28 August 2019

Headlam Group plc
('Headlam' or the 'Company')

Interim Results

Headlam Group plc (LSE: HEAD), Europe's leading floorcoverings distributor, is pleased to announce its interim results for the six months ended 30 June 2019 (the 'Period').

Highlights:

Financial[1]

- Total revenue increased 3.3% to £348.7 million (H1 2018: £337.5 million), with both the residential and commercial sectors in the UK and Continental Europe all contributing positively
- Like-for-like[2] revenue increased 1.8% and 3.2% in the UK and Continental Europe respectively, resulting in an overall like-for-like[2] revenue increase of 2.0%
- Gross margin maintained at 32.5% (H1 2018: 32.5%) despite a shift in business mix towards the commercial sector
- Underlying[3] operating profit impacted by a £0.4 million increase due to IFRS 16 adoption and flat year-on-year at £18.1 million (H1 2018: £18.1 million, not restated), with early contributors to the operational efficiency programme able to offset general non-employee related year-on-year inflationary pressures
- Statutory operating profit of £17.1 million (H1 2018: £16.8 million, not restated) and statutory basic earnings per share of 15.7 pence (H1 2018: 15.9 pence, not restated)
- Strong cash generation, with cash generated from operations after allowing for lease principal repayments at 94% of statutory operating profit (H1 2018: 27%, not restated)
- Net funds increased by 103.1% to £32.5 million as at 30 June 2019 (£16.0 million as at 30 June 2018)
- Interim dividend maintained at 7.55 pence (H1 2018: 7.55 pence), in-line with intention to maintain full year dividend with that of 2018 despite guidance at the beginning of the year that underlying[3] profit before tax is anticipated to be lower than 2018, and the dilutive earnings impact of IFRS 16

Operational

- Resource focused on evaluating and implementing various constituents of the operational efficiency programme to improve operating performance, the customer service proposition and margin
- Early contributors to performance include the roll-out of a group procurement approach to Goods Not For Resale ('GNFR') and extended vehicle leasing contracts upon renewal or replacement
- Roll-out of inventory management and automated stock re-ordering system to all UK sites to be completed by year-end, with the accruing benefits of improved product availability for customers, improved stock-turn and warehouse capacity
- Trial targeting more effective delivery fleet utilisation successfully completed in South Wales resulting in an increased number of order drops per commercial vehicle, with roll-out to next geographic area
- Construction commenced at new 190,000 square feet regional distribution centre in Ipswich, with anticipated timetable (operational for Easter 2020) and capital investment of £26 million unchanged

Current Trading and Outlook:

- Continued growth post the Period-end, with a small overall like-for-like[2] revenue increase to-date in the second half
- Ahead of proceeding further into the traditionally stronger second half of the year, and mindful of a backdrop of political uncertainty, the Board currently maintains its expectations for the full year

Steve Wilson, Chief Executive, said:

"The Company delivered a reassuring performance during the Period in what remained relatively restrained markets, with growth on an absolute and like-for-like basis in both the UK and Continental Europe. Growth has continued into the second half of the year to-date, and we currently maintain our overall expectations for the full year."

A meeting for analysts will be held at 10.00am this morning (28 August 2019) at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. For further details, please contact Buchanan on 020 7466 5000 or email headlam@buchanan.uk.com.

[1]The interim results have been prepared in accordance with the new IFRS 16 'Leases' accounting standard ('IFRS 16') effective for financial periods beginning on or after 1 January 2019. As the Company has adopted the modified retrospective approach, there has been no restatement of the comparatives for the 2018 reporting period. The impact on the Company's financial statements is fully detailed in the accompanying Notes to the Condensed Consolidated Interim Financial Statements, with adjustments recognised in the Income Statement, Cash Flow Statement and Statement of Financial Position (Balance Sheet). There is no overall impact on the Company's cash and cash equivalents.

[2]Like-for-like revenue is calculated based on constant currency from activities and businesses that made a full contribution in both the 2019 and 2018 periods and is adjusted for any variances in working days.

[3]Underlying is before non-underlying items which includes amortisation of acquired intangibles, acquisition related fees, contingent consideration movements, non-recurring pension costs in relation to guaranteed minimum pension ('GMP') equalisation and non-recurring costs relating to senior personnel changes.

Enquiries:

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Notes for Editors:

Operating for 27 years and employing over 2,600 people, Headlam is Europe's leading floorcoverings distributor.

Headlam provides the distribution channel between suppliers and trade customers of floorcoverings. Working in partnership with suppliers from 22 countries manufacturing a diverse range of floorcovering products and ancillary accessories, Headlam provides an unparalleled route to market for their products across the UK and certain Continental European territories.

The utilisation of an outsourced distribution channel enables manufacturers to focus on their core activities, incur reduced costs associated with distribution, and benefit from localised sales, marketing and distribution expertise that provides a more effective and greater route to market for their products.

To maximize customer and market penetration, Headlam comprises 65 individual businesses in the UK and Continental Europe (France, the Netherlands and Switzerland) each operating under their own unique trade brand and utilising individual sales teams.

Headlam's extensive customer base, operating within both the residential and commercial sectors and comprising principally independent retailers and flooring contractors, receives the broadest product offering supported by next day delivery as well as additional marketing and other support.

Headlam's offering is enabled through its unrivalled operating expertise, long-established supplier and customer relationships, and comprehensive distribution network. Following years of considerable investment, Headlam's distribution network currently comprises four national distribution hubs, 19 regional distribution centres and a supporting network of smaller warehouse premises, trade counters, showrooms and specification centres.

In 2018, Headlam worked with 199 suppliers and fulfilled over 5.3 million customer orders.

www.headlam.com

Chief Executive's and Financial Review

IFRS 16 'Leases' Accounting Standard

These interim results have been prepared in accordance with the new IFRS 16 'Leases' accounting standard ('IFRS 16') effective for financial periods beginning on or after 1 January 2019. As the Company has adopted the modified retrospective approach, there has been no restatement of the comparatives for the 2018 reporting period. The impact on the Company's financial statements is fully detailed in the accompanying Notes to the Condensed Consolidated Interim Financial Statements, with adjustments recognised in the Income Statement, Cash Flow Statement and Statement of Financial Position (Balance Sheet). There is no overall impact on the Company's cash and cash equivalents.

Financial Performance[1]

The Company delivered a reassuring performance during the Period in what remained relatively restrained markets, particularly in the UK residential sector and following on from the general UK market weakness that characterised 2018.

Total revenue increased by 3.3% in the Period to £348.7 million (H1 2018: £337.5 million), with both the residential and commercial sectors in the UK and Continental Europe all contributing positively to this performance. There was a continuing gradual shift in the business mix towards the commercial sector, highlighting its overall stronger performance relative to that of the residential sector, with the residential and commercial sectors up 2.0% and 5.7% respectively. In the Period, the residential sector accounted for a reduced 63.9% of total revenue (H1 2018: 64.7%), the commercial sector 36.1% (H1 2018: 35.3%), evidencing the more muted conditions in the UK residential market segment.

The growth rate of the combined Continental European businesses outperformed that of the collective UK businesses, a continuation of that seen in 2018, with the UK and Continental Europe growing by 2.8% and 6.4% respectively. The Continental European businesses accounted for 15.5% of total revenue in the Period (H1 2018: 15.1%).

On a like-for-like[2] basis, revenue increased by 1.8% and 3.2% in the UK and Continental Europe respectively against the same period in the prior year, resulting in an overall like-for-like[2] revenue increase of 2.0% in the Period. The UK's positive like-for-like[2] performance was principally driven by a stronger Q1 compared with the weaker prior year comparatives, with Q2 being marginally positive. Q1 was also the main contributor to performance in Continental Europe during the Period, with the residential sector notably strong even against firmer prior year comparatives.

Gross margin was maintained at 32.5% (H1 2018: 32.5%) despite the shift in business mix towards the commercial sector, partially as a result of larger inventory positions and contributions from higher margin market segments.

The drop-through profit from the additional £11.2 million of revenue in the Period was offset by the 3.7% increase in underlying[3] distribution costs and administrative expenses which totalled £95.1 million (H1 2018: £91.7 million, not restated), however, almost half of the cost increase arose from the full period effect of acquisitions. Although the operational efficiency programme detailed below remains in its early stages, it was able to offset general non-employee related year-on-year inflationary pressures. As a result, underlying[3] operating profit which was impacted by a £0.4 million increase due to IFRS 16 adoption was flat year-on-year at £18.1 million (H1 2018: £18.1 million, not restated) with an underlying[3] operating margin of 5.2% (H1 2018: 5.4%, not restated).

Movement in underlying[3] operating profit

	£000
Underlying operating profit 2018	18,142
Gross margin improvement:	
Volume benefit	1,674
Pricing benefit	(388)
Effect of acquisitions	2,132
Total change in gross profit	3,418
Costs and expenses:	
Distribution	(1,214)
Administrative	(599)
Effect of acquisitions	(1,610)
Total change in costs and expenses	(3,423)
Underlying operating profit 2019	**18,137**

Underlying[3] profit before tax and statutory basic earnings per share were impacted by a reduction of £0.4 million and 0.4 pence respectively by the adoption of IFRS 16, and stood at £17.0 million (H1 2018: £17.7 million, not restated) and 15.7 pence (H1 2018: 15.9 pence, not restated).

Cash flows and net funds

Net cash from operating activities increased by £19.7 million from £(2.3) million to £17.4 million, with the key drivers shown in the table below:

	Six months ended 30 June		
	2019	2018	2017
	£000	£000	£000
Profit before taxation	**15,968**	16,418	16,767
Depreciation, amortisation and impairment	**3,385**	3,229	3,203
Depreciation of right of use assets	**7,603**	-	-
Profit on the sale of property, plant and equipment	**(13)**	(24)	(44)
Net finance cost (including leases)	**1,160**	410	351
Share-based payments	**838**	658	517
Working capital changes	**(4,776)**	(16,102)	(181)
Cash generated from operations	**24,165**	4,589	20,613
Interest paid	**(1,532)**	(670)	(545)
Tax paid	**(5,259)**	(5,287)	(5,077)
Pension contributions	**-**	(930)	(1,079)
Net cash from operating activities	**17,374**	(2,298)	13,912

The main contributor to the positive cash generation was the drop-through of operating profit. This was partially offset by the working capital changes which typically result in net outflows during the first half of the year, which were increased in the Period by temporary inventory holding as a consequence of seeking improved product profile and availability together with a modest level of Brexit contingency stock.

Net cash flow from investing and financing activities

	Six months ended 30 June		
	2019	2018	2017
	£000	£000	£000
Acquisition of subsidiaries net of cash acquired	**-**	(5,478)	(1,942)
Acquisition of property, plant and equipment	**(7,757)**	(2,522)	(2,069)
Share movements	**19**	(2,891)	(579)
Net movement on borrowings	**19,886**	29,885	14,887
Principal elements of lease payments	**(8,028)**	-	-
Dividends paid	**(6,322)**	(6,372)	(12,369)
Other	**454**	218	304
Net cash flow from investing and financing activities	**(1,748)**	12,840	(1,768)

The key drivers behind the net cash flow from investing and financing activities was a net £19.9 million drawdown from the term facility as typically occurs during the first half of the year offset by capital expenditure (including investment on the new distribution centre in Ipswich) and the interim dividend declared in 2018. Following the adoption of IFRS 16, the Company now has £8.0 million of lease payments relating to the principal elements.

Cash and cash equivalents at the Period end was up 12.9% at £59.4 million (H1 2018: £52.6 million). Net funds (excluding lease liabilities*) were £32.5 million as at 30 June 2019, compared with £36.7 million and £16.0 million as at 1 January 2019 and 30 June 2018 respectively. The decrease in net funds from the year-end is due to the normal timing of working capital movements and the expected increase in capital expenditure related to the new Ipswich distribution centre.

*Net funds movement during the period**

	At 1 January 2019 £000	Cash flows £000	Translation differences £000	**At 30 June 2019 £000**
Cash at bank and in hand	44,005	16,739	(23)	**60,721**
Bank overdraft	(221)	(1,113)	(29)	**(1,363)**
Debt due within one year	(236)	-	1	**(235)**
Debt due after one year	(6,805)	(19,886)	25	**(26,666)**
	36,743	(4,260)	(26)	**32,457**

**Excluding lease liabilities of £46.7 million as at 30 June 2019*

Total bank facilities at 30 June 2019 amounted to £112.6 million, of which £32.6 million is uncommitted and repayable on demand with a further £80.0 million committed facilities which were due to expire on 14 December 2021. On 5 August 2019 post the Period end, the Company completed a refinancing of its existing banking facilities to extend their term from 14 December 2021 to 30 April 2023. The Company has maintained its two agreements with Barclays Bank PLC and HSBC Bank Plc, but decreased the level of Sterling committed facilities from £72.5 million to £68.5 million and increased its Euro committed facilities from €8.6 million to €9.6 million. The Company has not changed its short-term uncommitted facilities.

Dividend

As previously stated, the Company intends to maintain its full year 2019 dividend in-line with that of 2018 despite guidance at the beginning of the year that 2019 underlying[3] profit before tax is anticipated to be lower than 2018, and the diluting earnings impact caused by IFRS 16 adoption.

The Company is maintaining the 2019 interim dividend at 7.55 pence (2018: 7.55 pence) which will be payable on 2 January 2020 to shareholders on the register as at 29 November 2019 (record date).

Operations and Operational Efficiency Programme

Resource has been focused on evaluating and implementing various constituents of the Company's operational efficiency programme in order to improve operating performance, the customer service proposition and margin. Some of the individual efficiency initiatives introduced in the 2018 Annual Report and Accounts continue to evolve as part of a more holistic approach and will also be supplemented by additional operational focuses including broadening existing customer channels.

With the operational efficiency programme still largely at the evaluation and trialling phase there was a limited contribution to financial performance during the Period. However, early contributors such as the continued roll-out of a group procurement approach to Goods Not For Resale ('GNFR') and extended vehicle leasing contracts upon renewal or replacement provided sufficient benefit to offset non-employee related cost inflation during the Period.

For some of the other operational efficiency projects at an earlier stage of implementation, their benefits continue to be evaluated and confirmed, and, as previously stated, their contributions are expected to increase and have a more meaningful impact in 2020 and beyond. For example, the roll-out of the inventory management and automated stock re-ordering system to all UK sites will be completed by the year-end. The roll-out initially leads to a rise in absolute inventory levels as availability of customers' most requested products is improved. With maturing use of the stock re-ordering algorithm, and as the product life cycle progresses, the benefits of an improvement to product availability, stock-turn, warehouse capacity and improved supplier production scheduling will become increasing evident group-wide.

Similarly, the trial in South Wales, targeting more effective delivery fleet utilisation, has been successfully completed resulting in an increased number of order drops per commercial vehicle combined with a reduction in the number of vehicles needing to service the local area. This has demonstrated the more effective use of vehicles, with less miles being travelled per delivery. The trial will be rolled-out in additional geographic areas, and as it is the overall reduction in the cost to serve will become more quantifiable across the group.

Construction has commenced, on schedule, for delivery of the new 190,000 square feet regional distribution centre in Ipswich which will support customers throughout the South East of England and enable greater network optimisation and operational efficiency. The anticipated construction timetable and capital investment remains unchanged, with an operational centre expected for Easter 2020 at a total cost of approximately £26 million.

Current Trading and Outlook

The Company has made preparations around the potential impact of Brexit, and is maintaining a modest level of contingency stock which sits across its fastest-moving products in order to preserve levels of customer service during such an event. The inventory management project outlined above will provide additional support due to its existing focus on improved product availability and the higher inventory position in the current roll-out phase. The Company carried an inventory position of £141.4 million at the Period-end.

Growth has continued post the Period-end, with a small overall like-for-like[2] revenue increase to-date in the second half. Ahead of proceeding further into the traditionally stronger second half of the year with Q4 historically being the main contributor to full year performance, and mindful of a backdrop of political uncertainty, the Board currently maintains its overall expectations for the full year.

Steve Wilson
Chief Executive

Chris Payne
Chief Financial Officer

28 August 2019

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Statement of Directors' Responsibilities

The Directors' confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Headlam Group plc are listed in the Headlam Group plc Annual Report and Accounts for the year ended 31 December 2018, and a list of Directors is maintained on the Headlam Group plc website, www.headlam.com.

By order of the Board,

Philip Lawrence
Chairman

28 August 2019

Condensed Consolidated Interim Income Statement

	Note	**Underlying 2019 £000**	**Non-underlying 2019 £000**	**Six months ended 30 June 2019 £000**	Underlying 2018 £000	Non-underlying 2018 £000	Six months ended 30 June 2018 £000	Underlying 2018 £000	Non-underlying 2018 £000	Year ended 31 December 2018 £000
			Unaudited			Unaudited			Audited	
Revenue	2	**348,660**	**–**	**348,660**	337,489	–	337,489	708,423	–	708,423
Cost of sales		**(235,448)**	**–**	**(235,448)**	(227,695)	–	(227,695)	(479,349)	–	(479,349)
Gross profit		**113,212**	**–**	**113,212**	109,794	–	109,794	229,074	–	229,074
Distribution costs		**(68,376)**	**–**	**(68,376)**	(66,090)	–	(66,090)	(134,316)	–	(134,316)
Administrative expenses	3	**(26,699)**	**(1,009)**	**(27,708)**	(25,562)	(1,314)	(26,876)	(50,485)	(2,942)	(53,427)
Operating profit	2	**18,137**	**(1,009)**	**17,128**	18,142	(1,314)	16,828	44,273	(2,942)	41,331
Finance income	4	**389**	**–**	**389**	216	–	216	709	–	709
Finance expenses	4	**(1,549)**	**–**	**(1,549)**	(626)	–	(626)	(1,593)	–	(1,593)
Net finance costs		**(1,160)**	**–**	**(1,160)**	(410)	–	(410)	(884)	–	(884)
Profit before tax		**16,977**	**(1,009)**	**15,968**	17,732	(1,314)	16,418	43,389	(2,942)	40,447
Taxation	5	**(2,972)**	**134**	**(2,838)**	(3,236)	135	(3,101)	(7,750)	807	(6,943)
Profit for the period attributable to the equity shareholders	2	**14,005**	**(875)**	**13,130**	14,496	(1,179)	13,317	35,639	(2,135)	33,504
Earnings per share										
Basic	6	**16.7p**		**15.7p**	17.3p		15.9p	42.5p		40.0p
Diluted	6	**16.6p**		**15.6p**	17.1p		15.7p	42.2p		39.6p
Ordinary dividend per share										
Interim dividend proposed for the financial period	7			**7.55p**			7.55p			7.55p
Final dividend proposed for the financial period	7			**–**			–			17.45p

All group operations during the financial periods were continuing operations.

Condensed Consolidated Interim Statement of Comprehensive Income

	Six months ended 30 June 2019 £000 Unaudited	Six months ended 30 June 2018 £000 Unaudited	Year ended 31 December 2018 £000 Audited
Profit for the period attributable to the equity shareholders	**13,130**	13,317	33,504
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Re-measurement of defined benefit plans	**(979)**	3,736	8,562
Related tax	**166**	(635)	(1,628)
	(813)	3,101	6,934
Items that are or may be reclassified to profit or loss			
Foreign exchange translation differences arising on translation of overseas operations	**393**	(76)	540
	393	(76)	540
Other comprehensive (expense)/income for the period	**(420)**	3,025	7,474
Total comprehensive income attributable to the equity shareholders for the period	**12,710**	16,342	40,978

Condensed Consolidated Interim Statement of Financial Position

	At 30 June 2019 £000 Unaudited	At 30 June 2018 £000 Unaudited	At 31 December 2018 £000 Audited
Assets			
Non-current assets			
Property, plant and equipment	**107,363**	101,836	102,048
Right-of-use assets	**46,116**	-	-
Intangible assets	**50,218**	50,085	50,924
Deferred tax assets	**572**	460	516
	204,269	152,381	153,488
Current assets			
Inventories	**142,463**	136,743	132,704
Trade and other receivables	**125,928**	129,560	119,007
Cash and cash equivalents	**60,721**	52,560	44,005
	329,112	318,863	295,716
Total assets	**533,381**	471,244	449,204
Liabilities			
Current liabilities			
Bank overdrafts	**(1,363)**	-	(221)
Other interest-bearing loans and borrowings	**(235)**	(232)	(236)
Lease liabilities	**(14,047)**	-	-
Trade and other payables	**(192,114)**	(179,654)	(181,300)
Dividends payable	**(14,617)**	(14,596)	-
Income tax payable	**(4,495)**	(4,175)	(6,730)
	(226,871)	(198,657)	(188,487)
Non-current liabilities			
Other interest-bearing loans and borrowings	**(26,666)**	(36,378)	(6,805)
Lease liabilities	**(32,696)**	-	-
Trade and other payables	**(2,592)**	(5,905)	(2,592)
Provisions	**(2,249)**	(2,048)	(2,249)
Deferred tax liabilities	**(8,063)**	(7,274)	(8,063)
Employee benefits	**(6,853)**	(8,641)	(5,888)
	(79,119)	(60,246)	(25,597)
Total liabilities	**(305,990)**	(258,903)	(214,084)
Net assets	**227,391**	212,341	235,120
Equity attributable to equity holders of the parent			
Share capital	**4,268**	4,268	4,268
Share premium	**53,512**	53,512	53,512
Other reserves	**868**	952	185
Retained earnings	**168,743**	153,609	177,155
Total equity	**227,391**	212,341	235,120

Condensed Consolidated Interim Statement of Changes in Equity

Unaudited

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	**4,268**	**53,512**	**88**	**7,399**	**(7,302)**	**177,155**	**235,120**
Change in accounting policy (note 8)	**-**	**-**	**-**	**-**	**-**	**(216)**	**(216)**
Restated total equity at 1 January 2019	**4,268**	**53,512**	**88**	**7,399**	**(7,302)**	**176,939**	**234,904**
Profit for the period attributable to the equity shareholders	**-**	**-**	**-**	**-**	**-**	**13,130**	**13,130**
Other comprehensive income	**-**	**-**	**-**	**393**	**-**	**(813)**	**(420)**
Total comprehensive income for the period	**-**	**-**	**-**	**393**	**-**	**12,317**	**12,710**
Transactions with equity shareholders, recorded directly in equity							
Share-based payments	**-**	**-**	**-**	**-**	**-**	**838**	**838**
Share options exercised by employees	**-**	**-**	**-**	**-**	**290**	**(271)**	**19**
Current tax on share options	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Deferred tax on share options	**-**	**-**	**-**	**-**	**-**	**(142)**	**(142)**
Dividends to equity holders	**-**	**-**	**-**	**-**	**-**	**(20,939)**	**(20,939)**
Total contributions by and distributions to equity shareholders	**-**	**-**	**-**	**-**	**290**	**(20,513)**	**(20,223)**
Balance at 30 June 2019	**4,268**	**53,512**	**88**	**7,792**	**(7,012)**	**168,743**	**227,391**

Condensed Consolidated Interim Statement of Changes in Equity continued
Unaudited

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	4,268	53,512	88	6,859	(4,056)	157,903	218,574
Profit for the period attributable to the equity shareholders	-	-	-	-	-	13,317	13,317
Other comprehensive income	-	-	-	(76)	-	3,101	3,025
Total comprehensive income for the period	-	-	-	(76)	-	16,418	16,342
Transactions with equity shareholders, recorded directly in equity							
Share-based payments	-	-	-	-	-	658	658
Share options exercised by employees	-	-	-	-	1,058	(1,028)	30
Consideration for purchase of own shares	-	-	-	-	(2,921)	-	(2,921)
Current tax on share options	-	-	-	-	-	154	154
Deferred tax on share options	-	-	-	-	-	473	473
Dividends to equity holders	-	-	-	-	-	(20,969)	(20,969)
Total contributions by and distributions to equity shareholders	-	-	-	-	(1,863)	(20,712)	(22,575)
Balance at 30 June 2018	4,268	53,512	88	6,783	(5,919)	153,609	212,341

Condensed Consolidated Interim Statement of Changes in Equity continued
Audited

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	4,268	53,512	88	6,859	(4,056)	157,903	218,574
Profit for the period attributable to the equity shareholders	-	-	-	-	-	33,504	33,504
Other comprehensive income	-	-	-	540	-	6,934	7,474
Total comprehensive income for the period	-	-	-	540	-	40,438	40,978
Transactions with equity shareholders, recorded directly in equity							
Share-based payments	-	-	-	-	-	1,478	1,478
Share options exercised by employees	-	-	-	-	2,579	(1,518)	1,061
Consideration for purchase of own shares	-	-	-	-	(5,825)	-	(5,825)
Current tax on share options	-	-	-	-	-	38	38
Deferred tax on share options	-	-	-	-	-	(169)	(169)
Deferred tax on income and expenses recognised directly in equity	-	-	-	-	-	(46)	(46)
Dividends to equity holders	-	-	-	-	-	(20,969)	(20,969)
Total contributions by and distributions to equity shareholders	-	-	-	-	(3,246)	(21,186)	(24,432)
Balance at 31 December 2018	4,268	53,512	88	7,399	(7,302)	177,155	235,120

Condensed Consolidated Interim Cash Flow Statements

	Six months ended 30 June 2019 £000 Unaudited	Six months ended 30 June 2018 £000 Unaudited	Year ended 31 December 2018 £000 Audited
Cash flows from operating activities			
Profit before tax for the period	**15,968**	16,418	40,447
Adjustments for:			
Depreciation, amortisation and impairment	**3,385**	3,229	7,038
Depreciation of right of use assets	**7,603**	-	-
Profit on sale of property, plant and equipment	**(13)**	(24)	(50)
Finance income	**(389)**	(216)	(709)
Finance expense	**1,549**	626	1,593
Share-based payments	**838**	658	1,478
Operating cash flows before changes in working capital and other payables	**28,941**	20,691	49,797
Change in inventories	**(9,683)**	(4,011)	1,563
Change in trade and other receivables	**(6,881)**	(1,899)	12,524
Change in trade and other payables	**11,788**	(10,192)	(13,878)
Cash generated from the operations	**24,165**	4,589	50,006
Interest paid (including leases)	**(1,532)**	(670)	(1,426)
Tax paid	**(5,259)**	(5,287)	(7,789)
Additional contributions to defined benefit plan	**-**	(930)	(747)
Net cash flow from operating activities	**17,374**	(2,298)	40,044
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(7,757)**	(2,522)	(4,384)
Proceeds from sale of property, plant and equipment	**28**	52	403
Interest received	**426**	166	601
Acquisition of subsidiaries, net of cash acquired	**-**	(5,478)	(9,141)
Repayment of acquired borrowings on acquisition	**-**	-	(435)
Net cash flow from investing activities	**(7,303)**	(7,782)	(12,956)
Cash flows from financing activities			
Proceeds from the issue of treasury shares	**19**	30	1,061
Payment to acquire own shares	**-**	(2,921)	(5,825)
Drawdown of borrowings	**45,000**	30,000	45,443
Repayment of borrowings	**(25,114)**	(115)	(45,232)
Principal elements of lease payments	**(8,028)**	-	-
Dividends paid	**(6,322)**	(6,372)	(20,969)
Net cash flow from financing activities	**5,555**	20,622	(25,522)
Net increase in cash and cash equivalents	**15,626**	10,542	1,566
Cash and cash equivalents at 1 January	**43,784**	42,030	42,030
Effect of exchange rate fluctuations on cash held	**(52)**	(12)	188
Cash and cash equivalents at end of period	**59,358**	52,560	43,784

Notes to the Condensed Consolidated Interim Financial Statements
Unaudited

1 BASIS OF REPORTING

Reporting entity
Headlam Group plc, the 'company', is a company incorporated in the UK. The Condensed Consolidated Interim Financial Statements consolidate those of the company and its subsidiaries which together are referred to as the 'Group' as at and for the six months ended 30 June 2019.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2018 are available upon request from the company's registered office or the website.

The comparative figures for the financial year ended 31 December 2018 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These Condensed Consolidated Interim Financial Statements have not been audited or reviewed by the auditor pursuant to the Auditing Practices Board's Guidance on Financial Information.

Statement of compliance
These Condensed Consolidated Interim Financial Statements have been prepared and approved by the directors in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and International Accounting Standard IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2018.

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 28 August 2019.

Significant accounting policies
As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published Consolidated Financial Statements for the year ended 31 December 2018, except as explained below.

New standards adopted by the Group
The Group and Company has adopted a new accounting standard in 2019 and this is detailed below:

International Financial Reporting Standard (IFRS) 16 'Leases' (replacing IAS 17).

This new standard eliminates the classification of leases over 12 months in length as either operating or finance leases and introduces a single lessee accounting model whereby all leases are accounted for on balance sheet, unless of low-value. The standard therefore requires that the Group's leased assets are recorded within non-current assets on the balance sheet as 'right of use assets' with a corresponding lease liability which is based on the discounted value of the cash payments required under each lease. The income statement is affected by the replacement of the operating lease expense with a depreciation charge and a finance expense.

The lease liability has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at transition. All right-of-use assets have been measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Transition recognition exemptions relating to short-term and low value leases have been applied, to simplify the transition process.

The group has applied the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings on 1 January 2019, with no restatement of comparative information. The impact this change in the Group's accounting policy has had on the financial statements is detailed further in note 8.

Impacts of standards and interpretations in issue but not yet effective
There are no other new standards, amendments to existing standards, or interpretations that are not yet effective that would be expected to have a material impact on the Group.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are described in the Chief Executive's and Financial Review.

The Directors have reviewed current performance and forecasts, combined with borrowing facilities and expenditure commitments, including capital expenditure, pensions and proposed dividends. After making enquiries, the Directors have a reasonable expectation that the Group has adequate financial resources to continue its current operations, including contractual and commercial commitments for the foreseeable future. For these reasons, the going concern basis has been adopted in preparing the financial statements.

Bank facilities at 30 June 2019

	Committed credit facilities £ million	Uncommitted credit facilities £ million	Total facilities £ million
Drawn funds	26.9	1.4	28.3
Undrawn funds	53.1	31.2	84.3
	80.0	32.6	112.6

Judgements and estimates
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2018, except for those critical judgements made in determining the lease term when applying IFRS 16 and the use of an internal borrowing rate ("IBR").

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The IBR is estimated and used for the purpose of discounting cashflows to their present value when the interest rate implicit within a lease cannot be determined. It compromises the risk free rate attributed to government bonds relevant to the economic environment in which the asset is being used, a credit worthiness adjustment based on a synthetic Headlam credit rating and our incremental cost of borrowing, the latter being the rate of interest that we would have to pay on borrowings to obtain an asset of similar value to that of the right of use asset.

Risks and uncertainties

The risk factors which could cause the Group's results to differ materially from expected results and the result of the Board's review of those risks are set out in the Annual Report and Accounts for the year ended 31 December 2018.

2 SEGMENT REPORTING

At 30 June 2019, the Group had 61 operating segments in the UK and four operating segments in Continental Europe. Each segment represents an individual trading operation and each operation is wholly aligned to the sales, marketing, supply and distribution of floorcovering products. The operating results of each operation are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Chief Executive. Discrete financial information is available for each segment and used by the Chief Executive to assess performance and decide on resource allocation.

The operating segments have been aggregated to the extent that they have similar economic characteristics, with relevance to products and services, type and class of customer, methods of sale and distribution and the regulatory environment in which they operate. The Group's internal management structure and financial reporting systems differentiate the operating segments on the basis of the differing economic characteristics in the UK and Continental Europe and accordingly present these as two separate reportable segments. This distinction is embedded in the construction of operating reports reviewed by the Chief Executive, the Board and the senior executive management team and forms the basis for the presentation of operating segment information given below.

	UK			**Continental Europe**			**Total**		
	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000	**30 June 2019 £000**	30 June 2018 £000	31 December 2018 £000	**30 June 2019 £000**	30 June 2018 £000	31 December 2018 £000
Revenue									
External revenues	**294,506**	286,600	604,150	**54,154**	50,889	104,273	**348,660**	337,489	708,423
Reportable segment operating profit	**19,317**	18,944	45,163	**976**	551	488	**20,293**	19,496	45,651
Reportable segment assets	**355,058**	303,089	304,645	**62,336**	54,862	42,591	**417,393**	357,951	347,236
Reportable segment liabilities	**(217,697)**	(167,038)	(168,184)	**(34,265)**	(28,445)	(25,219)	**(251,962)**	(195,483)	(193,403)

During the periods shown above there have been no inter-segment revenues for the reportable segments *(2018: £nil).*

Reconciliations of reportable segment profit, assets and liabilities and other material items:

	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000
Profit for the period			
Total profit for reportable segments	**20,293**	19,496	45,651
Non-underlying items	**(1,009)**	(1,314)	(2,942)
Unallocated expense	**(2,156)**	(1,354)	(1,378)
Operating profit	**17,128**	16,828	41,331
Finance income	**389**	216	709
Finance expense	**(1,549)**	(626)	(1,593)
Profit before taxation	**15,968**	16,418	40,447
Taxation	**(2,838)**	(3,101)	(6,943)
Profit for the period	**13,130**	13,317	33,504

	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000
Assets			
Total assets for reportable segments	**417,393**	357,951	347,236
Unallocated assets:			
Properties, plant and equipment	**89,980**	83,353	88,879
Deferred tax assets	**572**	460	516
Cash and cash equivalents	**25,436**	29,480	12,573
Total assets	**533,381**	471,244	449,204
Liabilities			
Total liabilities for reportable segments	**(251,962)**	(195,483)	(193,403)
Unallocated liabilities:			
Employee benefits	**(6,853)**	(8,641)	(5,888)
Other interest-bearing loans and borrowings	**(20,000)**	(30,000)	-
Income tax payable	**(4,495)**	(4,175)	(6,730)
Proposed dividend	**(14,617)**	(14,596)	-
Deferred tax liabilities	**(8,063)**	(6,008)	(8,063)
Total liabilities	**(305,990)**	(258,903)	(214,084)

	UK £000	Continental Europe £000	Reportable segment total £000	Unallocated £000	Consolidated total £000
Other material items 30 June 2019					
Capital expenditure	**748**	**291**	**1,039**	**6,718**	**7,757**
Depreciation	**969**	**559**	**1,528**	**1,151**	**2,679**
Depreciation of right of use assets	**6,574**	**1,021**	**7,595**	**8**	**7,603**
Non-underlying items	**951**	**58**	**1,009**	**-**	**1,009**
Other material items 30 June 2018					
Capital expenditure	1,236	902	2,138	384	2,522
Depreciation	1,016	345	1,361	1,168	2,529
Non-underlying items	906	408	1,314	-	1,314
Other material items 31 December 2018					
Capital expenditure	2,579	1,139	3,718	666	4,384
Depreciation	2,058	751	2,809	2,466	5,275
Non-underlying items	1,262	466	1,728	1,214	2,942

In the UK the Group's freehold properties are held within Headlam Group plc and a rent is charged to the operating segments for the period of use. Therefore, the operating reports reviewed by the Chief Executive show all the UK properties as unallocated and the operating segments report a segment result that includes a property rent. This is reflected in the above disclosure.

Each segment is a continuing operation.

The Chief Executive, the Board and the senior executive management team have access to information that provides details on revenue by principal product group for the two reportable segments, as set out in the following table:

	UK			**Continental Europe**			**Total**		
	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000	**30 June 2019 £000**	30 June 2018 £000	31 December 2018 £000	**30 June 2019 £000**	30 June 2018 £000	31 December 2018 £000
Revenue									
Residential	**192,050**	190,576	400,710	**30,804**	27,897	57,046	**222,854**	218,473	457,756
Commercial	**102,456**	96,024	203,440	**23,350**	22,992	47,227	**125,806**	119,016	250,667
	294,506	286,600	604,150	**54,154**	50,889	104,273	**348,660**	337,489	708,423

3 NON-UNDERLYING ITEMS

Non-underlying items of £1,009,000 relate to amortisation of acquired intangibles, acquisition related fees, and the related tax of £134,000 on these costs, see table below.

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Amortisation of acquired intangibles	**706**	708	1,763
Acquisitions related fees	**303**	290	513
Non-recurring people costs	**-**	316	836
GMP equalisation	**-**	-	1,214
Release of accrual for contingent consideration	**-**	-	(1,384)
	1,009	1,314	2,942

4 FINANCE INCOME AND EXPENSE

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Interest income:			
Bank interest	**346**	216	709
Other	**43**	-	-
Finance income	**389**	216	709
Interest expense:			
Bank loans, overdrafts and other financial expenses	**(683)**	(515)	(1,331)
Interest on lease liability	**(836)**	-	-
Net interest on defined benefit plan obligation	**(30)**	(110)	(232)
Other	**-**	(1)	(30)
Finance expenses	**(1,549)**	(626)	(1,593)

5 TAXATION

The Group's consolidated effective tax rate for the six months ended 30 June 2019 was 17.5% (*for the six months ended 30 June 2018: 18.25%; for the year ended 31 December 2018: 17.2%*).

The UK headline corporation tax rate for the six months ended 30 June 2019 was 19% (for the six months ended 30 June 2018: was 19% (2018: 19%). The UK tax rate will be further reduced to 17% with effect from 1 April 2020 which was enacted during 2016. The majority of the deferred tax balance in respect of UK entities has therefore been calculated at 17% (2018: 17%) on the basis that most of the balances will materially reverse after 1 April 2020.

In addition, a reduction in the French corporation tax rate to 25% by 2022 was enacted in December 2017 which has also been taken into account in the calculation of the related deferred tax balance.

6 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Earnings			
Earnings for underlying basic and underlying diluted earnings per share	**14,005**	14,496	35,639
Earnings for basic and diluted earnings per share	**13,130**	13,317	33,504

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
Number of shares			
Issued ordinary shares at end of period	**85,363,743**	85,363,743	85,363,743
Effect of weighted average shares held in treasury	**(1,495,739)**	(1,360,725)	(1,501,085)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**83,877,536**	84,003,018	83,862,658
Effect of diluted potential ordinary shares:			
Weighted average number of ordinary shares at period end	**83,877,536**	84,003,018	83,862,658
Dilutive effect of share options	**389,138**	579,681	674,621
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**84,266,674**	84,582,699	84,537,279
Earnings per share			
Basic	**15.7p**	15.9p	40.0p
Diluted	**15.6p**	15.7p	39.6p
Underlying earnings per share			
Basic	**16.7p**	17.3p	42.5p
Diluted	**16.6p**	17.1p	42.2p

7 DIVIDENDS

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Interim dividend for 2018 of 7.55p paid 2 January 2019	**6,322**	-	-
Final dividend for 2018 of 17.45p paid 1 July 2019	**14,617**	-	-
Interim dividend for 2017 of 7.55p paid 2 January 2018	**-**	6,372	6,372
Final dividend for 2017 of 17.25p paid 6 July 2018	**-**	14,597	14,597
	20,939	20,969	20,969

The final proposed dividend for 2018 of 17.45p per share was authorised by shareholders at the Annual General Meeting on 24 May 2019 and paid on 1 July 2019. The final proposed dividend for 2017 of 17.25p per share was authorised by shareholders at the Annual General Meeting on 24 May 2018 and paid on 6 July 2018.

The Board of Directors has declared an interim dividend for 2019 of 7.55p to be paid on 2 January 2020. Interim dividends are provided for when the dividend is paid.

8 CHANGES IN ACCOUNTING POLICIES

Leases

The Company has adopted the modified retrospective approach, and as such there has been no restatement of the comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged from 2.70% to 3.77% depending on the leased asset.

	2019 £000
Operating lease commitments as disclosed as at 31 December 2018	50,436
Additional operating lease liabilities on implementation of IFRS 16*	2,219
	52,655
Discounting effect using the lessee's incremental borrowing rates of between 2.7% and 3.77%	(3,673)
Lease liability recognised as at 1 January 2019	**48,982**
Of which are:	
Current lease liabilities	13,819
Non-current lease liabilities	35,163
	48,982

*As part of the transition to IFRS 16, the value of the operating lease commitments included in the 2018 Annual Report operating lease commitments disclosure was updated.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The adjustment for accrued lease payments relating to the leases recognised on this date was a decrease of £216,000.

Adjustments recognised on adoption of IFRS 16

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	30 June 2019 £000	1 January 2019 £000
Right-of-use assets		
Properties	16,728	17,846
Non-property	29,388	30,920
	46,116	**48,766**

The right-of-use assets are shown as non-current assets in the balance sheet. The non-property right-of-use assets relate mainly to commercial and motor vehicles.

	30 June 2019 £000	1 January 2019 £000
Lease liabilities		
Current	14,047	13,819
Non-current	32,696	35,163
	46,743	**48,982**

The lease liabilities are split on the balance sheet between current and non-current. In the previous year, the Group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17. At 31 December 2018 the Group had operating leases amounting to £50.4 million and no finance leases. The Group is adopting the modified retrospective approach and therefore is not restating the comparative information. The cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings on 1 January 2019. The net impact on retained earnings on 1 January 2019 was a decrease of £216,000.

(ii) Amounts recognised in the income statement

The statement of profit or loss shows the following amounts relating to leases:

	Six months ended 30 June 2019 £000
Depreciation charge of right-of-use assets	
Properties	2,244
Non-property	5,359
	7,603
Interest expense	**836**

Net impact on the income statement:

	Six months ended 30 June 2019 £000
Expense relating to IFRS 16 cost	8,439
Expense relating to IAS 17 cost previously included in administrative expenses	(8,028)
	411

(iii) Impact on segment disclosures and earnings per share

The segment assets and liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas the Group did not have any finance lease liabilities. The following segments were affected by the change in policy:

	UK £000	Continental Europe £000	Total £000
Reportable segment assets	40,210	5,906	46,116
Reportable segment liabilities	(40,683)	(6,060)	(46,743)

Earnings per share decreased by 0.4p per share, from 16.1p to 15.7p, for the six months to 30 June 2019 as a result of the adoption of IFRS 16.

(iv) The group's leasing activities and how these are accounted for

The group leases various properties and commercial vehicles and cars. Rental contracts are typically made for fixed periods of 5 to 10 years and 3 to 7 years respectively, but might have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period, this being the amortised cost method. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
• fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• variable lease payment that are based on an index or a rate;
• amounts expected to be payable by the lessee under residual value guarantees;
• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
and
• payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the Group's incremental borrowing rate as it has been difficult to determine the interest rate implicit in the lease for existing leases.
Right-of-use assets are measured at cost comprising the following:
• the amount of the initial measurement of lease liability;
• any lease payments made at or before the commencement date less any lease incentives received;

• any initial direct costs; and
• restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(v) Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held, are exercisable only by the group and not by the respective lessor.

9 FINANCIAL INSTRUMENTS

The fair value of the Group's financial assets and liabilities as detailed below at 30 June 2019 were not materially different to the carrying value.

The table below sets out the Group's accounting classification of each class of financial assets and liabilities at 30 June 2019.

	Fair value through profit Or loss (FVPL) £000	**Amortised cost £000**	**Total carrying value £000**
Cash and cash equivalents	-	60,721	60,721
Bank overdraft	-	(1,363)	(1,363)
Borrowings due within one year	-	(235)	(235)
Borrowings due after one year	-	(26,666)	(26,666)
Trade payables	-	(149,392)	(149,392)
Non-trade payables	(416)	(27,049)	(27,465)
Leasing liability	-	(46,743)	(46,743)
Trade receivables	-	98,731	98,731
Other receivables	-	8,107	8,107
Provisions	-	(2,249)	(2,249)
Derivative assets	18	-	18
	(398)	**(86,138)**	**(86,536)**

Financial instruments carried at fair value are categorised according to their valuation method. The different levels have been defined below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly, as prices or indirectly, derived from prices.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has forward currency contracts which were fair valued in accordance with level 2 (30 June and 31 December 2018: level 2).

Fair values
The carrying amounts shown in the Statement of Financial Position for financial instruments are a reasonable approximation of fair value.

Trade receivables, trade payables and cash and cash equivalents
Fair values are assumed to approximate to cost due to the short-term maturity of the instrument.

Borrowings, other financial assets and other financial liabilities
Where available, market values have been used to determine fair values. Where market values are not available, fair values have been estimated by discounting expected future cash flows using prevailing interest rate curves. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the Statement of Financial Position date.

10 CAPITAL COMMITMENTS

As at 30 June 2019, the Group had contractual commitments relating to the purchase of property, plant and equipment of £22,556,000 (*30 June 2018: £572,000, 31 December 2018: £743,000*). This was an increase on the prior year mainly due to commitments for the Ipswich regional distribution centre building project.

11 RELATED PARTIES

The Group has a related party relationship with its subsidiaries and with its key management. There have been no changes to the nature of related party transactions entered into since the last annual report.

12 SUBSEQUENT EVENTS

Management have given due consideration to any events occurring in the period from the reporting date to the date these Interim Financial Statements were authorised for issue and have concluded that there are no material adjusting or non-adjusting events to be disclosed in these Interim Financial Statements, with the exception of an amendment and extension of the borrowing facilities for the Group.

On 5 August 2019, the Group completed a refinancing of its existing banking facilities to extend their term from 14 December 2021 to 30 April 2023. The Group has maintained its two agreements with Barclays Bank PLC and HSBC Bank Plc, but decreased the level of Sterling committed facilities from £72.5 million to £68.5 million and increased its euro committed facilities from €8.6 million to €9.6 million. The Group has not changed its short-term uncommitted facilities.