

SAMUEL HEATH & SONS PLC

INTERIM REPORT

HALF YEAR ENDED 30 SEPTEMBER 2016

CHAIRMAN'S STATEMENT

The results for the half year to September 30th were obviously satisfactory. Sales revenue was up to £6,635,000 (2015: £6,061,000). Operating profit was also up at £832,000 (2015: £542,000). Profit before tax was £728,000 (2015: £437,000). This general improvement took place in most markets in which we operate and was fairly evenly spread over most of our product groups.

It is with great sadness that I report that in August our Financial Director, Paul Turner, died after a short illness at the age of 49. He had made a large contribution to the Company during his nine years with us.

I have said before that the job for businesses is to work in the circumstances they are given and not to expect to change them. We equally hope to be interfered with as little as possible as a trade off to this.

The immediate future and long term outlook is going to be affected by the current uncertain situation. Seventy-five per cent of our purchases are being impacted by the devaluation of the Pound against the Dollar and the Euro. Our main purchase of brass is directly hit by both these currencies. Our sterling prices are therefore going to have to rise. It is always difficult to foresee the acceptance of these new prices, particularly since, in the current circumstances, increases of competitors are going to be phased in haphazardly.

Perhaps also, longer term, the health of our business will be very dependent on the prosperity being enjoyed in London and the South East. It is for these reasons that I am extremely cautious in forecasting the results for the second six months of the year. Experience tells us that there can be rapid changes in spending patterns.

The Bank of England decided to lower interest rates after the Brexit vote. This has had an immediate impact on our pension scheme deficit. This now stands at £10,805,000, as against £5,292,000 at the end of September 2015. Since we are allowed only to pay dividends when total assets exceed liabilities, we are prevented from paying a dividend at this time. If the position changes by the year end, we hope to make up for this lack of payment at that time. Meanwhile I find it extremely ironic that this situation has arisen, when the Company is announcing its record operating profit before tax at the interim stage in the forty-five years, in which I have been Chairman. I can only add that increased spending in order to keep the economy moving is unlikely to be carried out by Samuel Heath and Sons shareholders.

Sam Heath
Chairman
16th November 2016

SAMUEL HEATH & SONS PLC UNAUDITED INTERIM FINANCIAL REPORT

For the half year ended 30 September 2016

CONSOLIDATED INCOME STATEMENT

	Half year ended 30 September 2016 Unaudited £'000	Half year ended 30 September 2015 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Continuing operations			
Revenue	6,635	6,061	12,584
Cost of sales	(3,141)	(3,083)	(6,528)
Gross profit	3,494	2,978	6,056
Distribution costs	(1,664)	(1,543)	(3,083)
Administrative expenses	(998)	(893)	(1,817)
Operating profit	832	542	1,156
Finance costs	(104)	(105)	(209)
Profit before taxation	728	437	947
Taxation	(149)	(87)	(178)
Profit for the period	579	350	769
Basic and diluted earnings per ordinary share	22.8p	13.8p	30.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year ended 30 September 2016 Unaudited £'000	Half year ended 30 September 2015 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Profit for the period	579	350	769
Items that will be reclassified to profit or loss:			
Cash flow hedges	15	(48)	(71)
	15	(48)	(71)
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	(4,762)	1,408	411
Deferred tax on actuarial (gain)/loss	738	(255)	(205)
	(4,024)	1,153	206
Total comprehensive income for the period	(3,430)	1,455	904

SAMUEL HEATH & SONS PLC UNAUDITED INTERIM FINANCIAL REPORT

For the half year ended 30 September 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2016	At 30 September 2015	At 31 March 2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Non-current assets			
Intangible assets	99	156	128
Property, plant and equipment	1,848	1,471	1,581
Deferred tax asset	1,836	1,058	1,098
	<u>3,783</u>	<u>2,685</u>	<u>2,807</u>
Current assets			
Inventories	3,537	3,388	3,321
Trade and other receivables	1,978	2,066	2,153
Derivative financial instruments	-	7	-
Cash and cash equivalents	2,268	1,887	2,078
	<u>7,783</u>	<u>7,348</u>	<u>7,552</u>
Total assets	<u>11,566</u>	<u>10,033</u>	<u>10,359</u>
Current liabilities			
Trade and other payables	(1,290)	(1,133)	(1,317)
Derivative financial instruments	-	-	(15)
Current tax payable	(296)	(159)	(147)
	<u>(1,586)</u>	<u>(1,292)</u>	<u>(1,479)</u>
Non-current liabilities			
Retirement benefit scheme	(10,805)	(5,292)	(6,101)
Deferred tax liability	(79)	(58)	(79)
	<u>(10,884)</u>	<u>(5,350)</u>	<u>(6,180)</u>
Total liabilities	<u>(12,470)</u>	<u>(6,642)</u>	<u>(7,659)</u>
Net assets	<u>(904)</u>	<u>3,391</u>	<u>2,700</u>
Equity			
Called up share capital	254	254	254
Capital redemption reserve	109	109	109
Retained earnings	(1,267)	3,028	2,337
Equity shareholders' funds	<u>(904)</u>	<u>3,391</u>	<u>2,700</u>

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For the half year ended 30 September 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2015	254	109	1,731	2,094
Equity dividends paid	-	-	(158)	(158)
Profit for period	-	-	350	350
Other comprehensive income for the period	-	-	1,105	1,105
Total comprehensive income for the period			1,455	1,455
Balance at 30 September 2015	254	109	3,028	3,391
Equity dividends paid	-	-	(140)	(140)
Profit for period	-	-	419	419
Other comprehensive loss for the period	-	-	(970)	(970)
Total comprehensive loss for the period	-	-	(551)	(551)
Balance at 31 March 2016	254	109	2,337	2,700
Equity dividends paid	-	-	(174)	(174)
Profit for period	-	-	579	579
Other comprehensive loss for the period	-	-	(4,009)	(4,009)
Total comprehensive loss for the period	-	-	(3,430)	(3,430)
Balance at 30 September 2016	254	109	(1,267)	(904)

SAMUEL HEATH & SONS PLC UNAUDITED INTERIM FINANCIAL REPORT

For the half year ended 30 September 2016

CONSOLIDATED CASH FLOW STATEMENT

	Half year ended 30 September	Half year ended 30 September	Year ended 31 March
	2016 Unaudited £'000	2015 Unaudited £'000	2016 Audited £'000
Cash flow from operating activities			
Profit for the period before tax	728	437	947
Adjustments for:			
Depreciation	130	161	313
Amortisation	29	28	56
Profit on disposal of property, plant and equipment	(18)	(3)	(7)
Finance income	(5)	(5)	(10)
Defined benefit pension scheme expenses	132	133	255
Contributions to defined benefit pension scheme	(189)	-	(311)
Operating cash flow before movements in working capital	807	751	1,243
Changes in working capital:			
Increase in inventories	(216)	(231)	(164)
(Increase)/decrease in trade and other receivables	134	(63)	(68)
Increase/(decrease) in trade and other payables	13	89	159
Cash generated from operations	738	546	1,170
Taxation paid	-	-	(72)
Net cash from operating activities	738	546	1,098
Cash flow from investing activities			
Payments to acquire property, plant and equipment	(397)	(157)	(390)
Proceeds from the sale of property, plant and equipment	18	3	10
Proceeds from sale of financial assets	-	-	-
Finance income	5	5	10
	(374)	(149)	(370)
Cash flow from financing activities			
Dividends paid	(174)	(158)	(298)
	(174)	(158)	(298)
Net increase/(decrease) in cash and cash equivalents	190	239	430
Cash and cash equivalents at beginning of period	2,078	1,648	1,648
Cash and cash equivalents at end of period	2,268	1,887	2,078

SAMUEL HEATH & SONS PLC UNAUDITED INTERIM FINANCIAL REPORT

For the half year ended 30 September 2016

1. BASIS OF PREPARATION OF INTERIM REPORT

As permitted, IAS34 'Interim Financial Reporting' has not been applied in this interim report. The information for the period ended 30 September 2016 is not audited and does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2016 were given an unqualified audit report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The interim accounts for the half year ended 30 September 2015 were also unaudited.

2. ACCOUNTING POLICIES

Basis of accounting

The report has been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 30 September 2016 as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") at 30 September 2016.

The group has not availed itself of early adoption options in such standards and interpretations.

The financial statements have been prepared under the historical cost basis. The principal accounting policies adopted are as set out in the Annual Report for the year ended 31 March 2016. The valuation of inventories is considered to be the main area in terms of significant accounting estimates and judgements.

The retirement benefit scheme liability recognised in these interim accounts reflects the estimated change in the deficit at 30 September 2016 from the movements in discount rates and inflation during the six months.

3. DIVIDENDS

No interim dividend is proposed (30 September 2015: 5.5 pence per share).

4. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £579,000 (30 September 2015: £350,000) by the average number of ordinary shares in issue during the period being 2,534,322 (2015: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.