

HEATH (Samuel) & SONS PLC

12th JULY 2017

PRELIMINARY RESULTS FOR THE YEAR ENDED 31ST MARCH 2017

CHAIRMAN'S STATEMENT

It is pleasing to report results which show considerable improvement on last year.

Sales revenue was up to £13.053m (2016: £12.584) and profit before tax was £1.234m (2016: £947k). The operating profit was £1.444m (2016: £1.156m).

During the year, we thought it wise to have a revaluation of our land and buildings as well as our plant and machinery. This valuation showed a surplus of £1.389m (net of deferred tax) which is shown in the accounts.

The figures were helped considerably by the devaluation of sterling, increasing our margins on most of our export business which accounts for 42% of our sales. This was of course offset in part by the increased costs of all our imported raw materials and other purchases, a large percentage of which come from Europe or are priced in American dollars. Nevertheless, it is very pleasing to see a significant increase in performance.

On the personnel front as regard the Board, this year has witnessed much change. I reported on 11 August 2016 the sad death of Paul Turner at the very young age of 49.

As announced on 29 September 2016 Martin Legge decided that he finally had to retire. He has given many years' hard work and his financial advice in particular will be missed. I would like to thank him for all those years.

Our very successful Manufacturing Director, Neil Bosworth, has also decided to take early retirement from the Board and is stepping down with effect from 30 September 2017. He joined us straight from school and has excelled in a variety of positions before he took up his present one in 1996, being invited onto the Board in 2003.

Moving forward, it is a great pleasure to welcome Simon Latham to the Board as Financial Director. He is already contributing considerably.

After a very eventful year we are going into another one which is likely to be just as interesting. Along with a lot of other businesses, the effects at the moment of Brexit are not as feared, although it has to be said that even last year our UK business was marginally down. Our order book is fairly healthy. However, I still believe that there are likely to be some clouds on the horizon. Whether they arrive in this financial year, it is very difficult to forecast.

Meanwhile, the improving asset position allows us to pay the deferred interim dividend of 5.5p which I referred to in the interim report on 16 November 2016, as well as holding the final dividend at 6.875p, the same level as last year.

Sam Heath

Chairman

12th July 2017

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017	2016
		£000	£000
Continuing operations			
Revenue		13,053	12,584
Cost of sales		(6,386)	(6,528)
Gross profit		6,667	6,056
Distribution costs		(3,274)	(3,083)
Administrative expenses		(1,949)	(1,817)
Operating profit		1,444	1,156
Finance income		354	360
Finance costs		(564)	(569)
Profit before taxation		1,234	947
Taxation		(221)	(178)
Profit for the year		1,013	769
Basic and diluted earnings per ordinary share		40.0p	30.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st March 2017

	2017	2016
	£000	£000
Profit for the year	1,013	769
Items that will be reclassified to profit or loss:		
Cash flow hedges	16	(71)
	16	(71)
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit pension scheme	(629)	411
Deferred taxation on actuarial loss/(gain)	46	(205)
Revaluation of property, plant and equipment	1,607	-
Deferred taxation on revaluation of assets	(218)	-
	806	206
Total comprehensive income for the year	1,835	904

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	2017	2016
	£000	£000
Non-current assets		
Intangible assets	79	128
Property, plant and equipment	3,511	1,581
Investments	-	-
Deferred tax asset	793	1,098
	<u>4,383</u>	<u>2,807</u>
Current assets		
Inventories	3,789	3,321
Trade and other receivables	2,169	2,153
Cash and cash equivalents	2,079	2,078
	<u>8,037</u>	<u>7,552</u>
Total assets	<u>12,420</u>	<u>10,359</u>
Current liabilities		
Trade and other payables	(1,400)	(1,317)
Amounts owed to group undertakings	-	-
Derivative financial instruments	-	(15)
Current tax payable	(158)	(147)
	<u>(1,558)</u>	<u>(1,479)</u>
Non-current liabilities		
Retirement benefit scheme	(6,501)	(6,101)
Deferred tax liability	-	(79)
	<u>(6,501)</u>	<u>(6,180)</u>
Total liabilities	<u>(8,059)</u>	<u>(7,659)</u>
Net assets	<u>4,361</u>	<u>2,700</u>
Equity		
Called up share capital	254	254
Capital redemption reserve	109	109
Revaluation reserve	1,389	-
Retained earnings	2,609	2,337
	<u>4,361</u>	<u>2,700</u>
Equity shareholders' funds	<u>4,361</u>	<u>2,700</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Retained Earnings £000	Total Equity £000
Balance at 31st March 2015	254	109	-	1,731	2,094
Equity dividends paid	-	-	-	(298)	(298)
Profit for the year	-	-	-	769	769
Other comprehensive income for the year	-	-	-	135	135
Total comprehensive loss for the year	-	-	-	904	904
Balance at 31st March 2016	254	109	-	2,337	2,700
Equity dividends paid	-	-	-	(174)	(174)
Profit for the year	-	-	-	1,013	1,013
Other comprehensive income for the year	-	-	1,389	(567)	822
Total comprehensive income for the year	-	-	1,389	446	1,835
Balance at 31st March 2017	254	109	1,389	2,609	4,361

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	£000	£000
Cash flow from operating activities		
Profit for the year before tax	1,234	947
Adjustments for:		
Depreciation	272	313
Amortisation	57	56
Profit on disposal of property, plant and equipment	(37)	(7)
Finance income	(7)	(10)
Defined benefit pension scheme expenses	282	255
Contributions to defined benefit pension scheme	(511)	(311)
Dividend Income	-	-
Operating cash flow before movements in working capital	1,290	1,243
Changes in working capital:		
Increase in inventories	(468)	(164)
Increase in trade and other receivables	(16)	(68)
Increase/(decrease) in trade and other payables	117	159
Cash generated from operations	923	1,170
Taxation paid	(155)	(72)
Net cash from operating activities	768	1,098
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(646)	(390)
Proceeds from the sale of property, plant and equipment	53	10
Payments to acquire intangible assets	(8)	-
Finance income	8	10
	-	-
	(593)	(370)
Cash flows from financing activities		
Dividends paid	(174)	(298)
	(174)	(298)
Net increase/(decrease) in cash and cash equivalents	1	430
Cash and cash equivalents at beginning of period	2,078	1,648
Cash and cash equivalents at end of period	2,079	2,078

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 2016. The adoption of the following IFRSs has not impacted upon the financial statements:

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

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 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

IFRIC22 – Foreign Currency Transaction and Advance Consideration – effective 2019

Annual Improvements to IFRSs 2014-2016 Cycle - effective 2019

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 2017 and 2016 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 2017 have been audited and approved, but have not yet been filed.

The Group's audited financial statements for the year ended 31 March 2017 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 geographic market

	2017	2016
	£000	£000
Overseas	5,478	4,882
Home	7,575	7,702
	13,053	12,584

5. Income taxes

	2017	2016
	£000	£000
Current taxes		
Tax on Profit in the Year	158	146
Adjustments in respect of prior periods	8	1
	166	147
Deferred taxes		
Origination and reversal of temporary differences	59	37
Effect of change in tax rates	(4)	(6)
	54	31
Total income taxes	221	178

Corporation tax is calculated at 20% (2016: 20%) of the estimated assessable profit for the year.

Tax reconciliation

	2017	2016
	£000	£000
Profit for the year	1,234	947
Corporation tax charge thereon at 20% (2016: 20%)	247	190
Adjusted for the effects of:		
Prior year adjustments	8	1
Research and development claim	(24)	(15)
Other adjustments	(10)	2
Total income taxes	221	178
Effective tax rate	17.9%	18.8%

6. Dividends

	2017	2016
	£000	£000
Final dividend for the year ended 31st March 2016 of 6.875 pence per share (2016: 6.25 pence per share)	174	158
Interim dividend for the year ended 31st March 2017 of 0.0 pence per share (2016: 5.50 pence per share)	-	140
	174	298

In addition to the dividends paid during the year the directors are recommending a deferred interim dividend of 5.50 pence per share amounting to £140,000 and a final dividend for 2017 of 6.875 pence per share amounting to £174,000. The proposed deferred interim and final dividend are subject to approval at the Annual General Meeting and have 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 £1,013,000 (2016: £769,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2016: 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 2017 Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 11th August 2017 at 12.00 noon. The deferred interim dividend of 5.50 pence and a final dividend of 6.875 pence, if approved, will be payable on 18th August 2017 to ordinary shareholders registered at close of business on 21nd July 2017.

9. Posting of Accounts

The report and accounts are being posted to shareholders today, and are available on the Company's website, at www.samuel-heath.com/investor-relations.