

HEATH (Samuel) & SONS PLC

12th JULY 2018

PRELIMINARY RESULTS FOR THE YEAR ENDED 31ST MARCH 2018

CHAIRMAN'S STATEMENT

It is pleasing to report the results for the year, which although a little bit down on the previous one, were still satisfactory.

Sales revenue was up to £14.354m (2017: £13.053m) although profit before tax was £1.177m (2017: £1.234m). The operating profit was £1.335m (2017: £1.444m). Operating profit has reduced a little, reflecting investment in overseas markets, with a margin of 9.3%, compared to 11.1% last year.

During the year, sterling appreciated after its sharp decline following the Brexit vote, reducing profitability on export sales. At the same time, the business invested in its sales infrastructure, principally to benefit future export sales. These combined to reduce our current margins.

Moving forward to the future and the current financial year, we must be very cautious. Shareholders must be sick of me saying it, but uncertainty is the worst thing for a good business environment. We certainly have plenty of uncertainty at the moment.

In constructing our budget this year, we consulted with some of our larger customers, particularly in the UK, about their own budgets. These varied from cautious to the downright pessimistic. Our own order book is down on what it was last year, which reflects the lack of sizeable contracts, again caused by others fearing to commit. On the other side of the coin we have some first class products including our expanding Landmark range of taps and accessories and the much tested Powermatic door closer. We also have active, if sometime erratic, export markets, which are the result of much thought and hard work over the years.

We are budgeting for a sales and profit figure down on last year, whilst remaining profitable, and at the time of writing are achieving our budgeted levels.

Our current profitability and strength of the Balance Sheet allow us to recommend, in addition to the interim dividend of 5.5p which was paid in March, a final dividend at the same level as last year, at 6.875p, which will be paid on 17th August 2018 to shareholders registered as at 20th July 2018.

Sam Heath
Chairman

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Revenue	3	14,354	13,053
Cost of sales		<u>(7,232)</u>	<u>(6,386)</u>
Gross profit		7,122	6,667
Selling & distribution costs		<u>(3,767)</u>	<u>(3,274)</u>
Administrative expenses		<u>(2,020)</u>	<u>(1,949)</u>
Operating profit		1,335	1,444
Net finance costs		<u>(158)</u>	<u>(210)</u>
Profit before taxation		1,177	1,234
Taxation	4	<u>(197)</u>	<u>(221)</u>
Profit for the year attributable to owners of the parent company		980	1,013
Basic and diluted earnings per ordinary share	6	<u>38.7p</u>	<u>40.0p</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st March 2018

	2018 £000	2017 £000
Profit for the year	980	1,013
Items that will be reclassified to profit or loss:		
Cash flow hedges	-	16
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit pension scheme	(234)	(629)
Deferred taxation on actuarial loss	40	46
Revaluation of property, plant and equipment	-	1,607
Deferred taxation on revaluation of assets	<u>44</u>	<u>(218)</u>
	(150)	806
Total comprehensive income for the year	830	1,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

	2018	2017
	£000	£000
Non-current assets		
Intangible assets	85	79
Property, plant and equipment	3,337	3,511
Deferred tax asset	853	793
	<u>4,276</u>	<u>4,383</u>
Current assets		
Inventories	3,930	3,789
Trade and other receivables	2,287	2,169
Cash and cash equivalents	2,366	2,079
	<u>8,583</u>	<u>8,037</u>
Total assets	<u>12,859</u>	<u>12,420</u>
Current liabilities		
Trade and other payables	(1,474)	(1,400)
Current tax payable	(175)	(158)
	<u>(1,649)</u>	<u>(1,558)</u>
Non-current liabilities		
Retirement benefit scheme	(6,472)	(6,501)
	<u>(6,472)</u>	<u>(6,501)</u>
Total liabilities	<u>(8,121)</u>	<u>(8,059)</u>
Net assets	<u>4,738</u>	<u>4,361</u>
Equity		
Called up share capital	254	254
Capital redemption reserve	109	109
Revaluation reserve	1,357	1,389
Retained earnings	3,018	2,609
	<u>4,738</u>	<u>4,361</u>
Equity shareholders' funds	<u>4,738</u>	<u>4,361</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Retained Earnings £000	Total Equity £000
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 loss for the year	-	-	1,389	446	1,835
Balance at 31st March 2017	254	109	1,389	2,609	4,361
Equity dividends paid	-	-	-	(453)	(453)
Profit for the year	-	-	-	980	980
Reclassification of depreciation on revaluation	-	-	(76)	76	-
Other comprehensive income for the year	-	-	44	(194)	150
Total comprehensive income for the year	-	-	(32)	862	830
Balance at 31st March 2018	254	109	1,357	3,018	4,738

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	£000	£000
Cash flow from operating activities		
Profit for the year before tax	1,177	1,234
Adjustments for:		
Depreciation	365	272
Amortisation	58	57
Profit on disposal of property, plant and equipment	(10)	(37)
Finance income	(30)	(7)
Defined benefit pension scheme expenses	237	282
Contributions to defined benefit pension scheme	(500)	(511)
Operating cash flow before movements in working capital	1,297	1,290
Changes in working capital:		
Increase in inventories	(141)	(468)
Increase in trade and other receivables	(118)	(16)
Increase in trade and other payables	74	117
Cash generated from operations	1,112	923
Taxation paid	(157)	(155)
Net cash from operating activities	955	768
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(222)	(646)
Proceeds from the sale of property, plant and equipment	41	53
Payments to acquire intangible assets	(64)	(8)
Finance income	30	8
	(215)	(593)
Cash flows from financing activities		
Dividends paid	(453)	(174)
	(453)	(174)
Net increase in cash and cash equivalents	287	1
Cash and cash equivalents at beginning of period	2,079	2,078
Cash and cash equivalents at end of period	2,366	2,079

NOTES TO THE PRELIMINARY ANNOUNCEMENT

1. Basis of preparation

The Group has prepared its consolidated financial statements for the year ended 31 March 2018 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The accounting policies applied are consistent with those included in the financial statements of the Group for the year ended 31 March 2017.

The financial information contained in this preliminary announcement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The annual report and financial statements for the year ended 31 March 2018 were approved by the Board of Directors on 11 July 2018 along with this preliminary announcement. The annual report and financial statements will be delivered to the Registrar of Companies after the Annual General Meeting.

The statutory accounts of Samuel Heath & Sons PLC for the year ended 31 March 2017 have been delivered to the Registrar of Companies. The auditor's reports on the statutory accounts for the years ended 31 March 2018 and 31 March 2017 were unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. Critical accounting and key sources of estimation

Critical accounting estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements.

The key accounting judgements and sources of estimation uncertainty with a significant risk of causing a material adjustment to assets and liabilities in the next 12 months include the following:

Pensions – movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in the defined benefit pension scheme.

Valuation of property, plant and equipment – the Group reviews the value, useful economic lives and residual values attributed to assets on an on-going basis to ensure they are appropriate. Changes in market value, economic lives or residual values could impact the carrying value and charges to the income statement in future periods.

Provisions – using information available at the balance sheet date, the Directors make judgements based on experience on the level of provision required against assets, including inventory and trade receivables. Further information received after the balance sheet date may impact the level of provision required.

Deferred tax assets – deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

3. Sales revenue by geographic market

	2018	2017
	£000	£000
Overseas	6,013	5,478
Home	8,341	7,575
	14,354	13,053

4. Income taxes

	2018	2017
	£000	£000
Current taxes		
Current year	175	158
Adjustments in respect of prior periods	(1)	8
	<u>174</u>	<u>166</u>
Deferred taxes		
Origination and reversal of temporary differences	23	59
Effect of change in tax rates	-	(4)
	<u>23</u>	<u>54</u>
Total income taxes	<u>197</u>	<u>221</u>

Corporation tax is calculated at 19% (2017: 20%) of the estimated assessable profit for the year.

Tax reconciliation

	2018	2017
	£000	£000
Profit for the year	<u>1,177</u>	<u>1,234</u>
Corporation tax charge thereon at 19% (2017: 20%)	224	247
Adjusted for the effects of:		
Prior year adjustments	(1)	8
Research and development claim	(22)	(24)
Other adjustments	(4)	(10)
	<u>197</u>	<u>221</u>
Total income taxes	<u>197</u>	<u>221</u>
Effective tax rate	<u>16.7%</u>	<u>17.9%</u>

5. Dividends

	2018	2017
	£000	£000
Final dividend for the year ended 31st March 2017 of 6.875 pence per share (2017: 6.875 pence per share)	174	174
Interim dividend for the year ended 31st March 2017 of 5.50 pence per share (2016: 0.0 pence per share)	139	-
Interim dividend for the year ended 31st March 2018 of 5.50 pence per share (2017: 5.50 pence per share)	139	-
	<u>452</u>	<u>174</u>

In addition to the dividends paid during the year the directors are recommending a final dividend for 2018 of 6.875 pence per share amounting to £174,000. The proposed final dividend is subject to approval at the Annual General Meeting and hence has not been included as a liability in these accounts.

6. Earnings per share

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £980,000 (2017: £1,013,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2017: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

7. Notice of annual general meeting

Notice is hereby given that the 2018 Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 10th August 2018 at 12.00 noon. The final dividend of 6.875 pence, if approved, will be payable on 17th August 2018 to ordinary shareholders registered at close of business on 20th July 2018.

8. 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.