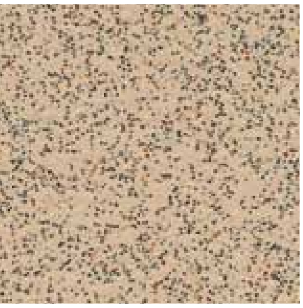
headlam
group plc







Europe's leading floorcovering distributor









Condensed
Consolidated Interim
Financial Statements
2011

Headlam markets, supplies and distributes an extensive range of floorcovering products to independent flooring retailers and contractors throughout the UK, France, Switzerland and the Netherlands.

The group's operational strategy is focused on providing our customers with an up to date comprehensive range of competitively priced floorcovering products with the support of a next day delivery.

As part of this strategy, Headlam offers its suppliers the opportunity to achieve wide market penetration backed by cost effective distribution.

In implementing this strategy, Headlam has developed a diverse and autonomous structure with 49 businesses in the UK and a further five in Continental Europe.

A key factor contributing to the group's success is the individuality of experienced management teams who are responsible for the market presence, development and ultimate profitability of their business.

Each business is supported by the commitment to continued investment in people, product, facilities and IT. This commitment has provided the basis for the group's growth and performance enabling it to develop into Europe's leading floorcovering distributor.

Financial highlights

	2011 £000	2010 £000	Change
Revenue	269,016	254,884	+5.5%
Operating profit	10,440	9,172	+13.8%
Profit before tax	9,941	8,473	+17.3%
Basic earnings per share	8.7p	7.3p	+19.2%
Dividend per share	4.30p	3.83p	+12.3%

Key points

- UK revenues increased by 7.4% on a like for like basis
- Indicators suggest UK performance ahead of the market
- Profit before tax increased by 17.3%
- Earnings per share increased by 19.2%
- Dividend increased by 12.3% to 4.30p

Chairman's Statement

I am pleased to report that group revenue for the first six months of 2011, has increased by 5.5% from £254.9 million to £269.0 million.

On a like for like basis, revenue increased in the UK by 7.4% and in Continental Europe, declined by 4.5%. Market indicators would suggest that conditions remained challenging, with markets overall, at best, unchanged against the previous year.

Earnings and dividend
Basic earnings per share increased by 19.2% from 7.3p to 8.7p and the board have declared a 12.3% increase in the interim dividend from 3.83p to 4.30p. The dividend will be paid on 3 January 2012 to shareholders on the register at 2 December 2011.

UK operations
The positive performance produced by the UK operations in the first six months of 2011 is largely as a result of maintaining the fundamental operating structure. This combined with the tremendous effort from our individual experienced management teams, sales representatives and all our staff, has enabled the businesses to out-perform the difficult conditions and increase their market share.

It is encouraging to note that the performance of the 49 businesses was extremely well balanced with growth throughout the five market sectors of *regional multi-product, national multi-product, regional commercial, residential specialist and commercial specialist.*

Similarly, the increases in revenue have occurred across our comprehensive and diverse product ranges encompassing carpet, residential vinyl, wood, laminate, commercial flooring and flooring accessories. This has been achieved through close liaison with suppliers, to develop and launch 2,338 new products supported by 422,380 point of sale items being positioned into our customers' premises to maximise our market presence.

As reflected in the group's overall performance, our customers, who are principally independent flooring retailers and flooring contractors, continue to trade positively. The number of active accounts has increased year on year, with debtor days and the occurrence of bad debts broadly in line with the corresponding period last year.

We have further developed the Lifestyle Floors brand through the regional and national multi-product businesses and continued to place carpet, residential vinyl, wood, laminate and imminently, luxury vinyl tile display modules into independent retailers. The success of this initiative is underlined by the result that retailers who have invested in Lifestyle Floors, increased their purchases at a faster rate than our other independent retail customers.

We have recently completed a pilot scheme, to determine the benefits of the use of iPads throughout our external sales teams. Based on the success of the initial project, we are now in the process of issuing iPads to each of our external sales people, which will enable us to automate their daily reporting and give them instant access to customer data and information. This removes the previous paper based system and also provides improved communication to our sales management.

The introduction of the iPad is another example of the group's ability to quickly respond to developments in information technology and implement the benefits into our logistic operations, financial controls and sales activities.

Continental Europe
Market conditions in France and the Netherlands have remained fairly stable whilst Switzerland has proved to be challenging in the first six months.

Set against this background, our Dutch businesses increased their revenue and our business in France experienced a slight reduction in revenue. Our Swiss business also experienced a contraction in revenue but was able to increase profitability through improved gross margin and continued tight overhead control.

During the first half, Euro denominated product purchases made by our Swiss business, amounted to 46% of total product purchases, which proved beneficial because of the strength of the Swiss Franc compared with the Euro. This benefit has been reflected in improved gross margins over the period, which has more than compensated for the reductions in revenue.

Notwithstanding the unhelpful markets, our Continental European businesses collectively increased their operating profit by 39.6%.

Employee benefits
As notified when we released 2010's annual report, the group has made further payments totalling £3.3 million in connection with the transfer value exercise, which offers deferred members of the UK defined benefit pension plan, the opportunity to transfer out on enhanced terms.

The exercise has made a substantial contribution to the reduction in net liability relating to employee benefits from £19.2 million at 30 June 2010 to £9.1 million this year.

The group does not anticipate any large payments occurring in relation to this exercise during the second half of 2011.

The preliminary results of the triennial review of the UK defined benefit pension plan as at 31 March 2011 indicate that the net deficit at 31 March 2008 of £22.4 million has reduced to £11.5 million. The reduction has been facilitated by both the additional contributions to the plan and the transfer out of the plan of deferred members' benefits through the enhanced transfer value exercise.

The company has agreed with the trustee to maintain additional contributions in line with the arrangement introduced in 2008, which means that each year's contribution will continue to increase on the previous year at a rate of 3.2%. Based on current assumptions, this will result in the plan deficit being completely eliminated by December 2015.

Cash flow

Cash flow from operating activities before changes in working capital, totalled £13.4 million compared with £11.9 million during the corresponding period in the prior year.

The net investment in working capital during the current period, £10.5 million compared with £6.7 million in 2010, reduced cash generated from operations to £2.9 million compared with £5.2 million in 2010.

The group typically experiences a net investment in working capital during the first six months followed by a substantial divestment through the second six months.

At the half way stage, compared with last year, the investment in inventory has increased by an additional £2.8 million, the increase being attributable to 2011 buying price rises feeding through into inventory values. Furthermore, additional capacity, available in some of the UK distribution centres, allowed for the storage of increased quantity.

The further investment in trade receivables, £5.2 million compared with 2010, and the additional support from trade payables, £4.2 million compared with 2010, was a consequence of higher activity during the first half of 2011 compared with 2010.

The net cash outflow from operating activities, £2.6 million compared with £1.7 million, occurred because of pension payments totalling £4.7 million (2010: £2.4 million) relating to additional contributions to the UK defined benefit pension plan amounting to £1.4 million, and £3.3 million paid in connection with the enhanced transfer value exercise.

Cash outflows from investing and financing activities during the first half of 2011, amounting to £4.8 million, were below last year, £8.6 million, because investment in property, plant and equipment during the period was significantly below last year's level. The capital expenditure in 2011 of £1.6 million is maintenance related whereas in 2010, it included the purchase of the Rochdale distribution centre.

Overall, the first six months gave rise to a net decrease in cash of £7.4 million compared with £10.3 million in 2010 and as shown below, the group ended the first six months with net funds of £3.3 million. This compares with net funds at 30 June 2010 of £0.4 million and net funds at 31 December 2010 of £10.5 million.

Outlook

The individual autonomous businesses have succeeded in producing a strong performance in the first half, in what are generally considered to be challenging market conditions. This has been achieved through a constant programme of product development, combined with sales and marketing activities, with support from a comprehensive logistics service.

Due to the benefit of our supplier relationships and continued positive trading from our customers, revenue achievement since the period end has given a good start to the second half. Whilst market conditions remain challenging, we are currently confident of achieving our revised objectives for the year.

Graham Waldron
19 August 2011

Changes in net funds

	At 1 January 2011 £000	Cash flows £000	Translation differences £000	At 30 June 2011 £000
Cash at bank and in hand	44,758	(7,390)	329	37,697
Debt due within one year	(225)	–	(12)	(237)
Debt due after one year	(34,011)	96	(214)	(34,129)
	10,522	(7,294)	103	3,331

Condensed Consolidated Interim Income Statement
Unaudited

	Note	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Revenue	2	269,016	254,884	535,690
Cost of sales		(186,772)	(177,358)	(370,731)
Gross profit		82,244	77,526	164,959
Distribution expenses		(54,039)	(51,117)	(102,016)
Administrative expenses		(17,765)	(17,237)	(36,877)
Operating profit	2	10,440	9,172	26,066
Finance income	3	1,854	2,186	4,637
Finance expenses	3	(2,353)	(2,885)	(5,697)
Net finance costs		(499)	(699)	(1,060)
Profit before tax		9,941	8,473	25,006
Taxation	4	(2,684)	(2,415)	(7,127)
Profit for the period attributable to the equity shareholders	2	7,257	6,058	17,879
Dividend paid per share	6	12.40p	11.00p	11.00p
Earnings per share				
Basic	5	8.7p	7.3p	21.5p
Diluted	5	8.7p	7.3p	21.5p

All group operations during the financial periods were continuing operations.

Condensed Consolidated Interim Statement of Comprehensive Income
Unaudited

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Profit for the period attributable to the equity shareholders	7,257	6,058	17,879
Other comprehensive income:			
Foreign exchange translation differences arising on translation of overseas operations	1,648	(951)	1,094
Actuarial gains and losses on defined benefit plans	(1,048)	(4,230)	356
Effective portion of changes in fair value of cash flow hedges	–	(1)	(1)
Transfers to profit or loss on cash flow hedges	–	225	225
Income tax on other comprehensive income	285	1,184	9
Other comprehensive income/(expenses) for the period	885	(3,773)	1,683
Total comprehensive income attributable to the equity shareholders for the period	8,142	2,285	19,562

Condensed Consolidated Interim Statement of Financial Position

Unaudited

	At 30 June 2011 £000	At 30 June 2010 £000	At 31 December 2010 £000
Assets			
Non-current assets			
Property, plant and equipment	97,037	99,937	97,215
Intangible assets	13,210	13,210	13,210
Deferred tax assets	–	3,685	896
	110,247	116,832	111,321
Current assets			
Inventories	115,990	105,429	105,694
Trade and other receivables	105,475	98,026	102,240
Cash and cash equivalents	37,697	34,616	44,758
Assets held for sale	362	–	362
	259,524	238,071	253,054
Total assets	369,771	354,903	364,375
Liabilities			
Current liabilities			
Other interest-bearing loans and borrowings	(237)	(215)	(225)
Trade and other payables	(158,901)	(150,726)	(149,476)
Employee benefits	(2,627)	(2,545)	(2,586)
Income tax payable	(5,451)	(4,885)	(4,201)
	(167,216)	(158,371)	(156,488)
Non-current liabilities			
Other interest-bearing loans and borrowings	(34,129)	(33,958)	(34,011)
Employee benefits	(6,445)	(16,638)	(10,138)
Deferred tax liabilities	(102)	–	–
	(40,676)	(50,596)	(44,149)
Total liabilities	(207,892)	(208,967)	(200,637)
Net assets	161,879	145,936	163,738
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	(4,900)	(8,623)	(6,571)
Retained earnings	108,999	96,779	112,529
Total equity	161,879	145,936	163,738

Condensed Consolidated Interim Statement of Changes in Equity
Unaudited

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Cash flow hedging reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2010	4,268	53,512	88	5,297	(224)	(13,057)	102,745	152,629
Profit for the period attributable to the equity shareholders	–	–	–	–	–	–	6,058	6,058
Other comprehensive income	–	–	–	(951)	224	–	(3,046)	(3,773)
Total comprehensive income for the period	–	–	–	(951)	224	–	3,012	2,285
Transactions with equity shareholders, recorded directly in equity								
Share-based payments	–	–	–	–	–	–	166	166
Deferred tax on share options	–	–	–	–	–	–	(12)	(12)
Dividends to equity holders	–	–	–	–	–	–	(9,132)	(9,132)
Total contributions by and distributions to equity shareholders	–	–	–	–	–	–	(8,978)	(8,978)
Balance at 30 June 2010	4,268	53,512	88	4,346	–	(13,057)	96,779	145,936
Balance at 1 July 2010	4,268	53,512	88	4,346	–	(13,057)	96,779	145,936
Profit for the period attributable to the equity shareholders	–	–	–	–	–	–	11,821	11,821
Other comprehensive income	–	–	–	2,045	–	–	3,411	5,456
Total comprehensive income for the period	–	–	–	2,045	–	–	15,232	17,277
Transactions with equity shareholders, recorded directly in equity								
Share-based payments	–	–	–	–	–	–	282	282
Share options exercised by employees	–	–	–	–	–	7	–	7
Deferred tax on share options	–	–	–	–	–	–	236	236
Total contributions by and distributions to equity shareholders	–	–	–	–	–	7	518	525
Balance at 31 December 2010	4,268	53,512	88	6,391	–	(13,050)	112,529	163,738

Condensed Consolidated Interim Statement of Changes in Equity continued
Unaudited

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Cash flow hedging reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2011	4,268	53,512	88	6,391	–	(13,050)	112,529	163,738
Profit for the period attributable to the equity shareholders	–	–	–	–	–	–	7,257	7,257
Other comprehensive income	–	–	–	1,648	–	–	(763)	885
Total comprehensive income for the period	–	–	–	1,648	–	–	6,494	8,142
Transactions with equity shareholders, recorded directly in equity								
Share-based payments	–	–	–	–	–	–	381	381
Share options exercised by employees	–	–	–	–	–	23	(13)	10
Deferred tax on share options	–	–	–	–	–	–	(97)	(97)
Dividends to equity holders	–	–	–	–	–	–	(10,295)	(10,295)
Total contributions by and distributions to equity shareholders	–	–	–	–	–	23	(10,024)	(10,001)
Balance at 30 June 2011	4,268	53,512	88	8,039	–	(13,027)	108,999	161,879

Condensed Consolidated Interim Cash Flow Statements

Unaudited

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Cash flows from operating activities			
Profit before tax for the period	9,941	8,473	25,006
Adjustments for:			
Depreciation, amortisation and impairment	2,452	2,578	5,519
Net settlement loss/(gain) on enhanced transfer value exercise	189	–	(176)
Finance income	(1,854)	(2,186)	(4,637)
Finance expense	2,353	2,885	5,697
Profit on sale of property, plant and equipment	(68)	(38)	(314)
Share-based payments	381	166	448
Operating profit before changes in working capital	13,394	11,878	31,543
Change in inventories	(9,189)	(6,387)	(5,770)
Change in trade and other receivables	(2,169)	3,069	(1,405)
Change in trade and other payables	841	(3,321)	6,947
Cash generated from the operations	2,877	5,239	31,315
Interest paid	(499)	(618)	(1,344)
Tax paid	(301)	(3,927)	(7,506)
Additional contributions to defined benefit plan	(1,393)	(1,236)	(2,706)
Enhanced transfer value exercise payments	(3,295)	(1,159)	(7,488)
Net cash flow from operating activities	(2,611)	(1,701)	12,271
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	87	1,425	3,167
Interest received	18	284	834
Acquisition of property, plant and equipment	(1,618)	(6,530)	(6,995)
Net cash flow from investing activities	(1,513)	(4,821)	(2,994)
Cash flows from financing activities			
Proceeds from the issue of treasury shares	10	–	7
Repayment of borrowings	(96)	(742)	(866)
Dividends paid	(3,180)	(3,072)	(9,132)
Net cash flow from financing activities	(3,266)	(3,814)	(9,991)
Net decrease in cash and cash equivalents	(7,390)	(10,336)	(714)
Cash and cash equivalents at 1 January	44,758	44,979	44,979
Effect of exchange rate fluctuations on cash held	329	(27)	493
Cash and cash equivalents at end of period	37,697	34,616	44,758

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 2011.

The Consolidated Financial Statements of the group as at and for the year ended 31 December 2010 are available upon request from the company's registered office or the website.

The comparative figures for the financial year ended 31 December 2010 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 and Transparency Rules of the Financial Services 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 2010.

These Condensed Consolidated Interim Financial Statements were approved by the board of directors on 19 August 2011.

Significant accounting policies
Impact of newly adopted accounting standards
The Condensed Consolidated Interim Financial information 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 2010, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU, except for the following applicable accounting standards and interpretations which are effective for the group from 1 January 2011:

- Amendments to International Financial Reporting Interpretations Committee (IFRIC) 14 'Prepayment of a minimum funding requirement'
- International Financial Reporting Interpretations Committee (IFRIC) 19 'Extinguishing financial liabilities with equity instruments'
- International Accounting Standard (IAS) 24 'Related party disclosures (revised 2009)'
- Amendment to International Accounting Standard (IAS) 32 'Classification of rights issue'
- Amendment to International Financial Reporting Standard (IFRS) 7 'Improving disclosures about financial instruments'

In addition to the above, amendments to a number of standards under the annual improvements project to IFRS, which are mandatory for the period ending 30 June 2011, have been adopted in 2011.

None of these amendments have had a material impact on the group's Interim Financial Statements.

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

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.

The group has in place £34.4 million of committed credit facilities and £46.0 million of uncommitted facilities. The uncommitted facilities are due to mature at various times during 2011 with some replacements already renewed. Of the facilities that are yet to be renewed, the directors believe that these will be agreed in advance of the maturity date.

Notes to the Condensed Consolidated Interim Financial Statements continued

Unaudited

1 BASIS OF REPORTING - continued

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 2010.

Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with that disclosed in the Consolidated Financial Statements as at and for the year ended 31 December 2010.

2 SEGMENT REPORTING

The group has 49 operating segments in the UK and 5 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 Group Chief Executive. Discrete financial information is available for each segment and used by the Group 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 Group Chief Executive, the board and the senior executive management and forms the basis for the presentation of operating segment information given below.

	UK			Continental Europe			Total		
	30 June 2011 £000	30 June 2010 £000	31 Dec 2010 £000	30 June 2011 £000	30 June 2010 £000	31 Dec 2010 £000	30 June 2011 £000	30 June 2010 £000	31 Dec 2010 £000
Revenue									
External revenues	218,290	204,340	432,815	50,726	50,544	102,875	269,016	254,884	535,690
Reportable segment operating profit	9,692	8,686	24,662	1,421	1,018	2,553	11,113	9,704	27,215
Reportable segment assets*1	213,807	196,535	193,565	45,624	47,300	59,851	259,431	243,835	253,416
Reportable segment liabilities	(132,536)	(122,181)	(129,365)	(19,252)	(22,486)	(20,111)	(151,788)	(144,667)	(149,476)

During the periods shown above there have been no inter-segment revenues.

*1 Reportable segment assets have been restated for the periods ending 30 June 2010 and 31 December 2010 to allocate relevant cash and cash equivalents between the reportable segments.

Notes to the Condensed Consolidated Interim Financial Statements continued
Unaudited

2 SEGMENT REPORTING - continued

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

	30 June 2011 £000	30 June 2010 £000	31 December 2010 £000
Profit for the period			
Total profit for reportable segments	11,113	9,704	27,215
Impairment of assets	–	–	(466)
Unallocated expense	(673)	(532)	(683)
Operating profit	10,440	9,172	26,066
Finance income	1,854	2,186	4,637
Finance expense	(2,353)	(2,885)	(5,697)
Profit before taxation	9,941	8,473	25,006
Taxation	(2,684)	(2,415)	(7,127)
Profit for the period	7,257	6,058	17,879

	30 June 2011 £000	30 June 2010 £000	31 December 2010 £000
Assets			
Total assets for reportable segments	259,431	243,835	253,416
Unallocated assets:			
Properties, plant and equipment	88,166	88,231	86,332
Deferred tax assets	–	3,685	896
Assets held for sale	362	–	362
Cash and cash equivalents	21,812	19,153	23,369
Total assets	369,771	354,904	364,375
Liabilities			
Total liabilities for reportable segments	(151,788)	(144,667)	(149,476)
Unallocated liabilities:			
Employee benefits	(9,072)	(19,183)	(12,724)
Net borrowings	(34,366)	(34,173)	(34,236)
Income tax payable	(5,451)	(4,884)	(4,201)
Proposed dividend	(7,115)	(6,060)	–
Deferred tax liabilities	(102)	–	–
Total liabilities	(207,892)	(208,967)	(200,637)

Notes to the Condensed Consolidated Interim Financial Statements continued
Unaudited

2 SEGMENT REPORTING - continued

	UK £000	Continental Europe £000	Reportable segment total £000	Unallocated £000	Consolidated total £000
Other material items 30 June 2011					
Capital expenditure	1,230	368	1,598	20	1,618
Depreciation	1,142	379	1,521	931	2,452
Other material items 30 June 2010					
Capital expenditure	441	384	825	5,705	6,530
Depreciation	1,319	356	1,675	903	2,578
Other material items 31 December 2010					
Capital expenditure	784	553	1,337	5,658	6,995
Depreciation	2,503	747	3,250	1,803	5,053
Impairment of assets	–	–	–	466	466

	UK			Continental Europe			Total		
	30 June 2011 £000	30 June 2010 £000	31 Dec 2010 £000	30 June 2011 £000	30 June 2010 £000	31 Dec 2010 £000	30 June 2011 £000	30 June 2010 £000	31 Dec 2010 £000
Revenue									
Residential	148,739	139,815	297,606	25,217	25,764	51,992	173,956	165,579	349,598
Commercial	69,551	64,525	135,209	25,509	24,780	50,883	95,060	89,305	186,092
	218,290	204,340	432,815	50,726	50,544	102,875	269,016	254,884	535,690

Each segment is a continuing operation.

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 results reviewed by the Group Chief Executive show all the UK properties as unallocated and the operating segments report a segment result net of a rent.

Notes to the Condensed Consolidated Interim Financial Statements continued
Unaudited

3 FINANCE INCOME AND EXPENSE

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Interest income:			
Bank interest	60	179	642
Other	1	129	179
Return on defined benefit plan assets	1,793	1,878	3,816
Finance income	1,854	2,186	4,637
Interest expense:			
Bank loans, overdrafts and other financial expenses	(294)	(536)	(1,122)
Other	(219)	–	–
Net change in fair value of cash flow hedges transferred from equity	–	–	(125)
Interest on defined benefit plan obligation	(1,840)	(2,349)	(4,450)
Finance expenses	(2,353)	(2,885)	(5,697)

4 TAXATION

The group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2011 was 27% (for the six months ended 30 June 2010: 28.5%; for the year ended 31 December 2010: 28.5%).

The Emergency Budget on 22 June 2010 announced that the main rate of UK corporation tax would reduce from 28% to 24% over a period of four years from 2011. The first reduction in the rate from 28% to 27%, with effect from 1 April 2011, was substantively enacted on 20 July 2010.

On 23 March 2011, the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the amended rate on the deferred tax balance as at 30 June 2011 has been included in these Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements continued
Unaudited

5 EARNINGS PER SHARE

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

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent	7,257	6,058	17,879

	2011	2010	2010
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	83,121,365	83,115,096	83,117,254
Effect of diluted potential ordinary shares:			
Weighted average number of ordinary shares at period end	83,121,365	83,115,096	83,117,254
Dilutive effect of share options	769,300	172,277	113,570
Weighted average number of ordinary shares for the purposes of diluted earnings per share	83,890,665	83,287,373	83,230,824

6 DIVIDENDS

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Interim dividend for 2010 of 3.83p paid 4 January 2011	3,180	–	–
Final dividend for 2010 of 8.57p proposed	7,115	–	–
Interim dividend for 2009 of 3.70p paid 4 January 2010	–	3,072	3,072
Final dividend for 2009 of 7.30p proposed	–	6,060	6,060
	10,295	9,132	9,132

The final proposed dividend for 2010 of 8.57p per share was authorised by shareholders at the Annual General Meeting on 17 June 2011 and paid on 1 July 2011. The final proposed dividend for 2009 of 7.30p per share was authorised by shareholders at the Annual General Meeting on 25 June 2010 and paid on 1 July 2010.

7 CAPITAL COMMITMENTS

As at 30 June 2011, the group had contractual commitments relating to the purchase of property, plant and equipment of £11,000 (30 June 2010: £53,000, 31 December 2010: £421,000). These commitments are expected to be settled prior to 31 December 2011.

8 RELATED PARTIES

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

Statement of Directors' Responsibilities

We confirm to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;

(b) the interim management report includes a fair review of the information required by:

(i) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year 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 year; and

(ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This report has been approved by the board of directors and signed on its behalf by

Graham Waldron
Chairman
19 August 2011

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