

SAMUEL HEATH & SONS plc
("the Company")

INTERIM REPORT

Half year ended 30 September 2014

CHAIRMAN'S STATEMENT

As I warned at the time of my annual statement, incoming orders were well down on the same period last year. This continued throughout the entire six months period which we are now reporting. Sales were in fact £5,398,000 (2013: £5,526,000). Since all our budgets were based on expected growth, this had the effect of reducing our profit before tax to £96,000 (2013: £326,000).

The reasons for the downturn are a rather unusual and unwelcome mixture of the UK market not recovering at the rate we hoped, some markets suffering sharp economic downturns and others almost cancelled altogether for geopolitical reasons.

As I also warned in my annual statement, the strong pound had a very significant impact on our profitability.

When it comes to forecasting the second half of the year, it would be reckless to be too optimistic. However the pound has devalued and the order book has shown signs of improvement in the short period since the half year end.

We continue to have a strong balance sheet and we propose a same again interim dividend of 5.5p per share (2013: 5.5p per share) payable on 23rd March 2015. However, the board will obviously be looking at the final dividend in the light of the full year's trading.

Sam Heath

Chairman

12th November 2014

For further information, please contact:

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Unaudited Interim Financial Report
For the Half Year ended 30 September 2014

CONSOLIDATED INCOME STATEMENT

	Half year ended 30 September 2014 Unaudited £'000	Half year ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Continuing operations	£'000	£'000	£'000
Revenue	5,398	5,526	10,979
Cost of sales	(2,873)	(2,859)	(5,647)
Gross profit	2,525	2,667	5,332
Distribution costs	(1,521)	(1,523)	(2,958)
Administrative expenses	(830)	(818)	(1,676)
Operating profit	174	326	698
Gain on sale of financial assets	-	58	58
Finance costs	(78)	(58)	(146)
Profit before taxation	96	326	610
Taxation	(19)	(64)	(167)
Profit for the period	77	262	443
Basic and diluted earnings per ordinary share	3.0p	10.3p	17.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year ended 30 September 2014 Unaudited £'000	Half year ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Profit for the period	77	262	443
Items that will be reclassified to profit or loss:			
Loss on available for sale financial assets	-	(115)	(115)
Cash flow hedges	39	37	1
	39	(78)	(114)
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme	(833)	681	294
Deferred tax on actuarial gain(loss)	167	(262)	(187)
	(666)	419	107
Total comprehensive income for the period	(550)	603	436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2014 Unaudited £'000	At 30 September 2013 Unaudited £'000	At 31 March 2014 Audited £'000
Non current assets			
Intangible assets	303	358	326
Property, plant and equipment	1,620	1,820	1,668
Deferred tax asset	941	725	774
	2,864	2,903	2,768
Current assets			
Inventories	3,034	2,724	2,899
Trade and other receivables	1,723	1,728	1,819
Derivative financial instruments	37	35	-
Cash and cash equivalents	1,785	1,853	2,026
	6,579	6,340	6,744
Total assets	9,443	9,243	9,512
Current liabilities			
Trade and other payables	(949)	(898)	(1,164)
Derivative financial instruments	-	-	(2)
Current tax payable	(135)	(90)	(116)
	(1,084)	(988)	(1,282)
Non current liabilities			
Retirement benefits scheme	(4,707)	(3,624)	(3,870)
Deferred tax liability	(110)	(74)	(110)
	(4,817)	(3,698)	(3,980)
Total liabilities	(5,901)	(4,686)	(5,262)
Net assets	3,542	4,557	4,250
Capital and reserves			
Called up share capital	254	254	254
Capital redemption reserve	109	109	109
Retained earnings	3,179	4,194	3,887
Equity shareholders' funds	3,542	4,557	4,250

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 31 March 2013	254	109	3,749	4,112
Equity dividends paid	-	-	(158)	(158)
Profit for period	-	-	262	262
Other comprehensive income for the period	-	-	341	341
Balance at 30 September 2013	254	109	4,194	4,557
Equity dividends paid	-	-	(140)	(140)
Profit for period	-	-	181	181
Other comprehensive income for the period	-	-	(348)	(348)
Balance at 31 March 2014	254	109	3,887	4,250
Equity dividends paid	-	-	(158)	(158)
Profit for period	-	-	77	77
Other comprehensive income for the period	-	-	(627)	(627)
Balance at 30 September 2014	254	109	3,179	3,542

CONSOLIDATED CASH FLOW STATEMENT

	Half year Ended 30 September 2014 Unaudited £'000	Half year Ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Cash flow from operating activities			
Profit for the period before tax	96	326	610
Adjustments for:			
Depreciation	178	187	375
Amortisation	31	18	50
Profit on disposal of property, plant and equipment	(8)	(6)	(13)
Profit on disposal of available for sale financial assets	-	(58)	(58)
Finance income	(5)	(32)	(37)
Finance costs	-	-	1
Increase/(decrease) in post-employment benefit obligations	5	17	(126)
Operating cash flow before movements in working capital	297	452	802
Changes in working capital:			
(Increase)/decrease in inventories	(135)	7	(168)
Decrease/(increase) in trade and other receivables	96	106	75
(Decrease)/increase in trade and other payables	(215)	23	214
Cash generated from operations	43	588	923
Taxation paid	-	-	(15)
Net cash from operating activities	43	588	908
Cash flow from investing activities			
Payments to acquire property, plant and equipment	(173)	(182)	(221)
Proceeds from the sale of property, plant and equipment	50	18	29
Payments to acquire intangible assets	(8)	(5)	(6)
Payments to acquire available for sale financial assets	-	(57)	(57)
Proceeds from the sale of available for sale financial assets	-	1,398	1,400
Finance income	5	32	53
	(126)	1,204	1,198
Cash flow from financing activities			
Interest paid	-	-	(1)
Dividends paid	(158)	(158)	(298)
Net cash outflow from financing	(158)	(158)	(299)
Net (decrease)/increase in cash and cash equivalents	(241)	1,634	1,807
Cash and cash equivalents at beginning of period	2,026	219	219
Cash and cash equivalents at end of period	1,785	1,853	2,026

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 2014 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 2014 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 2013 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 2014 as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") at 30 September 2014.

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 2014. The valuation of inventories is considered to be the main area in terms of significant accounting estimates and judgements.

The retirement benefits scheme liability recognised in these interim accounts reflects the estimated change in the deficit at 30 September 2014 from the movements in discount rates and inflation during the six months.

3 DIVIDENDS

An interim dividend of 5.5 pence per share is proposed (30 September 2013: 5.5 pence per share) and will be payable on 23rd March 2015 with a record date of 27th February 2015.

4 EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £77,000 (30 September 2013: £262,000) by the average number of ordinary shares in issue during the period being 2,534,322 (2013: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.