HEATH (Samuel) & SONS PLC

15th JULY 2015

PRELIMINARY RESULTS FOR THE YEAR ENDED 31ST MARCH 2015

CHAIRMAN'S STATEMENT

After the disappointing first half of the year, it is pleasing to report that, as a result of a very much better second half, profit before taxation for the year was £443,000 (2014: £610,000) on sales of £11,198,000 (2014: £10,979,000).

It is very difficult for us to explain the differences in our market places in the two halves, which caused the increase in sales. It is not difficult to explain the increased profitability, which was to a large extent a result of the drop in the value of the Pound against the Dollar. We had also bought forward Euros to protect our position in those markets, where of course the Pound moved the other way.

These profits would have been considerably larger if we had not decided to write off the Research and Development costs of £135,000 for a further new door closer. In this field we are always in areas of new technology, without any guarantee of a successful outcome, and in these circumstances it is unlikely that we will decide to capitalise any further R&D in this type of area. As well as R&D, we invested £82,000 to improve our IT systems. We also made the decision to further increase our levels of inventory for some component parts. Although this clearly has some effect on cash flow, it is necessary to retain the speed of delivery our customers demand in the modern age.

At the end of the last financial trading period we finally lost one of our larger British retail High Street outlets' business. This had been diminishing for some years and we had been planning for this outcome for some time as well. I believe that I am correct in saying that in the department we supplied, they do not now stock any item made in England. The vast majority of their products come from China and Taiwan. We are hoping to replace half of this turnover, which was generated on the internet, with other more profitable business from existing customers.

What then for the future? The year has started off reasonably well as far as orders are concerned, but with nothing spectacularly above our budget. Our new products, particularly in the tap field, are proving to be the drivers of our advance, but it has to be said that some of our older product ranges in other areas are finding it difficult to make progress. The Board has recently sanctioned the purchase of new plant to facilitate the increase in our hardware offer. In September we are launching another completely new range of taps and bathroom accessories working with another very old company founded in 1750, Royal Crown Derby. The range is in fact to be called the Royal Crown Derby Collection.

Because so many of our traditional markets are finding life very difficult, we are working increasingly hard in the new emerging markets. Unfortunately even in those, as is widely publicised, not everything is easy. The UK is still of course the most important area for us. We sell to the wealthier part of the population and it is important that they feel confident to spend money. The election result would appear to have only helped this position.

Along with just about everyone else, our pension fund valuation continues to worsen. Although the scheme's assets performed better than expected, this was more than offset by falls in bond yields over the year. We are continuing to pay considerable money (this year £400,000) into it.

Despite this our balance sheet remains relatively strong and remains debt free, we therefore propose to pay a same again dividend of 6.25p (2014: 6.25p), making a total of 11.75p for the year (2014: 11.75p).

Sam Heath
Chairman
15th July 2015

For further information:

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £000	2014 £000
Continuing operations			
Revenue	4	**11,198**	10,979
Cost of sales		**(5,873)**	(5,647)
Gross profit		**5,325**	5,332
Distribution costs		**(3,006)**	(2,958)
Administrative expenses		**(1,721)**	(1,676)
Operating profit		**598**	698
Gain on sale of financial assets		**-**	58
Finance income		**430**	433
Finance costs		**(585)**	(579)
Profit before taxation		**443**	610
Taxation	5	**(49)**	(167)
Profit for the year		**394**	443
Basic and diluted earnings per ordinary share	7	**15.5p**	17.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 £000	2014 £000
Profit for year	**394**	443
Items that will be reclassified to profit or loss:		
Loss on available for sales financial assets	**-**	(115)
Cash flow hedges	**58**	1
	58	(114)
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit pension scheme	**(2,888)**	294
Deferred taxation on actuarial loss/(gain)	**578**	(187)
	(2,310)	107
Total comprehensive (loss)/income for the year	**(1,858)**	436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2015

	2015	2014
	£000	£000
Non current assets		
Intangible assets	**184**	326
Property, plant and equipment	**1,475**	1,668
Deferred tax asset	**1,313**	774
	2,972	2,768
Current assets		
Inventories	**3,157**	2,899
Trade and other receivables	**2,085**	1,819
Derivative financial instruments	**56**	-
Cash and cash equivalents	**1,648**	2,026
Total current assets	**6,946**	6,744
Total assets	**9,918**	9,512
Current liabilities		
Trade and other payables	**(1,126)**	(1,164)
Derivative financial instruments	**-**	(2)
Current tax payable	**(72)**	(116)
Total current liabilities	**(1,198)**	(1,282)
Non current liabilities		
Retirement benefit scheme	**(6,568)**	(3,870)
Deferred tax liability	**(58)**	(110)
Total non current liabilities	**(6,626)**	(3,980)
Total liabilities	**(7,824)**	(5,262)
Net assets	**2,094**	4,250
Equity		
Called up share capital	**254**	254
Capital redemption reserve	**109**	109
Retained earnings	**1,731**	3,887
Equity shareholders' funds	**2,094**	4,250

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 31st March 2013	**254**	**109**	**3,749**	**4,112**
Equity dividends paid	-	-	(298)	(298)
Profit for year	-	-	443	443
Other comprehensive loss for the year	-	-	(7)	(7)
Total comprehensive income for year	-	-	436	436
Balance at 31st March 2014	**254**	**109**	**3,887**	**4,250**
Equity dividends paid	-	-	(298)	(298)
Profit for year	-	-	394	394
Other comprehensive loss for the year	-	-	(2,252)	(2,252)
Total comprehensive loss for year	-	-	(1,858)	(1,858)
Balance at 31st March 2015	**254**	**109**	**1,731**	**2,094**

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £000	2014 £000
Cash flow from operating activities			
Profit for the year before tax		**443**	610
Adjustments for:			
Depreciation		**357**	375
Amortisation		**61**	50
Impairment of intangible assets		**135**	-
Profit on disposal of property, plant and equipment		**(8)**	(13)
Profit on disposal of available for sale financial assets		**-**	(58)
Finance income		**(11)**	(37)
Finance costs		**-**	1
Decrease in post-employment benefit obligations		**(190)**	(126)
Operating cash flow before movements in working capital		**787**	802
Changes in working capital:			
Increase in inventories		**(258)**	(168)
(Increase)/decrease in trade and other receivables		**(266)**	75
(Decrease)/increase in trade and other payables		**(39)**	214
Cash generated from operations		**224**	923
Taxation paid		**(106)**	(15)
Net cash flow from operating activities		**118**	908
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(225)**	(221)
Proceeds from the sale of property, plant and equipment		**70**	29
Payments to acquire intangible assets		**(54)**	(6)
Payments to acquire available for sale financial assets		-	(57)
Proceeds from the sale of available for sale financial assets		**-**	1,400
Finance income		**11**	53
		(198)	1,198
Cash flows from financing activities			
Interest paid		**-**	(1)
Dividends paid	6	**(298)**	(298)
		(298)	(299)
Net (decrease)/increase in cash and cash equivalents		**(378)**	1,807
Cash and cash equivalents at beginning of period		**2,026**	219
Cash and cash equivalents at end of period		**1,648**	2,026

1 Adoption of new and revised Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1st April 2014. The adoption of the following IFRSs has not impacted upon the financial statements:

IAS 32 – Financial Instruments – Presentation – Amendment
IAS 36 – Impairment of Assets - Amendment

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 19 – Employee Benefits – Amendment – effective 2016
IFRS 2 – Share Based Payments – effective 2016
IFRS 8 – Operating Segments – effective 2016
IFRS 9 – Financial Instruments – effective 2019
IFRS 15 – Revenue from Contracts with Customers – effective 2018
IAS 1 – Disclosure Initiative – effective 2017
IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – effective 2017
IAS 27 – Equity Method in Separate Financial Statements – effective 2017
IFRS 7 – Financial Instruments: Disclosure – effective 2017
IAS 34 – Interim Financial Reporting – effective 2017

These Standards and Interpretations are not expected to have a significant impact on the Group's financial statements.

2 Accounting policies

Basis of preparation of preliminary financial information

The financial statements, upon which this financial information is based, have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretation as adopted by the European Union and the requirements of the Companies Act applicable to companies reporting under IFRS.

In accordance with Section 435 of the Companies Act 2006, The Group confirms that the financial information for the years ended 31 March 2015 and 2014 are derived from the Group's audited financial statements and that these are not statutory accounts and, as such, do not contain all information required to be disclosed in the financial statements prepared in accordance with IFRS. The statutory accounts for the year ended 31 March 2015 have been audited and approved, but have not yet been filed.

The Group's audited financial statements for the year ended 31 March 2015 received an unqualified audit opinion and the auditor's report contained no statement under section 498(2) or 498(3) of the Companies Act 2006.

The Annual Report and Financial Statements will be posted to shareholders shortly and thereafter will be available from the Company's registered office, and from the Company's website www.samuel-heath.com.

3 Critical accounting and key sources of estimation

Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Income taxes

The Group is subject to income taxes in the United Kingdom. Judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The recoverable amounts of the Group's deferred tax assets have been determined based on the Board's estimates of future taxable profits and income and tax rates.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of intangible assets

Intangible assets are initially valued at their cost and then evaluated periodically for impairment. For purposes of valuation an intangible asset is considered impaired if its carrying value is less than the expected net cash flow from the asset.

Valuation of inventories

Determining the valuation of inventories requires an estimation of the obsolescence provision required to write down items to their realisable value.

Retirement benefit scheme deficit

The valuation of expected returns on assets and the present value of the liabilities of the scheme are determined by assumptions and estimates made by the directors based on the current information to hand. Therefore amounts are open to fluctuations in the future due to unforeseen changes or additional factors that come to light following the year end.

4. Sales revenue by geographically market

	2015	2014
	£000	£000
Overseas	**4,201**	4,246
Home	**6,997**	6,733
	11,198	10,979

5. Income taxes

	2015	2014
	£000	£000
Current taxes	**62**	116
Deferred taxes	**(13)**	51
Total income taxes	**49**	167

Corporation tax is calculated at 20% (2014: 20%) of the estimated assessable profit for the year.

Tax reconciliation

	2015	2014
	£000	£000
Profit for the year	**443**	610
Corporation tax charge thereon at 20% (2014: 20%)	**89**	122
Adjusted for the effects of:		
Marginal relief	**1**	9
Prior year adjustments	**(10)**	69
Research and development claim	**(21)**	(1)
Loan relationships	**-**	(15)
Other adjustments	**(10)**	(17)
Total income taxes	**49**	167
Effective tax rate	**11.1%**	27.4%

6. Dividends

	2015	2014
	£ 000	£ 000
Final dividend for the year ended 31st March 2014 of 6.25 pence per share (2013: 6.25 pence per share)	**158**	158
Interim dividend for the year ended 31st March 2015 of 5.50 pence per share (2014: 5.50 pence per share)	**140**	140
	298	298

In addition to the dividends paid during the year the directors are recommending a final dividend for 2015 of 6.25 pence per share amounting to £158,000. The proposed final dividend is subject to approval at the Annual General Meeting (see note 8) and has not been included as a liability in these accounts.

7. Earnings per share

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £394,000 (2014: £443,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2014: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

8. Notice of annual general meeting

Notice is hereby given that the 2015 Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 14th August 2015 at 12.00 noon. The final Ordinary Share dividend of 6.25 pence, if approved, will be payable on 21st August 2015 to ordinary shareholders registered at close of business on 24th July 2015.