

HEATH (Samuel) & SONS PLC

13th JULY 2016

PRELIMINARY RESULTS FOR THE YEAR ENDED 31ST MARCH 2016

CHAIRMAN'S STATEMENT

It is pleasing to report a very much better year to March 31st, 2016.

The profit before tax was £947,000 (2015: £443,000). It has to be said that this comparison is with a particularly disappointing figure the year before. This applies also to the operating profit of £1,156,000 (2015: £598,000) on revenue of £12,584,000 (2015: £11,198,000).

Our customers insist on shorter delivery times and, as a result of decisions to facilitate these, our inventories increased by £164,000. Nevertheless our cash position improved by £430,000.

Capital expenditure during the year was £422,000 and average numbers of staff increased from 130 to 139.

During the year Mr Martin Legge relinquished the role of Senior Non-executive director and this role has been taken on by Mr Anthony Buttanshaw. Mr Legge remains on the Board.

Quite clearly, our pension fund deficit causes us some concern. It has slightly improved to £6,101,000 (2015: £6,568,000). A further cut in bank rate is the last thing we would want to worsen the position. During the year payments were made of £311,000. In view of the improved profit, this year's payment will be £511,000.

We are recommending an increase of 10% on our final dividend from 6.25p to 6.875p, making an overall increase in the dividend for the year of 5.4%.

Now for the future. If there is one thing that is bad for our type of business it is uncertainty. While I am writing this, there is certainly plenty of that around, both in the U.K., our largest market, and also in many of our other markets in the world. The feedback from our customers tells us that this is already having considerable effect on the level of new business activity that they are experiencing. It takes much longer for us to feel the impact on this decrease than it did when we were conducting most of our business through the retail trade.

On 23rd June the UK voted in a referendum to leave the European Union. All I can say is that during my considerable time with the Company, we have experienced various extremes of government policies and world situations. During these, we have survived and sometimes prospered.

I can only add that for the first three months of the current financial year we have not suffered. The next nine months could see a very different picture.

Sam Heath

Chairman

13th July 2016

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £000	2015 £000
Continuing operations			
Revenue	4	12,584	11,198
Cost of sales		<u>(6,528)</u>	<u>(5,873)</u>
Gross profit		6,056	5,325
Distribution costs		(3,083)	(3,006)
Administrative expenses		(1,817)	(1,721)
Operating profit		<u>1,156</u>	<u>598</u>
Finance income		360	430
Finance costs		(569)	(585)
Profit before taxation		<u>947</u>	<u>443</u>
Taxation	5	(178)	(49)
Profit for the year		<u>769</u>	<u>394</u>
Basic and diluted earnings per ordinary share	7	<u>30.3p</u>	<u>15.5p</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 £000	2015 £000
Profit for year	769	394
Items that will be reclassified to profit or loss:		
Cash flow hedges	(71)	58
	<u>(71)</u>	<u>58</u>
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit pension scheme	411	(2,888)
Deferred taxation on actuarial (gain)/loss	(205)	578
	<u>206</u>	<u>(2,310)</u>
Total comprehensive income/(loss) for the year	<u>904</u>	<u>(1,858)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016

	2016	2015
	£000	£000
Non current assets		
Intangible assets	128	184
Property, plant and equipment	1,581	1,475
Deferred tax asset	1,098	1,313
	<u>2,807</u>	<u>2,972</u>
Current assets		
Inventories	3,321	3,157
Trade and other receivables	2,153	2,085
Derivative financial instruments	-	56
Cash and cash equivalents	2,078	1,648
Total current assets	<u>7,552</u>	<u>6,946</u>
Total assets	<u>10,359</u>	<u>9,918</u>
Current liabilities		
Trade and other payables	(1,317)	(1,126)
Derivative financial instruments	(15)	-
Current tax payable	(147)	(72)
Total current liabilities	<u>(1,479)</u>	<u>(1,198)</u>
Non current liabilities		
Retirement benefit scheme	(6,101)	(6,568)
Deferred tax liability	(79)	(58)
Total non current liabilities	<u>(6,180)</u>	<u>(6,626)</u>
Total liabilities	<u>(7,659)</u>	<u>(7,824)</u>
Net assets	<u>2,700</u>	<u>2,094</u>
Equity		
Called up share capital	254	254
Capital redemption reserve	109	109
Retained earnings	2,337	1,731
Equity shareholders' funds	<u>2,700</u>	<u>2,094</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Share capital £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
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
Equity dividends paid	-	-	(298)	(298)
Profit for year	-	-	769	769
Other comprehensive income for the year	-	-	135	135
Total comprehensive income for year	-	-	904	904
Balance at 31st March 2016	254	109	2,337	2,700

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £000	2015 £000
Cash flow from operating activities			
Profit for the year before tax		947	443
Adjustments for:			
Depreciation		313	357
Amortisation		56	61
Impairment of intangible assets		-	135
Profit on disposal of property, plant and equipment		(7)	(8)
Finance income		(10)	(11)
Defined benefit pension scheme expenses		255	210
Contributions to defined benefit pension scheme		(311)	(400)
Operating cash flow before movements in working capital		1,243	787
Changes in working capital:			
Increase in inventories		(164)	(258)
Increase in trade and other receivables		(68)	(266)
Increase/(decrease) in trade and other payables		159	(39)
Cash generated from operations		1,170	224
Taxation paid		(72)	(106)
Net cash flow from operating activities		1,098	118
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(390)	(225)
Proceeds from the sale of property, plant and equipment		10	70
Payments to acquire intangible assets		-	(54)
Finance income		10	11
		(370)	(198)
Cash flows from financing activities			
Interest paid		-	-
Dividends paid	6	(298)	(298)
		(298)	(298)
Net increase/(decrease) in cash and cash equivalents		430	(378)
Cash and cash equivalents at beginning of period		1,648	2,026
Cash and cash equivalents at end of period		2,078	1,648

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 2015. The adoption of the following IFRSs has not impacted upon the financial statements:

IAS 19 – Employee Benefits – Amendment
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

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, and are not expected to have a material impact on the group:

IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – effective 2017
IAS 27 – Equity Method in Separate Financial Statements – Amendment – effective 2017
IAS 1 – Disclosure Initiative – effective 2017
Annual Improvements to IFRSs 2012-2014 Cycle – effective 2017
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the consolidation exception – effective 2017
IAS 12 – Recognition of Deferred Tax – Amendment – effective 2018
IAS 7 – Disclosure Initiative – effective 2018
IFRS 9 – Financial Instruments – effective 2019
IFRS 15 – Revenue from Contracts with Customers – effective 2019
IFRS 16 – Leases – effective 2020

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 2016 and 2015 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 2016 have been audited and approved, but have not yet been filed.

The Group's audited financial statements for the year ended 31 March 2016 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

	2016	2015
	£000	£000
Overseas	4,882	4,201
Home	7,702	6,997
	12,584	11,198

5. Income taxes

	2016	2015
	£000	£000
Current taxes	147	62
Deferred taxes	31	(13)
Total income taxes	178	49

Corporation tax is calculated at 20% (2015: 20%) of the estimated assessable profit for the year.

Tax reconciliation

	2016	2015
	£000	£000
Profit for the year	947	443
Corporation tax charge thereon at 20% (2015: 20%)	190	89
Adjusted for the effects of:		
Marginal relief	-	1
Prior year adjustments	1	(10)
Research and development claim	(15)	(21)
Other adjustments	2	(10)
Total income taxes	178	49
Effective tax rate	18.8%	11.1%

6. Dividends

	2016	2015
	£ 000	£ 000
Final dividend for the year ended 31st March 2015 of 6.25 pence per share (2014: 6.25 pence per share)	158	158
Interim dividend for the year ended 31st March 2016 of 5.50 pence per share (2015: 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 2016 of 6.875 pence per share amounting to £174,000. 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 £769,000 (2015: £394,000) by the average number of ordinary shares in issue during the year 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.

8. Notice of annual general meeting

Notice is hereby given that the 2016 Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 12th August 2016 at 12.00 noon. The final Ordinary Share dividend of 6.875 pence, if approved, will be payable on 19th August 2016 to ordinary shareholders registered at close of business on 22nd July 2016.