

SAMUEL HEATH & SONS plc
("the Company")

INTERIM REPORT

Half year ended 30 September 2019

CHAIRMAN'S STATEMENT

Despite all the political and economic uncertainties in the UK, our six month figures to 30th September showed profit before tax down only a little on the prior period, but ahead of our internal budget, at £363k (2018: £402k) on sales of £6.920m (2018: £6.722m).

Although the UK market is showing up some classic signs of a downturn, we received enough orders, particularly for our newer products, backed up by our export sales, to produce the current result.

I cannot believe that yet again that I have to bring up Brexit as the reason for continued uncertainties, which could affect the next six months quite dramatically. To this must now be added the Election here in UK, as well as others coming up elsewhere in the world. It is very difficult to forecast how all these factors will affect our second half trading.

We are proposing an interim dividend of 5.5p per share (2018: 5.5p), which will be paid on 20 March 2020 to ordinary shareholders registered at the close of business on 21 February 2020.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Sam Heath
Chairman
15 November 2019

For further information, please contact:

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Unaudited Interim Financial Report
For the Half Year ended 30 September 2019

CONSOLIDATED INCOME STATEMENT

	Half year ended 30 September 2019 Unaudited £'000	Half year ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
Revenue	6,920	6,722	13,893
Cost of sales	(3,598)	(3,445)	(7,125)
Gross profit	3,322	3,277	6,768
Selling and distribution costs	(1,776)	(1,855)	(3,474)
Administrative expenses	(1,067)	(937)	(1,915)
Operating profit	479	485	1,379
Net finance income	9	5	13
Net finance cost	(125)	(88)	(211)
Profit before taxation and exceptional items	363	402	1,181
Exceptional item – GMP equalisation	-	-	(299)
Profit before taxation	363	402	882
Taxation	(69)	(90)	(144)
Profit for the period	294	312	738
Basic and diluted earnings per ordinary share	11.6p	12.3p	29.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year ended 30 September 2019 Unaudited £'000	Half year ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
Profit for the period	294	312	738
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	204	29	(933)
Deferred tax on actuarial loss	(34)	(5)	159
	170	24	(774)
Total comprehensive income for the period	464	336	(36)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2019	At 30 September 2018	At 31 March 2019
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Non-current assets			
Intangible assets	74	51	82
Property, plant and equipment	3,519	3,295	3,210
Deferred tax assets	972	818	1,048
	<u>4,565</u>	<u>4,164</u>	<u>4,340</u>
Current assets			
Inventories	3,883	3,956	3,989
Trade and other receivables	2,216	1,942	2,286
Cash and cash equivalents	3,100	2,814	3,153
	<u>9,199</u>	<u>8,712</u>	<u>9,428</u>
Total assets	<u>13,764</u>	<u>12,876</u>	<u>13,768</u>
Current liabilities			
Trade and other payables	(1,665)	(1,427)	(1,789)
Current tax payable	(239)	(231)	(171)
Finance lease liability for right of use assets	(57)	-	-
	<u>(1,961)</u>	<u>(1,658)</u>	<u>(1,960)</u>
Non-current liabilities			
Retirement benefit scheme	(7,050)	(6,318)	(7,420)
Finance lease liability for right of use assets	(75)	-	-
	<u>(7,125)</u>	<u>(6,318)</u>	<u>(7,420)</u>
Total liabilities	<u>(9,086)</u>	<u>(7,976)</u>	<u>(9,380)</u>
Net assets	<u>4,678</u>	<u>4,900</u>	<u>4,388</u>
Equity			
Called up share capital	254	254	254
Capital redemption reserve	109	109	109
Revaluation reserve	1,224	1,324	1,277
Retained earnings	3,091	3,213	2,748
Equity shareholders' funds	<u>4,678</u>	<u>4,900</u>	<u>4,388</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 31 March 2018	254	109	1,357	3,018	4,738
Total transactions with owners					
Equity dividends paid	-	-	-	(174)	(174)
Profit for the period	-	-	-	312	312
Other comprehensive income for the period	-	-	-	24	24
Reclassification of amortisation on revaluation	-	-	(33)	33	-
Total comprehensive income for the period	-	-	(33)	369	336
Balance at 30 September 2019	254	109	1,324	3,213	4,900
Total transactions with owners					
Equity dividends paid	-	-	-	(140)	(140)
Profit for the period	-	-	-	426	426
Other comprehensive income for the period	-	-	-	(798)	(798)
Reclassification of amortisation on revaluation	-	-	(47)	47	-
Total comprehensive income for the period	-	-	(47)	(325)	(372)
Balance at 31 March 2019	254	109	1,277	2,748	4,388
Total transactions with owners					
Equity dividends paid	-	-	-	(174)	(174)
Profit for the period	-	-	-	294	294
Other comprehensive income for the period	-	-	-	170	170
Reclassification of amortisation on revaluation	-	-	(53)	53	-
Total comprehensive income for the period	-	-	(53)	517	464
Balance at 30 September 2019	254	109	1,224	3,091	4,678

CONSOLIDATED CASH FLOW STATEMENT

	Half year ended 30 September 2019 Unaudited £'000	Half year ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
Cash flow from operating activities			
Profit for the period before taxation	363	402	882
Adjustments for:			
Depreciation	192	172	348
Amortisation	8	35	27
Loss/(profit) on disposal of property, plant and equipment	3	(16)	(16)
Net finance cost/(income)	7	(25)	17
Defined benefit pension scheme expenses	137	132	530
Contributions to defined benefit pension scheme	(266)	(258)	(516)
Operating cash flow before movements in working capital	444	442	1,272
Changes in working capital:			
Decrease/(increase) in inventories	106	(26)	(59)
Decrease in trade and other receivables	46	315	6
Increase/(decrease) in trade and other payables	23	(17)	310
Cash generated from operations	619	714	1,529
Taxation paid	-	-	(184)
Net cash from operating activities	619	714	1,345
Cash flow from investing activities			
Payments to acquire property, plant and equipment	(510)	(133)	(239)
Proceeds from the sale of property, plant and equipment	19	16	35
Payments to acquire intangible assets	-	-	(23)
Net finance income	(5)	25	(17)
	(496)	(92)	(244)
Cash flow from financing activities			
Dividends paid	(174)	(174)	(314)
Finance lease interest	(2)	-	-
	(176)	(174)	(314)
Net increase in cash and cash equivalents	(53)	448	787
Cash and cash equivalents at beginning of period	3,153	2,366	2,366
Cash and cash equivalents at end of period	3,100	2,814	3,153

NOTES TO THE INTERIM FINANCIAL REPORT

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 2019 is not audited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2019 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 2018 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 and interpretations issued by the International Financial Reporting Interpretations Committee as adopted by the European Union.

The group has not availed itself of early adoption options in such standards and interpretation. IFRS 16 Leases has been adopted in the period, the effect at the Half Year is to recognise the right of use asset of £133k and the finance lease liability of £132k.

IFRS 16 brings all operating leases onto the statement of financial position. The Group has used the modified retrospective transition approach on adoption of IFRS 16 Leases, where the initial right of use asset values recognised on property leases of £159k are equal to the present value of the future lease payments as at the date of transition (1 April 2019).

The net impact on the consolidated income statement is a decrease in profit before taxation of £1k. Finance costs have increased by £2k with the pre-IFRS 16 rental charge of £29k replaced by a depreciation charge £28k.

The principal accounting policies adopted are as set out in the Annual Report for the year ended 31 March 2019, except for changes due to the adoption of IFRS16. 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 2019 from the movements in discount rates and inflation during the six months.

3. DIVIDENDS

An Interim dividend of 5.5p per share is proposed, payable on 20 March 2020 (paid 22 March 2019: 5.5p).

4. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £294,000 (30 September 2018: £312,000) by the average number of ordinary shares in issue during the period being 2,534,322 (2018: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.