has documented procedures with respect to its responsibilities regarding ethical behaviour, specifically bribery and corrupt practices and modern slavery and these are applicable across its operations including supply and customer chains.

The board also takes seriously its responsibilities towards sustainability of its operations and the impact of our operations on the environment. This is documented and reported on annually in Polyflor's Sustainability Report.

As an employer and member of many communities throughout the world, the board consider that strong ethical values to be a good member of these communities is a mind-set not one underpinned by rules and procedures. Ensuring, via recruitment processes and cultural values that this cascades through the business is critical to ensuring the group is a "good member of the community". All directors of the group's companies are expected to comply and are given a manual on procedures and expectations. This covers authority levels and gives guidance on appropriate behaviour.

Ultimately service contracts underpin this by indicating behaviour that can be deemed a breach of contract and the directors are clear about their statutory duties as formally set out in sections 171 – 177 of the Companies Act 2006.

Corporate Governance

continued

9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board

Corporate governance disclosures are assessed at least annually, including whether the structures and processes are fit for purpose.

The board retains ultimate accountability for maintaining good governance. The executive directors are responsible for the day-to-day operational management of the group and the non-executive directors are responsible for bringing their independent and objective judgement to board discussions and decisions. The roles of chairman and chief executive are split in accordance with best practice. The board are responsible for the implementation of strategy, the achievement of performance and ensuring the framework of internal controls is effective. The board has delegated specific responsibilities to the audit and remuneration committees.

The audit committee assists the board by ensuring that the financial performance of the group is properly reported. It oversees and reviews the internal control processes, its relationship with external auditors and the process for ensuring compliance with laws, regulations and corporate governance.

The remuneration committee is responsible for establishing a formal and transparent procedure for developing policy on remuneration and to set the remuneration packages of individual directors, including, where appropriate, bonuses, incentive payments and share options.

Due the nature and size of the company, the directors have determined that a nomination committee is not necessary and that issues concerning the nomination of directors will be dealt with by the board directly.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The AGM is a key forum for communications with any shareholders who wish to attend, and the directors are available here to listen to views expressed both formally and informally. This combined with the normal cycle of announcements is the key method of communication. The outcome of resolutions put to the AGM are published and are available on the company website.

In terms of publication of results, the company uses the Stock Exchange regulatory news service (RNS) to advise the market (i.e. shareholders and others) of performance and significant matters. As a group we do not find social media (Facebook, twitter etc.) an appropriate medium for dissemination of news due to the “sound-bite” nature of the medium. Brokers are updated and circulate notes regularly.

The group has, where appropriate, communications with major institutional and private shareholders and encourages dialogue.

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of James Halstead plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Balance Sheets, Consolidated and Parent Company Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to the consolidated and Parent Company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Examining the directors' business plan covering the period to October 2022. We examined the cash flow forecasts for key judgements as well as considering downside sensitivities to these;
- Testing their mechanical accuracy and assessing historical forecast accuracy;
- Challenge of the directors' stress test scenarios including levers available to the directors to mitigate the impacts;
- Challenge of the directors on the key assumptions included in the scenarios and confirming the directors' mitigating actions are within their control; and
- Assessing the adequacy of the disclosures within the financial statements relating to the directors' assessment of the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Overview

Coverage

- 97% (2020: 99%) of group profit before tax
- 90% (2020: 93%) of group revenue
- 96% (2020: 97%) of group total assets

Key audit matters

	2021	2020
Inventory provisioning	✓	✓
Pension scheme assumptions	✓	✓
Going concern	x	✓

Going concern is no longer considered to be a key audit matter given the reduced level of uncertainty regarding the economic implications of Covid-19.

Materiality

Group financial statements as a whole: £2.56m (2020: £2.30m) based on 5% of profit before tax (2020: 5% of 3 year average profit before tax).

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

Our group audit scope focused on the group's principal operating locations being the United Kingdom, Germany and Australia. The operations in the United Kingdom were subject to a full scope audit given the statutory audit requirements whilst the significant components in Germany and Australia were audited to component materiality. The German component is audited by a non-BDO member firm. The Australian component is audited by a BDO member firm. The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures by the group engagement team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole. Our involvement with component auditors included the following:

The German operations form a significant part of group turnover and profitability. As part of our audit strategy, the Responsible Individual and senior members of the group audit team were involved during the planning and risk assessment process of the German component in addition to during the completion of detailed audit procedures. We attended key meetings virtually with component management and auditors, and reviewed component auditor work papers.

The Australian operations form a further significant part of group turnover and profits. Again the Responsible Individual and senior members of the group audit team were involved at all stages of the audit process, directing the planning and risk assessment work performed through calls with the overseas component auditors and local management. Reviews of the component auditor working papers were also completed.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter – Inventory provisioning

As described in Note 2 (accounting policies) and Note 19 (inventories), the group carries inventory at the lower of cost and net realisable value.

Provision is made against slow moving, obsolete and damaged inventories. As at 30 June 2021, the group held inventories of £60.7m (2020: £68.5m).

This area represented a key audit matter as significant management judgement is required to assess the appropriate level of provisioning for items which may be sold below cost as a result of a reduction in consumer demand particularly in light of changing consumer tastes and new products being developed. Such judgements include management's expectations for future sales.

How the scope of our audit addressed the key audit matter

We obtained evidence concerning management's assumptions applied in calculating the value of inventory provisions by:

- Challenging the group's inventory provisioning policy with specific consideration given to slow moving or obsolete stock lines. This involved a review of production and sales records for a sample of products to ascertain when they were last made or sold and whether they had been appropriately provided for;
- assessing the appropriateness of the percentages applied within the provision by reviewing historic sales and the ageing of stock; and
- testing of a sample of inventory to confirm it is held at the lower of cost and net realisable value, through comparison to invoices for cost and sales prices.

We also audited the basis of stock provisioning applied by all group entities and considered whether these were being applied consistently and reflected the nature of the stock held in each location.

Key observation: Our work did not highlight evidence that the level of inventory provision is materially misstated.

Key audit matter – Pension scheme assumptions

As described in Note 2 (accounting policies) and Note 26 (retirement benefit obligations), the group has a defined benefit pension plan in the UK.

At 30 June 2021, the group recorded a net retirement obligation of £4.4m (2020: £23.2m), comprising scheme assets of £77.3m (2020: £67.3m) and scheme liabilities of £81.6m (2020: £90.5m).

The pension valuation is dependent on market conditions and key assumptions made by management, in particular relating to investment markets, discount rate, inflation expectations and life expectancy assumptions.

This area and the related disclosures represented a key audit matter given that the setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party actuaries.

How the scope of our audit addressed the key audit matter

In testing the pension valuation, with the help of external pension actuarial experts, we reviewed the key actuarial assumptions used, both financial and demographic, and considered the appropriateness of the methodology utilised to derive these assumptions.

We benchmarked the scheme assumptions against other schemes of a similar size and profile. Specifically, we challenged the discount rate, inflation and mortality assumptions applied in the calculation by using pension experts to benchmark the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the group's own position. We have also performed sensitivity analysis on the assumptions determined by the directors.

We have tested the accuracy of the scheme asset statements by reference to service organisation control reports to gain assurance over the robustness of the provider's internal controls. Further, we have sample tested assets to third party sources in order to confirm ownership and valuation.

Furthermore, we have assessed the disclosure of the net pension liability and the related assumptions and sensitivities in the financial statements against the relevant accounting framework.

Key observation: We have not identified any evidence to suggest that the methodology and assumptions applied in relation to determining the pension valuation are not within an acceptable range. Furthermore, the disclosures made are in accordance with the relevant accounting framework.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2021	2020
Materiality	£2.56m	£2.30m
Basis for determining materiality	5% of profit before tax	5% of 3 year average profit before tax
Performance materiality	£1.67m	£1.49m
	Parent company financial statements	
Materiality	£1.66m	£1.49m
Basis for determining materiality	5% of profit before tax. For the purposes of the group audit, the amount above was restricted to component materiality.	5% of 3 year average profit before tax. For the purposes of the group audit, the amount above was restricted to component materiality.
Performance materiality	£1.08m	£0.97m

Rationale for the materiality benchmark applied - Pre-tax profit is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance used by shareholders.

Basis for determining performance materiality - 65% of the above materiality level. This is considered the appropriate basis given the multiple significant components across three geographic regions (United Kingdom, Germany and Australia), the level of misstatements in the past and our overall risk assessment.

Component materiality

We set materiality for each significant component of the group based on a percentage of between 20% and 70% of group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.51m to £1.79m. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £51,260 (2020: £46,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Accounts 2021 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding and accumulated knowledge of the group and the sector in which it operates we considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the Financial Statements. These included but were not limited to those that relate to the form and content of the Financial Statements, such as the group accounting policies, international accounting standards, the UK Companies Act 2006 and the UK Corporate Governance Code; those that relate to the payment of employees; and industry related such as compliance with health and safety requirements. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work and potential fraud risks.

We assessed the susceptibility of the financial statements to material misstatement including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries, revenue recognition and management bias in accounting estimates.

Our audit procedures included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Enquiring of management concerning potential litigations and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the group's defined benefit pension scheme liabilities, accruals, stock provisions (as set out in the key audit matters section above) and forecasts used within impairment models utilised to assess goodwill impairment;

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

- A critical assessment of the consolidation and consideration of manual or late journals posted at consolidation level;
- Identification and testing of journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords using data analytics; and
- Agreement of the Financial Statement disclosures to underlying supporting documentation.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom
1 October 2021

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 2021

	Note	2021 £'000	2020 £'000
Revenue	5	266,362	238,630
Cost of sales		(154,722)	(138,262)
Gross profit		111,640	100,368
Selling and distribution costs		(46,335)	(45,297)
Administration expenses		(13,532)	(10,936)
Operating profit		51,773	44,135
Finance income	9	48	382
Finance cost	10	(553)	(660)
Profit before income tax	7	51,268	43,857
Income tax expense	11	(11,407)	(9,502)
Profit for the year attributable to equity shareholders		39,861	34,355
Earnings per ordinary share of 5p			
– basic	12	19.2p	16.5p
– diluted	12	19.1p	16.5p

All amounts relate to continuing operations.

Details of dividends paid and proposed are given in note 13.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2021

	Note	2021	2020
		£'000	£'000
Profit for the year		39,861	34,355
Other comprehensive income net of tax:			
Items that will not be reclassified subsequently to the income statement:			
Remeasurement of the net defined benefit liability	26	12,708	(5,062)
		12,708	(5,062)
Items that could be reclassified subsequently to the income statement if specific conditions are met:			
Foreign currency translation differences		(615)	336
Fair value movements on hedging instruments		1,089	(16)
		474	320
Other comprehensive income for the year net of tax		13,182	(4,742)
Total comprehensive income for the year		53,043	29,613
Attributable to:			
Equity holders of the company		53,043	29,613

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 11.

Consolidated Balance Sheet
as at 30 June 2021

	Note	2021	2020
		£'000	£'000
Non-current assets			
Property, plant and equipment	15	37,242	38,520
Right of use assets	16	6,015	5,872
Intangible assets	17	3,232	3,232
Deferred tax assets	18	254	4,334
		46,743	51,958
Current assets			
Inventories	19	60,684	68,542
Trade and other receivables	20	42,949	28,361
Derivative financial instruments	29	848	73
Cash and cash equivalents	21	83,261	67,445
		187,742	164,421
Total assets		234,485	216,379
Current liabilities			
Trade and other payables	22	65,551	47,444
Derivative financial instruments	29	92	883
Current income tax liabilities		1,160	773
Lease liabilities	23	2,948	2,568
		69,751	51,668
Non-current liabilities			
Retirement benefit obligations	26	4,357	23,216
Other payables	22	447	449
Lease liabilities	23	3,236	3,371
Preference shares	24	200	200
		8,240	27,236
Total liabilities		77,991	78,904
Net assets		156,494	137,475
Equity			
Equity share capital	27	10,408	10,407
Equity share capital (B shares)	27	160	160
		10,568	10,567
Share premium account		4,122	4,072
Capital redemption reserve		1,174	1,174
Currency translation reserve		4,986	5,601
Hedging reserve		1,052	(37)
Retained earnings		134,592	116,098
Total equity attributable to shareholders of the parent		156,494	137,475

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 October 2021.

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 2021

	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 2019	10,567	4,044	1,174	5,265	(21)	112,028	133,057
Profit for the year	–	–	–	–	–	34,355	34,355
Remeasurement of the net defined benefit liability	–	–	–	–	–	(5,062)	(5,062)
Foreign currency translation differences	–	–	–	336	–	–	336
Fair value movements on hedging instruments	–	–	–	–	(16)	–	(16)
Total comprehensive income for the year	–	–	–	336	(16)	29,293	29,613
Transactions with equity shareholders							
Dividends	–	–	–	–	–	(25,236)	(25,236)
Issue of share capital	–	28	–	–	–	–	28
Share based payments	–	–	–	–	–	13	13
Balance at 30 June 2020	10,567	4,072	1,174	5,601	(37)	116,098	137,475
Profit for the year	–	–	–	–	–	39,861	39,861
Remeasurement of the net defined benefit liability	–	–	–	–	–	12,708	12,708
Foreign currency translation differences	–	–	–	(615)	–	–	(615)
Fair value movements on hedging instruments	–	–	–	–	1,089	–	1,089
Total comprehensive income for the year	–	–	–	(615)	1,089	52,569	53,043
Transactions with equity shareholders							
Dividends	–	–	–	–	–	(34,083)	(34,083)
Issue of share capital	1	50	–	–	–	–	51
Share based payments	–	–	–	–	–	8	8
Balance at 30 June 2021	10,568	4,122	1,174	4,986	1,052	134,592	156,494

Consolidated Cash Flow Statement
for the year ended 30 June 2021

	2021	2020
	£'000	£'000
Profit for the year attributable to equity shareholders	39,861	34,355
Income tax expense	11,407	9,502
Profit before income tax	51,268	43,857
Finance cost	553	660
Finance income	(48)	(382)
Operating profit	51,773	44,135
Depreciation of property, plant and equipment	3,541	3,185
Depreciation of right of use assets	3,115	2,937
Profit on sale of property, plant and equipment	(64)	(43)
Defined benefit pension scheme service cost	620	611
Defined benefit pension scheme employer contributions paid	(4,144)	(4,138)
Changes in fair value of financial instruments	(90)	14
Share based payments	8	13
Decrease in inventories	6,346	1,717
(Increase)/decrease in trade and other receivables	(15,573)	4,388
Increase/(decrease) in trade and other payables	20,248	(10,450)
Cash inflow from operations	65,780	42,369
Taxation paid	(9,895)	(11,566)
Cash inflow from operating activities	55,885	30,803
Purchase of property, plant and equipment	(2,811)	(4,215)
Proceeds from disposal of property, plant and equipment	131	110
Cash outflow from investing activities	(2,680)	(4,105)
Interest received	48	382
Interest paid	(26)	(30)
Lease interest paid	(173)	(202)
Lease capital paid	(3,010)	(2,873)
Equity dividends paid	(34,083)	(25,236)
Shares issued	51	28
Cash outflow from financing activities	(37,193)	(27,931)
Net increase/(decrease) in cash and cash equivalents	16,012	(1,233)
Effect of exchange differences	(196)	14
Cash and cash equivalents at start of year	67,445	68,664
Cash and cash equivalents at end of year	83,261	67,445

Notes to the Consolidated Financial Statements

1. General information

James Halstead plc ("the company" or "the parent company") is a limited liability company, registered in England and Wales, domiciled in the United Kingdom and listed on AIM on the London Stock Exchange. 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 a going concern basis and on the historical cost basis as modified by the valuation of certain financial assets and financial liabilities (being derivative instruments) at fair value.

Going concern

The directors have reviewed current performance and forecasts, combined with capital investment and expenditure commitments, and a range of trading scenarios. The group has no net borrowings and owns the freeholds on many of its premises (the most significant being the four UK operating sites).

After making enquiries, the directors have the reasonable expectation that the group has adequate financial resources to continue in operation, including contractual and commercial commitments, for the foreseeable future.

As the global pandemic continues, but with many markets at advanced stages of vaccination, certain end user segments continue to be hit (restaurant and hospitality being the most obvious), but others have grown beyond the norm (portable buildings and school refurbishment). Given the extreme ease of cleaning vinyl flooring, its use in many projects is being widened.

Working with our teams we have tested extreme scenarios for the purpose of the statutory audit and, whilst we do not believe they are likely, this stress testing underpins the going concern concept. The cost and availability of international freight is frustrating stock holdings, and as part of the going concern review we have factored in the scenario that this will continue for another year.

Recent accounting developments

The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and interpretations in force at the reporting date. The group has not adopted any standards or interpretations in advance of the required implementation dates.

The following standards were adopted in the period.

IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors (amendment – definition of material)

Amendments to IFRS 3 Business Combinations: Definition of a Business

Amendments to References to the Conceptual Framework in IFRS Standards

There were no new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, which will or may have an effect on the group's future financial statements.

2. Accounting policies (continued)

Basis of consolidation

The group financial statements consolidate the financial statements 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.

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.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies (continued)

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.

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 in other comprehensive income.

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 likelihood to remit the earnings.

Deferred income tax assets and liabilities are based on tax rates and laws that are substantively 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.

Financial assets and liabilities

Financial assets comprise trade and other receivables and cash and cash equivalents. Financial liabilities comprise trade and other payables.

2. Accounting policies (continued)

Trade and other receivables

Trade and other receivables are non-interest bearing and are initially stated at fair value and then subsequently at amortised cost less provision for lifetime expected credit losses using the simplified approach in IFRS 9. Estimated irrecoverable amounts are based on historical experience and forward looking information, together with specific amounts that are not expected to be collectable. 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. Cash and cash equivalents are held at amortised cost.

Trade and other payables

Trade and other payables are non-interest bearing and are initially stated at fair value and then subsequently at amortised cost.

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.

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. 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.

Remeasurements of the net defined benefit liability are recognised in the period in which they arise in other 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. 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 land: Not depreciated
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.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies (continued)

Right of use assets and lease liabilities

A right of use asset and a lease liability are recognised for all leased asset contracts on their commencement, except for low value leases and short term leases of one year or less.

On recognition, the right of use asset and lease liability are measured at the present value of the lease payments discounted over the lease term. The discount rate used is the rate inherent in the lease if this can be determined, or the incremental borrowing rate.

Subsequent to initial recognition, the right of use assets are depreciated on a straight line basis over the shorter of the lease term or the useful life of the asset. The lease liabilities are increased by the interest cost and reduced by the lease payments made. A depreciation charge and an interest cost are recognised in the income statement.

The lease payments for low value and short term leases are expensed in the income statement on a straight line basis over the lease term.

Revenue recognition

Revenue is from the sales of flooring products and is recognised at the point in time when control of the products has been transferred to the customer. Sales are recognised on despatch of the goods to the customer. Control passes to the customer at the point terms of despatch are met. Sales are invoiced at the time of despatch and payment terms are based on the invoice date. Payment terms vary by customer, but do not exceed six months. Revenue is stated after provision for trade discounts and rebates due on the sales. Revenue excludes VAT and sales taxes.

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.

Grants

Grants that compensate for expenses are recognised in the income statement in the same period and category in which the expenses are recognised.

Dividends

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

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.

2. Accounting policies (continued)

Derivative financial instruments and hedging (continued)

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 the functional currency of the entity making the sale or purchase. 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 Consolidated Financial Statements
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.

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. There are no significant judgements.

The estimates 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)

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.

Expected credit losses

Provision is made against trade receivables for lifetime expected credit losses using the simplified approach in IFRS 9. 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, the creditworthiness of the customer and forward looking information. 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. Further details are provided in note 20.

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 26.

Notes to the Consolidated Financial Statements
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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 comprise property, plant and equipment, right of use and intangible assets. Geographical disclosures in respect of revenues and segment assets are provided below and include revenue for Germany of £55,656,000 (2020: £53,096,000) and assets in Germany of £10,560,000 (2020: £12,166,000).

Revenue	2021 £'000	2020 £'000
United Kingdom	98,243	78,921
Europe and Scandinavia	111,863	105,732
Australasia and Asia	38,386	33,553
Rest of the World	17,870	20,424
	266,362	238,630

Assets	2021 £'000	2020 £'000
United Kingdom	30,213	30,248
Europe and Scandinavia	12,021	13,679
Australasia and Asia	3,900	3,060
Rest of the World	355	637
Total segment assets	46,489	47,624
Deferred tax assets	254	4,334
Total non-current assets	46,743	51,958

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 M Halstead £nil and Mr G R Oliver £nil.

7. Profit before income tax

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

	2021 £'000	2020 £'000
Depreciation of property, plant and equipment	3,541	3,185
Depreciation of right of use assets	3,115	2,937
Profit on disposal of property, plant and equipment	(64)	(43)
Research and development	1,484	1,468
Government grant income for business support UK and overseas	(1,668)	(1,739)
Fees payable to the group's auditor for the audit of the parent company and consolidated financial statements	50	50
Fees payable to the group's auditor and its associates for other services:		
The audit of the group's subsidiaries pursuant to legislation	122	112
Taxation compliance	39	43
Taxation advisory	–	6
Other services	3	1

8. Staff costs and numbers

	2021 £'000	2020 £'000
Staff costs comprised:		
Wages and salaries	36,284	35,054
Social security costs	4,353	4,196
Pension costs – defined benefit scheme	620	611
– defined contribution schemes	836	834
Share based payments	8	13
	42,101	40,708

The average monthly number of employees during the year was:

	2021 Number	2020 Number
Manufacturing, selling and distribution	660	668
Administration	159	158
	819	826

The directors' remuneration was:

	2021 £'000	2020 £'000
Salary or fees	968	968
Bonuses	926	926
Benefits	24	8
Total remuneration excluding pension contributions	1,918	1,902
Pension contributions	25	25
	1,943	1,927
Social security costs related to this remuneration	257	255

Notes to the Consolidated Financial Statements
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9. Finance income

	2021 £'000	2020 £'000
Bank deposit interest	44	377
Other interest	4	5
Finance income	48	382

10. Finance cost

	2021 £'000	2020 £'000
Other interest	15	19
Preference share dividend	11	11
	26	30
Lease interest	173	202
Net pension interest cost	354	428
Finance cost	553	660

11. Income tax expense

	2021 £'000	2020 £'000
Current tax		
Current tax – current year	10,733	9,393
Current tax – adjustments in respect of prior years	(415)	(486)
	10,318	8,907
Deferred tax		
Deferred tax – current year	874	437
Deferred tax – adjustments in respect of prior years	215	158
	1,089	595
Total taxation	11,407	9,502

Current tax includes £3,666,000 (2020: £3,085,000) of overseas tax.

The effective tax rate for the year to 30 June 2021 is higher (2020: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £'000	2020 £'000
Profit before tax	51,268	43,857
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	9,741	8,333
Effects of:		
Adjustments to tax in respect of prior periods	(200)	(328)
Overseas tax rates	1,469	1,228
Disallowable items	173	193
Change in deferred tax rate	224	76
Total taxation	11,407	9,502

In addition to the amounts above £2,981,000 has been charged (2020: £1,671,000 credited) as other comprehensive income in respect of the remeasurement of the net defined benefit liability, and has been netted off the amounts shown in the Consolidated Statement of Comprehensive Income.

The UK corporation tax rate will change from 19% to 25% on 1 April 2023. The UK deferred tax balances are measured at 19% or 25% as appropriate.

12. Earnings per share

	2021 £'000	2020 £'000
Profit for the year attributable to equity shareholders	39,861	34,355
Weighted average number of shares in issue	208,141,520	208,135,698
Dilution effect of outstanding share options	123,165	148,358
Diluted weighted average number of shares	208,264,685	208,284,056
Basic earnings per 5p ordinary share	19.2p	16.5p
Diluted earnings per 5p ordinary share	19.1p	16.5p

The earnings per 5p ordinary share are attributable to equity shareholders.

13. Dividends

	2021 £'000	2020 £'000
Equity dividends		
Interim dividend for previous year of 2.125p	4,423	–
Final dividend for previous year of 10.00p (2020: 10.00p)	20,814	20,813
Interim dividend for current year of 4.25p (2020: 2.125p)	8,846	4,423
Amounts recognised as distributions to equity shareholders in the year	34,083	25,236

A final dividend of 11.00p per share for the year ended 30 June 2021, amounting to £22,898,000 will be proposed at the Annual General Meeting.

14. 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 £43,332,000 (2020: £27,818,000). The aggregate amount of directors' emoluments excluding pension contributions was £1,918,000 (2020: £1,902,000) of which the highest paid director's emoluments were £922,000 (2020: £912,000). The directors' salaries or fees for the year ended 30 June 2021 were Mr J A Wild £40,000, Mr M Halstead £445,000, Mr G R Oliver £418,000, Mr S D Hall £25,000, Mr M J Halstead £20,000 and Mr R P Whiting £20,000.

Notes to the Consolidated Financial Statements
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15. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 30 June 2019	28,052	70,594	98,646
Additions	–	4,215	4,215
Disposals	–	(465)	(465)
Exchange differences	163	55	218
At 30 June 2020	28,215	74,399	102,614
Additions	406	2,405	2,811
Disposals	–	(733)	(733)
Exchange differences	(579)	(341)	(920)
At 30 June 2021	28,042	75,730	103,772
Depreciation			
At 30 June 2019	9,844	51,353	61,197
Charge for the year	670	2,515	3,185
Disposals	–	(398)	(398)
Exchange differences	59	51	110
At 30 June 2020	10,573	53,521	64,094
Charge for the year	680	2,861	3,541
Disposals	–	(666)	(666)
Exchange differences	(199)	(240)	(439)
At 30 June 2021	11,054	55,476	66,530
Net book value			
At 30 June 2019	18,208	19,241	37,449
At 30 June 2020	17,642	20,878	38,520
At 30 June 2021	16,988	20,254	37,242

16. Right of use assets

	Right of use assets £'000
Cost	
At 30 June 2019	8,869
Exchange differences	14
At 30 June 2020	8,883
Additions	3,471
Disposals	(696)
Exchange differences	(332)
At 30 June 2021	11,326
Depreciation	
At 30 June 2019	–
Charge for the year	2,937
Exchange differences	74
At 30 June 2020	3,011
Charge for the year	3,115
Disposals	(675)
Exchange differences	(140)
At 30 June 2021	5,311
Net book value	
At 30 June 2019	8,869
At 30 June 2020	5,872
At 30 June 2021	6,015

17. Intangible assets

	Goodwill £'000
Cost and net book value at 30 June 2019, 2020 and 2021	3,232

An impairment review of goodwill was done by reference to value in use. Value in use was determined using conservative ten year cash flow projections, based on current levels of profitability and assumed conservative growth rates of 0% to 5% and a discount rate of 3%, which is the cost of capital for the group. The result of the review indicated that no impairment was required with no reasonable sensitivities indicating an impairment.

Notes to the Consolidated Financial Statements
continued

18. Deferred tax assets and liabilities

	Pension scheme deficit £'000	Accelerated tax depreciation £'000	Other timing differences £'000	Total £'000
At 30 June 2019	3,329	(816)	748	3,261
Credited/(charged) to income	(589)	(308)	302	(595)
Credited to other comprehensive income	1,671	–	–	1,671
Exchange differences	–	–	(3)	(3)
At 30 June 2020	4,411	(1,124)	1,047	4,334
Credited/(charged) to income	(602)	(585)	98	(1,089)
Charged to other comprehensive income	(2,981)	–	–	(2,981)
Exchange differences	–	–	(10)	(10)
At 30 June 2021	828	(1,709)	1,135	254

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

19. Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	4,726	5,140
Work in progress	1,262	1,358
Finished goods	54,696	62,044
	60,684	68,542

An amount of £904,000 has been credited (2020: £416,000 charged) to the income statement in respect of movements in inventory write-downs. The cost of inventory recognised as an expense was £154,722,000 (2020: £138,262,000).

20. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	39,262	24,623
Other receivables	1,258	1,749
Prepayments	2,429	1,989
	42,949	28,361

All amounts within trade and other receivables are due within one year. The fair value of amounts included in 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 expected credit losses of £1,746,000 (2020: £1,588,000). The provision against trade receivables for expected credit losses is based on specific risk assessments taking into account past default experience and appropriate forward looking information. The provision is analysed as follows:

	2021 £'000	2020 £'000
At 1 July	1,588	2,034
Exchange differences	(14)	3
Debts written off	(66)	(644)
Charged to income	238	195
At 30 June	1,746	1,588

	Loss rate 2021 %	Gross 2021 £'000	Provision 2021 £'000	Loss rate 2020 %	Gross 2020 £'000	Provision 2020 £'000
Not past due	2	38,013	674	1	22,203	146
Up to three months past due	21	2,433	512	22	3,262	733
Over three months past due	100	562	560	95	746	709
		41,008	1,746		26,211	1,588

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

	2021 £'000	2020 £'000
Sterling	19,852	7,417
Euro	11,574	9,226
Australian Dollars	3,429	3,171
New Zealand Dollars	1,012	859
Canadian Dollars	1,057	758
Norwegian Krone	586	674
US Dollars	1,178	2,715
Hong Kong Dollars	753	829
Other currencies	1,079	723
Total	40,520	26,372

Notes to the Consolidated Financial Statements
continued

21. 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:

	2021 £'000	2020 £'000
Sterling	64,530	54,629
Euro	3,258	3,100
Australian Dollars	2,615	2,077
New Zealand Dollars	161	226
Canadian Dollars	808	601
Norwegian Krone	805	505
US Dollars	10,061	5,527
Other currencies	1,023	780
Total	83,261	67,445

22. Trade and other payables

	2021 £'000	2020 £'000
Amounts falling due within one year		
Trade payables	40,949	29,596
Value added, payroll and other taxes	6,238	4,008
Other payables	2,594	1,383
Accruals	15,770	12,457
	65,551	47,444
Amounts falling due after more than one year		
Other payables	447	449

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

23. Lease liabilities

	2021 £'000	2020 £'000
Opening balance	5,939	8,869
Leases started	3,471	–
Leases cancelled	(21)	–
Lease interest	173	202
Lease payments	(3,183)	(3,075)
Exchange differences	(195)	(57)
Closing balance	6,184	5,939
Amounts payable in less than one year	2,948	2,568
Amounts payable in more than one year	3,236	3,371
	6,184	5,939

All amounts are payable within five years.

24. Preference shares

	2021 £'000	2020 £'000
Preference shares	200	200

The cumulative preference shares have no fixed repayment date. They are not listed and therefore no market price is available. At 30 June 2021 and 30 June 2020 the fair value of the preference shares was not materially different from their book value.

25. Net cash analysis

	Cash and cash equivalents £'000	Lease liabilities £'000	Preference shares £'000	Net cash £'000
At 30 June 2019	68,664	(8,869)	(200)	59,595
Cash flow	(1,233)	3,075	–	1,842
Other changes	–	(202)	–	(202)
Exchange differences	14	57	–	71
At 30 June 2020	67,445	(5,939)	(200)	61,306
Cash flow	16,012	3,183	–	19,195
Other changes	–	(3,623)	–	(3,623)
Exchange differences	(196)	195	–	(1)
At 30 June 2021	83,261	(6,184)	(200)	76,877

26. 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 £25,000 and £nil respectively. At 30 June 2021 the accrued pension for the highest paid director was £125,000 and the transfer value of this accrued benefit was £2,968,000.

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.

Notes to the Consolidated Financial Statements
continued

26. Retirement benefit obligations (continued)

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 2020. The results of that valuation have been projected forward to 30 June 2021 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

On 26 October 2018, the High Court reached a judgement in relation to Lloyds Banking Group's defined benefit pension schemes which concluded that schemes should equalise pension benefits for men and women as regards guaranteed minimum pension benefits. The impact of this judgement on the scheme has been estimated and included in the pension liability.

	2021	2020
Principal actuarial assumptions at the balance sheet date		
Discount rate at end of year	2.05%	1.65%
Future salary increases	2.55%	1.80%
Future pension increases	3.00%	2.75%
Rate of inflation – RPI	3.15%	2.80%
– CPI	2.55%	1.80%
Future expected lifetime of current pensioner at age 65:		
Male born in 1956	20.9 years	21.7 years
Female born in 1956	23.3 years	24.2 years
Future expected lifetime of future pensioner at age 65:		
Male born in 1976	22.3 years	22.5 years
Female born in 1976	24.8 years	25.1 years

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 £1.2m
Rate of inflation	Increase by 0.1%	Increase by £0.8m
Expected lifetime	Increase by 1 year	Increase by £3.8m

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	2021 £'000	2020 £'000
Present value of funded obligations	(81,622)	(90,488)
Fair value of scheme assets	77,265	67,272
Net liability before deferred taxation	(4,357)	(23,216)
Related deferred tax asset	828	4,411
Net liability after deferred taxation	(3,529)	(18,805)

26. Retirement benefit obligations (continued)

Amounts recognised in the income statement	2021 £'000	2020 £'000
Current service cost	(620)	(611)
Net interest cost	(354)	(428)
	(974)	(1,039)

	2021 £'000	2020 £'000
Amounts recognised in other comprehensive income		
Return on assets excluding amount included in net interest cost	9,009	1,042
Gain/(loss) arising from changes in financial assumptions	877	(7,867)
Gain arising from changes in demographic assumptions	3,405	–
Experience gain	2,398	92
	15,689	(6,733)
Deferred tax	(2,981)	1,671
Remeasurement of the net defined benefit liability	12,708	(5,062)

The actual return on the scheme assets in the year was a £10,118,000 gain (2019: £2,583,000 gain).

	2021 £'000	2020 £'000
Changes in the present value of the scheme assets		
Opening fair value of scheme assets	67,272	63,754
Interest income	1,109	1,541
Return on assets excluding interest income	9,009	1,042
Employer contributions	4,144	4,138
Employee contributions	181	202
Benefits paid	(4,450)	(3,405)
	77,265	67,272

	2021 £'000	2020 £'000
Changes in the present value of the scheme obligations		
Opening defined benefit obligations	(90,488)	(83,336)
Service cost	(620)	(611)
Interest cost	(1,463)	(1,969)
Employee contributions	(181)	(202)
Gain/(loss) arising from changes in financial assumptions	877	(7,867)
Gain arising from changes in demographic assumptions	3,405	–
Experience gain	2,398	92
Benefits paid	4,450	3,405
	(81,622)	(90,488)

Notes to the Consolidated Financial Statements
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26. Retirement benefit obligations (continued)

	2021	2020
	£'000	£'000
Changes in the net defined benefit liability		
Opening net defined benefit liability	(23,216)	(19,582)
Service cost	(620)	(611)
Net interest cost	(354)	(428)
Return on assets excluding interest income	9,009	1,042
Gain/(loss) arising from changes in financial assumptions	877	(7,867)
Gain arising from changes in demographic assumptions	3,405	–
Experience gain	2,398	92
Employer contributions	4,144	4,138
	(4,357)	(23,216)

Major categories of scheme assets

	2021	2020
	£'000	£'000
UK and overseas equities	17,023	13,591
Diversified growth fund	51,090	43,758
Liability driven assets	8,057	8,705
Cash	1,095	1,218
Total market value of assets	77,265	67,272

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

Scheme liabilities by category of membership

	2021	2020
	£'000	£'000
Active members	28,842	36,945
Deferred pensioners	11,877	13,423
Pensions in payment	40,903	40,120
	81,622	90,488

Average duration of scheme liabilities

	2021	2020
	years	years
Active members	17	19
Deferred pensioners	18	19
Pensions in payment	11	11
All scheme liabilities	14	16

Normal company contributions of £2,025,000 are expected to be paid into the scheme during the year ended 30 June 2022.

27. Share capital

Ordinary shares – allotted, issued and fully paid	2021 Number	2020 Number	2021 £'000	2020 £'000
Opening ordinary shares of 5p each	208,141,108	208,131,108	10,407	10,407
Ordinary shares of 5p each issued	18,808	10,000	1	–
Closing ordinary shares of 5p each	208,159,916	208,141,108	10,408	10,407
Ordinary B shares of 1p each	16,042,530	16,042,530	160	160
Total allotted, issued and fully paid			10,568	10,567

The ordinary shares of 5p each were issued during the year for a consideration of £51,000 (2020: £28,000).

The preference shares detailed below are included as financial instruments within creditors. Full details of these are given in note 11 of the financial statements of the company.

	2021 £'000	2020 £'000
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.

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 18,808 shares and nil share options were granted during the year. Details of those options still outstanding are as follows:

Director	Date of grant	Date exercisable	Date of expiry	Exercise price (pence)	Number 30.06.20	Exercised in the year	Lapsed in the year	Number 30.06.21
M Halstead	21 Jul 14	21 Jul 17	20 Jul 24	270.29	20,000	(11,099)	–	8,901
	12 Jun 17	12 Jun 20	11 Jun 27	476.50	50,000	–	–	50,000
	18 Oct 18	18 Oct 21	17 Oct 28	390.83	60,000	–	–	60,000
G R Oliver	21 Jul 14	21 Jul 17	20 Jul 24	270.29	20,000	(7,709)	–	12,291
	12 Jun 17	12 Jun 20	11 Jun 27	476.50	50,000	–	–	50,000
	18 Oct 18	18 Oct 21	17 Oct 28	390.83	60,000	–	–	60,000
Total – directors					260,000	(18,808)	–	241,192
Employees								
	21 Jul 14	21 Jul 17	20 Jul 24	270.29	5,000	–	–	5,000
	12 Jun 17	12 Jun 20	11 Jun 27	476.50	190,000	–	(20,000)	170,000
	22 Dec 17	22 Dec 20	21 Dec 27	436.08	20,000	–	–	20,000
	18 Oct 18	18 Oct 21	17 Oct 28	390.83	325,000	–	–	325,000
Total – employees					540,000	–	(20,000)	520,000
Grand total					800,000	(18,808)	(20,000)	761,192

Notes to the Consolidated Financial Statements
continued

27. Share capital (continued)

The market price of the shares at 30 June 2021 was 520p (2020: 518p). The share price during the year ranged from 438p to 532p.

Directors exercised 18,808 (2020: nil) share options during the year. Aggregate gains on exercising the share options by directors in the year amounted to £46,000 (2020: £nil) of which £27,000 (2020: £nil) related to the highest paid director.

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

	Number of options	Weighted average exercise price
At 30 June 2019	810,000	415p
Exercised in the year	(10,000)	290p
At 30 June 2020	800,000	416p
Exercised in the year	(18,808)	270p
Lapsed in the year	(20,000)	477p
At 30 June 2021	761,192	418p

At 30 June 2021 there were 26,192 (2020 45,000) share options exercisable at a weighted average exercise price of 270p (2020: 270p).

The weighted average remaining contractual life of share options outstanding at 30 June 2021 was 6.7 years (2020: 7.6 years).

Share based payments

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

An expense based on the fair value calculated at the date of grant was recognised in the income statement over the vesting period of the options. The share based payment expense for the year ended 30 June 2021 was £8,000 (2020: £13,000).

28. Reserves

The nature and purpose of each reserve within equity is as follows.

Reserve	Description and purpose
Equity share capital	Nominal value of equity share capital issued.
Share premium account	Amount subscribed for equity share capital in excess of nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Currency translation reserve	Cumulative currency translation gains and losses arising on the retranslation of the net assets of the group's foreign operations.
Hedging reserve	Gains and losses arising on the fair value of financial instruments in an effective designated cash flow hedging relationship.
Retained earnings	All other gains and losses and transactions with owners, such as dividends, not recognised in other reserves.

29. 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 the US Dollar and the Euro. Forward exchange contracts are used to manage this exposure to fluctuations in foreign exchange rates. The group buys or sells foreign currency at spot where necessary to address any short-term imbalances.

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. The forward exchange contracts have maturities of less than one year after the balance sheet date.

The group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value. The hedged cash flows are expected to occur within one year after the balance sheet date.

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.

30. 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:

	2021 Book value £'000	2021 Fair value £'000	2020 Book value £'000	2020 Fair value £'000
Current:				
Trade and other receivables	40,520	40,520	26,372	26,372
Forward exchange contracts	848	848	73	73
Cash and cash equivalents	83,261	83,261	67,445	67,445
Trade and other payables	(59,313)	(59,313)	(43,436)	(43,436)
Forward exchange contracts	(92)	(92)	(883)	(883)
Lease liabilities	(2,948)	(2,948)	(2,568)	(2,568)
Total	62,276	62,276	47,003	47,003
Non-current:				
Other payables	(447)	(447)	(449)	(449)
Lease liabilities	(3,236)	(3,236)	(3,371)	(3,371)
Preference shares	(200)	(200)	(200)	(200)
Total	(3,883)	(3,883)	(4,020)	(4,020)

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

Notes to the Consolidated Financial Statements
continued

30. 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.

	2021 £'000	2020 £'000
Forward exchange contracts at fair value through profit and loss account	8	(5)
Forward exchange contracts at fair value through hedging reserve	749	(805)
	757	(810)

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 £523,000 (2020: £442,000). 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.

	2021 Post-tax profits £'000	2021 Equity £'000	2020 Post-tax profits £'000	2020 Equity £'000
Euro 5% stronger against sterling	2	2	(38)	(38)
Euro 5% weaker against sterling	(2)	(2)	34	34

31. Group companies

At 30 June 2021, 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
Polyflor (M) SDN BHD	Flooring distribution	Malaysia	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.

32. Exchange rates

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

	2021 Closing	2021 Average	2020 Closing	2020 Average
Euro	1.16	1.13	1.10	1.14
Australian dollar	1.84	1.80	1.79	1.88
New Zealand dollar	1.98	1.94	1.92	1.98
Canadian dollar	1.71	1.73	1.68	1.69
Swedish krona	11.81	11.53	11.51	12.14
Indian rupee	102.68	99.11	93.29	91.04
Malaysian ringgit	5.74	5.55	–	–

33. 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 26.

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.

Polyflor Limited, a subsidiary of the company, leases cars from a company of which Mr Russell Whiting is a director. The lease payments during the year were £81,000 (2020 £292,000) and the maximum outstanding lease commitments at 30 June 2021 were £18,000 (2020: £45,000).

Company Balance Sheet
as at 30 June 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	3	4,363	4,580
Investments	4	40,152	40,152
		44,515	44,732
Current assets			
Debtors due within one year		36,148	40,952
Debtors due after one year		615	4,259
Total debtors	5	36,763	45,211
Derivative financial instruments	7	848	73
Cash at bank and in hand		69,860	56,221
Total current assets		107,471	101,505
Creditors – amounts falling due within one year	8	(11,210)	(9,381)
Derivative financial instruments	7	(92)	(883)
Net current assets		96,169	91,241
Total assets less current liabilities		140,684	135,973
Creditors – amounts falling due after more than one year	9	(200)	(200)
Retirement benefit obligations	10	(4,357)	(23,216)
Net assets		136,127	112,557
Capital and reserves			
Equity share capital		10,408	10,407
Equity share capital (B shares)		160	160
Called up share capital	11	10,568	10,567
Share premium account		4,122	4,072
Capital redemption reserve		1,174	1,174
Hedging reserve		749	(805)
Profit and loss account		119,514	97,549
Total shareholders' funds		136,127	112,557

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 £43,332,000 (2020: £27,818,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 October 2021.

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 2021

	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 2019	10,567	4,044	1,174	(280)	100,016	115,521
Profit for the year	–	–	–	–	27,818	27,818
Remeasurement of the net defined benefit liability	–	–	–	–	(5,062)	(5,062)
Fair value movements on hedging instruments	–	–	–	(525)	–	(525)
Total comprehensive income for the year	–	–	–	(525)	22,756	22,231
Transactions with equity shareholders						
Dividends	–	–	–	–	(25,236)	(25,236)
Issue of share capital	–	28	–	–	–	28
Share based payments	–	–	–	–	13	13
Balance at 30 June 2020	10,567	4,072	1,174	(805)	97,549	112,557
Profit for the year	–	–	–	–	43,332	43,332
Remeasurement of the net defined benefit liability	–	–	–	–	12,708	12,708
Fair value movements on hedging instruments	–	–	–	1,554	–	1,554
Total comprehensive income for the year	–	–	–	1,554	56,040	57,594
Transactions with equity shareholders						
Dividends	–	–	–	–	(34,083)	(34,083)
Issue of share capital	1	50	–	–	–	51
Share based payments	–	–	–	–	8	8
Balance at 30 June 2021	10,568	4,122	1,174	749	119,514	136,127

Notes to the Company Financial Statements

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 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 statement on going concern in the consolidated financial statements also justifies the going concern basis used for the company financial statements.

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.

Group debtors

Amounts owed by group undertakings are stated after any provision for expected credit loss in line with the three stage model in IFRS 9.

2. Staff costs and numbers

	2021 £'000	2020 £'000
Staff costs comprised:		
Wages and salaries	3,105	3,042
Social security costs	399	393
Pension costs	99	94
Share based payments	8	13
	3,611	3,542

The average monthly number of employees during the year was 22 (2020: 21).

3. Tangible fixed assets

	Investment land and buildings £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 30 June 2020	7,978	1,311	614	9,903
Disposals	–	–	(33)	(33)
At 30 June 2021	7,978	1,311	581	9,870
Depreciation				
At 30 June 2020	4,635	301	387	5,323
Charge for the year	161	24	32	217
Disposals	–	–	(33)	(33)
At 30 June 2021	4,796	325	386	5,507
Net book value				
At 30 June 2021	3,182	986	195	4,363
At 30 June 2020	3,343	1,010	227	4,580

The investment land and buildings relates to a freehold property that is occupied by a subsidiary company. The rental income was £600,000 (2020: £600,000).

Notes to the Company Financial Statements
continued

4. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 30 June 2020	49,552
At 30 June 2021	49,552
Provision for impairment	
At 30 June 2020	9,400
At 30 June 2021	9,400
Net book value	
At 30 June 2021	40,152
At 30 June 2020	40,152

At 30 June 2021, the company held directly and indirectly 100% of the equity and voting rights of the following undertakings:

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
James Halstead Pension Co 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
Polyflor (M) SDN BHD	Flooring distribution	Malaysia	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
Polyflor FZE	Sales office	UAE	100

4. Investments continued

Subsidiary	Registered office
Polyflor Limited Riverside Flooring Limited Titan Leisure Group Limited Halstead Flooring International Limited Expona Limited JHL Limited Arai (UK) Limited James Halstead Pension Co Limited Phoenix Distribution (NW) Limited	Beechfield Hollinhurst Road Radcliffe Manchester M26 1JN England
Halstead Floorings Limited	24/26 City Quay Dublin 2 D02NY19 Ireland
Halstead Flooring Concepts Pty Limited Polyflor Australia Pty Limited Colonia Flooring Pty Limited	101 Prosperity Way Dandenong VIC 3175 Australia
Polyflor Canada Inc	3209 Orlando Drive Mississauga Ontario L4V IC5 Canada
Polyflor India Pty Limited	B-408 Knox Plaza Mindspace, Malad West Mumbai 400 064 India
Polyflor (M) SDN BHD	802, 8th Floor, Block C Kelana Square 17 Jalan 557/26 Petaling Jaya Salangor 47301 Malaysia
Objectflor Art und Design Belags GmbH Karndean International GmbH	Wankelstrasse 50 D 50996 Koln Germany
James Halstead France SAS	Parc Saint Christophe 10 Avenue de l'Enterprise 95861 Cergy Pontoise France
Falck Design AB	Box 102 51 434 23 Kungsbacka Besoksadress Energigatan 9 Sweden
Polyflor New Zealand Limited	2 Narek Place Manukau City Auckland 2104 New Zealand
Polyflor FZE	Office No LB16112 PO Box 17054 Jafza 16 Building Jebel Ali Free Zone Dubai UAE

Notes to the Company Financial Statements
continued

5. Debtors

	2021 £'000	2020 £'000
Trade debtors	26	73
Amounts owed by group undertakings	35,691	40,447
Corporation tax	90	110
Other debtors	86	73
Prepayments	255	249
Debtors due within one year	36,148	40,952
Deferred tax assets (note 6)	615	4,259
Debtors due after one year	615	4,259
Total debtors	36,763	45,211

6. Deferred tax assets

	Pension scheme deficit £'000	Accelerated tax depreciation £'000	Other timing differences £'000	Total £'000
At 30 June 2020	4,411	(176)	24	4,259
Charged to income	(602)	(55)	(6)	(663)
Charged to other comprehensive income	(2,981)	–	–	(2,981)
At 30 June 2021	828	(231)	18	615

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

	2021 £'000	2020 £'000
Trade creditors	241	238
Amounts due to group undertakings	7,367	6,631
Other taxation and social security	117	133
Other creditors	601	516
Accruals	2,884	1,863
	11,210	9,381

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

	2021 £'000	2020 £'000
Preference shares	200	200

10. Retirement benefit obligations

	2021 £'000	2020 £'000
Present value of funded obligations	(81,622)	(90,488)
Fair value of scheme assets	77,265	67,272
Net liability	(4,357)	(23,216)

The company sponsors the Halstead Group Pension Scheme. Disclosure information is provided in note 26 to the consolidated financial statements.

11. Share capital

Ordinary shares – allotted, issued and fully paid	2021 Number	2020 Number	2021 £'000	2020 £'000
Opening ordinary shares of 5p each	208,141,108	208,131,108	10,407	10,407
Ordinary shares of 5p each issued	18,808	10,000	1	–
Closing ordinary shares of 5p each	208,159,916	208,141,108	10,408	10,407
Ordinary B shares of 1p each	16,042,530	16,042,530	160	160
Total allotted, issued and fully paid			10,568	10,567

The ordinary shares of 5p each were issued during the year for a consideration of £51,000 (2019: £28,000).

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"), which were issued on 14 January 2005. Following the issue of the B shares, holders received a single dividend of 60 pence per B share. The B shares are not listed, have extremely limited rights and are of negligible value.

The preference shares detailed below are included as financial instruments within creditors.

	2021 £'000	2020 £'000
Allotted, issued and fully paid		
200,000 5.5% preference shares of £1 each	200	200

Notes to the Company Financial Statements
continued

11. Share capital (continued)

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 shares 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.

Ten Year Summary (Unaudited)

	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Revenue	226,335	217,082	223,488	227,261	226,141	240,784	249,510	253,038	238,630	266,362
Profit before income tax	41,726	40,495	41,753	44,184	45,499	46,616	46,702	48,276	43,857	51,268
Income tax	(11,941)	(10,446)	(10,301)	(10,250)	(10,243)	(10,106)	(9,994)	(10,484)	(9,502)	(11,407)
Profit after income tax	29,785	30,049	31,452	33,934	35,256	36,510	36,708	37,792	34,355	39,861

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Basic earnings per 5p share	14.4p	14.5p	15.2p	16.4p	17.0p	17.6p	17.7p	18.2p	16.5p	19.2p
Dividends per 5p share	8.0p	8.8p	10.0p	11.0p	12.0p	13.0p	13.5p	14.0p	14.3p	15.3p

Figures for the previous years 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 the previous year have been restated to take account of the one for one bonus share issue in the year ended 30 June 2013.

Special dividends are not included.

Shareholder Information

Financial calendar

Annual general meeting	18 November 2021

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 14 September 2021

By size of holding	Number of holders	Number of shares	%
1-10,000	1,750	5,167,751	2.5
10,001-50,000	461	10,594,979	5.1
50,001-100,000	66	4,671,310	2.2
100,001-500,000	84	17,700,849	8.5
500,001 and over	50	170,025,027	81.7
	2,411	208,159,916	100.0

By category	Number of holders	Number of shares	%
Private individuals	1,772	102,860,087	49.4
Banks and nominee companies	595	104,332,090	50.1
Other limited companies/corporate bodies	31	777,313	0.4
Miscellaneous bodies/pension funds	8	108,010	0.1
Investment trusts and funds	5	82,416	0.0
	2,411	208,159,916	100.0

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ONE HUNDREDTH and SIXTH ANNUAL GENERAL MEETING of the company will be held at its registered office, Beechfield, Hollinhurst Road, Radcliffe, Manchester M26 1JN, on 18 November 2021 at 9.30am.

In the interests of protecting the health and safety of our shareholders, colleagues and the general public, the directors recommend that shareholders do not attend the AGM in person. Members of the Board will form the required quorum for the meeting. Shareholders are strongly encouraged to vote ahead of the AGM by completing and returning their form of proxy and to appoint the chairman of the meeting as their proxy to ensure that their vote will be counted.

In the spirit of transparency and engagement, should shareholders wish to ask any questions in relation to the resolutions set out in the Notice of AGM, which they may otherwise have asked at the AGM had they been in attendance, they are encouraged to contact the company prior to the AGM by email to secretary@jameshalstead.plc.uk. Please label your email with "AGM Question" to enable swift identification. We will endeavour to respond to all questions received. Answers to common questions asked will be published in a Q&A document on the company's website at www.jameshalstead.com.

Ordinary business

1 To receive and adopt the report of the directors and the statement of accounts for the year ended 30 June 2021 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 2021.

3 To re-elect Mr J A Wild who is retiring by rotation under the articles of association as a director.

4 To re-elect Mr M Halstead 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, 7 and 10 shall be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

6 The directors be and are hereby authorised, pursuant to article 36.2 of the articles of association of the company, to capitalise an amount, being the credit balances on the capital redemption reserve and share premium account and part of the amount now standing to the credit of the profit and loss account of the company, equal to the aggregate nominal value of the ordinary shares of 5.0p each in the company in issue at close of business on 13 January 2022 ("Record Date"), and accordingly that the Directors be authorised and directed to appropriate such sum to the members who are, at the Record Date, registered as the holders of the issued ordinary shares of 5.0p each in the capital of the company in the same proportions in which such sum would have been divisible amongst them if it were distributed by way of dividend and to apply such sum on their behalf in paying up in full new ordinary shares of 5.0p each and allot such ordinary shares credited as fully paid to those members in the proportion of one new ordinary share for each existing ordinary share held on such date and so that such new ordinary shares shall rank pari passu in all respects with the existing ordinary shares of 5.0p each but shall not rank for the proposed final dividend of the company of 11.0p per ordinary share in respect of the financial year ended 30 June 2021 or for any other dividend declared prior to the Record Date.

7 That, subject to the passing of the ordinary and special resolutions numbered 8 and 9 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.

8 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,

Notice of Annual General Meeting
continued

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 £6,938,664 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.

9 That subject to the passing of the ordinary resolution numbered 8 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 6 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% of the ordinary share capital of the company in issue at the date of the passing of this resolution; and

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.

10 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 N Fletcher
Secretary

15 October 2021

Beechfield
Hollinhurst Road
Radcliffe
Manchester
M26 1JN

Notes

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

2 In the interests of protecting the health and safety of shareholders, colleagues, and the general public, the directors recommend that shareholders, or any proxy appointed by the shareholder, do not attend the meeting in person. All shareholders are therefore strongly urged to register their votes in advance by appointing the chairman of the AGM as their proxy and advise them of the voting instructions.

3 You can vote either:

i. By logging on to www.signalshares.com and following the instructions. If you experience difficulties in logging in or require assistance, please contact Link Group directly on Tel: 0371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

ii. You may request a hard copy of the form of proxy directly from the registrars, Link Group using the telephone number above (same call terms and conditions apply)

iii. In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL by 9.30am on 16 November 2021.

4 If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged

5 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 9.30am on 16 November 2021. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

6 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7 Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

8 As at 30 September 2021 (being the latest practicable business day prior to the publication of this Notice), the company's ordinary issued share capital consisted of 208,159,916 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 30 September 2021 were 208,159,916.

9 You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the company for any purposes other than those expressly stated.

10 A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the company's website at www.jameshalstead.com.

11 The documents listed below will be available for inspection at an agreed time at the registered office of the company during the usual business hours on any weekday except bank holidays. Please e-mail secretary@jameshalstead.plc.uk (Label your e-mail "AGM documents") to book an appointment to view the following documents:

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.

12 The final dividend, if approved, will be paid on 17 December 2021 to shareholders on the register as at 26 November 2021.


IMAX Cinema, Aruba

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