

SAMUEL HEATH & SONS plc  
("the Company")

## UNAUDITED INTERIM REPORT

Half year ended 30 September 2022

### CHAIR'S STATEMENT

As predicted in the year end statement, our trading performance for the six months to 30 September 2022 reflected continuing resilience in the sales line but a tightening of margins compared to the outperformance of last year.

Sales increased 9.5% to £7.56m (2021: £6.9m) but this was largely due to currency movements rather than volume growth. The strength of the dollar compared to sterling has had a materially beneficial effect as a significant proportion of our foreign sales is denominated in dollars.

Profit before tax was £521k compared to £776k in the six months to 30 September 2021. As expected, costs have increased disproportionately since last year for a number of reasons. A proactive decision was taken to restore selling and marketing costs to pre-pandemic levels, particularly by resuming attendance at international trade fairs (which were mostly cancelled during lockdowns), but also in augmenting our sales teams at home and abroad. Another area where costs were increased is product development where more frequent new product launches are targeted.

As might be expected, we have been adversely affected by the general rise in energy and other costs, with our combined electricity and gas cost more than doubling. Avoiding supply chain disruption has also been a key concern and we have had to increase order lead times and build stock levels, so as to minimise delays in production. In addition, the recruitment market is very tight particularly for the skills required on the factory floor; this is a key concern in light of inevitable retirements in our loyal but aging workforce. Credit is therefore due to our operations team for the fact that, despite these problems, customer order lead times have held up well, with, we believe, a number of our competitors suffering much worse on this key measure.

First half performance was commendable in the current economic environment and the executive team are to be congratulated for managing the challenges so well. The order book has held up well to date, but talk of a worldwide recession is likely to affect customer sentiment. Strains on the supply chain and labour market are of increasing concern and energy costs will increase further. We are therefore hesitant to predict a result for the second half of the year.

Our balance sheet remains robust with net assets increasing to £11.1m (2021: £6.1m) and cash and cash equivalents of £3.5m (2021: £4.9m which included the £950k cash received from the Business Interruption Loan (since repaid) referenced in note 6). The significant increase in net assets was due to the reduction of the pension liability from £6.2m to zero, calculated under IAS 19 rules, resulting from higher interest rates and gilt yields (see note 7). Shareholders should note however that the next formal actuarial valuation is not due until 31 March 2025.

**Anthony Buttanshaw**

Chair

17 November 2022

## **Dividend**

The directors recommend the maintenance of the interim dividend at 5.5p per share (2021: 5.5p). The interim dividend will be paid on 24 March 2023 to shareholders on the register at the close of business on 24 February 2023. The ex-dividend date for this payment is 23 February 2023.

### **For further information, please contact:**

#### **Samuel Heath & Sons Plc**

Simon Latham, Company Secretary

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This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

**Unaudited Interim Financial Report**  
For the Half Year ended 30 September 2022

**CONSOLIDATED INCOME STATEMENT**

	Half year ended 30 September 2022 Unaudited £'000	Half year ended 30 September 2021 Unaudited £'000	Year ended 31 March 2022 Audited £'000
<b>Revenue</b>	<b>7,560</b>	6,904	14,015
Cost of sales	(3,938)	(3,510)	(6,975)
<b>Gross profit</b>	<b>3,622</b>	3,394	7,040
Selling and distribution costs	(1,981)	(1,510)	(2,917)
Administrative expenses	(1,031)	(1,051)	(1,986)
Other operating income – grants (note 5)	-	15	15
<b>Operating profit</b>	<b>610</b>	848	2,152
Finance income	-	10	10
Finance cost	(89)	(82)	(132)
<b>Profit/(loss) before taxation</b>	<b>521</b>	776	2,030
Taxation	(33)	(125)	(558)
<b>Profit for the period</b>	<b>488</b>	651	1,472
Basic and diluted earnings per ordinary share (note 4)	<b>19.3p</b>	25.7p	58.1p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Half year ended 30 September 2022 Unaudited £'000	Half year ended 30 September 2021 Unaudited £'000	Year ended 31 March 2022 Audited £'000
<b>Profit for the period</b>	<b>488</b>	651	1,472
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial profit/(loss) on defined benefit pension scheme	4,210	(316)	693
Deferred tax on actuarial loss	(1,052)	60	(173)
Deferred tax rate change		298	381
	<b>3,158</b>	42	901
<b>Total comprehensive income for the period</b>	<b>3,646</b>	693	2,373

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2022	At 30 September 2021	At 31 March 2022
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Non-current assets</b>			
Intangible assets	505	191	442
Property, plant and equipment	3,891	3,345	3,670
Deferred tax assets	-	997	425
	<u>4,396</u>	<u>4,533</u>	<u>4,537</u>
<b>Current assets</b>			
Inventories	4,188	3,718	3,916
Trade and other receivables	2,115	2,113	1,836
Cash and cash equivalents	3,479	4,909	4,410
	<u>9,782</u>	<u>10,740</u>	<u>10,162</u>
<b>Total assets</b>	<u>14,178</u>	<u>15,273</u>	<u>14,699</u>
<b>Current liabilities</b>			
Trade and other payables	(2,017)	(1,862)	(1,982)
Right of use lease liabilities	(60)	(26)	(62)
Borrowings (note 6)	-	(84)	-
Current tax payable	(79)	(101)	(13)
	<u>(2,156)</u>	<u>(2,073)</u>	<u>(2,057)</u>
<b>Non-current liabilities</b>			
Right of use liabilities	(87)	-	(129)
Borrowings (note 6)	-	(866)	-
Deferred tax liability	(806)	-	-
Retirement benefit scheme (note 7)	-	(6,198)	(4,837)
	<u>(893)</u>	<u>(7,064)</u>	<u>(4,966)</u>
<b>Total liabilities</b>	<u>(3,049)</u>	<u>(9,137)</u>	<u>(7,023)</u>
<b>Net assets</b>	<u>11,129</u>	<u>6,136</u>	<u>7,676</u>
<b>Equity</b>			
Called up share capital	254	254	254
Capital redemption reserve	109	109	109
Revaluation reserve	1,145	1,225	1,186
Retained earnings	9,621	4,548	6,127
<b>Equity shareholders' funds</b>	<u>11,129</u>	<u>6,136</u>	<u>7,676</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Parent Company

	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>254</b>	<b>109</b>	<b>1,267</b>	<b>3,987</b>	<b>5,617</b>
Total transactions with owners					
Equity dividends paid	-	-	-	(174)	(174)
Loss for the period	-	-	-	651	651
Other comprehensive income for the period	-	-	-	42	42
Reclassification of depreciation on revaluation	-	-	(42)	42	-
Total comprehensive income for the period	-	-	(42)	735	693
<b>Balance at 30 September 2021</b>	<b>254</b>	<b>109</b>	<b>1,225</b>	<b>4,548</b>	<b>6,136</b>
Total transactions with owners					
Equity dividends paid	-	-	-	(140)	(140)
Profit for the period	-	-	-	821	821
Other comprehensive income for the period	-	-	-	859	859
Reclassification of depreciation on revaluation	-	-	(39)	39	-
Total comprehensive income for the period	-	-	(39)	1,719	1,680
<b>Balance at 31 March 2022</b>	<b>254</b>	<b>109</b>	<b>1,186</b>	<b>6,127</b>	<b>7,676</b>
Total transactions with owners					
Equity dividends paid	-	-	-	(193)	(193)
Profit for the period	-	-	-	488	488
Other comprehensive income for the period	-	-	-	3,158	3,158
Reclassification of depreciation on revaluation	-	-	(41)	41	-
Total comprehensive income for the period	-	-	(41)	3,687	3,646
<b>Balance at 30 September 2022</b>	<b>254</b>	<b>109</b>	<b>1,145</b>	<b>9,621</b>	<b>11,129</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Half year ended 30 September 2022 Unaudited £'000	Half year ended 30 September 2021 Unaudited £'000	Year ended 31 March 2022 Audited £'000
<b>Cash flow from operating activities</b>			
Profit for the period before taxation	521	776	2030
Adjustments for:			
Depreciation	168	150	359
Amortisation	48	24	50
Loss/(profit) on disposal of property, plant and equipment	(1)	10	4
Net finance costs/(income)	-	(10)	(12)
Defined benefit pension scheme expenses	83	106	170
Contributions to defined benefit pension scheme	(533)	(518)	(1,036)
<b>Operating cash flow before movements in working capital</b>	<b>286</b>	<b>538</b>	<b>1,565</b>
Changes in working capital:			
(Increase)/decrease in inventories	(272)	(36)	(234)
(Increase)/decrease in trade and other receivables	(279)	(33)	272
Increase/(decrease) in trade and other payables	57	124	195
<b>Cash generated from operations</b>	<b>(208)</b>	<b>593</b>	<b>1,798</b>
Taxation paid	-	-	-
<b>Net cash from operating activities</b>	<b>(208)</b>	<b>593</b>	<b>1,798</b>
<b>Cash flow from investing activities</b>			
Payments to acquire property, plant and equipment	(390)	(93)	(444)
Proceeds from the sale of property, plant and equipment	1	-	11
Payments to acquire intangible assets	(110)	(29)	(306)
Net finance income/(costs)	-	10	12
<b>Net cash outflow from investing activities</b>	<b>(499)</b>	<b>(112)</b>	<b>(727)</b>
<b>Cash flow from financing activities</b>			
Payment for right of use assets	(31)	(30)	(46)
Proceeds from new loans (note 6)	-	950	950
Loans repaid	-	-	(950)
Dividends paid	(193)	(174)	(314)
<b>Net cash outflow from financing activities</b>	<b>(224)</b>	<b>746</b>	<b>(360)</b>
Net increase in cash and cash equivalents	(931)	1,227	711
Effect of exchange rate differences on cash or cash equivalents	-	-	17
Cash and cash equivalents at beginning of period	4,410	3,682	3,682
Cash and cash equivalents at end of period	3,479	4,909	4,410

## NOTES TO THE INTERIM FINANCIAL REPORT

### 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 2022 is not audited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2022 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 2021 were also unaudited.

### 2. ACCOUNTING POLICIES

#### Basis of accounting

The report has been prepared on a going concern basis in accordance UK-adopted International Accounting Standards.

The group has not availed itself of early adoption options in standards and interpretations.

The principal accounting policies adopted are as set out in the Annual Report for the year ended 31 March 2022. The valuation of inventories is considered to be the main area in terms of significant accounting estimates and judgements.

The retirement benefit scheme liability recognised in these interim accounts reflects the estimated change in the deficit at 30 September 2022 from the movements in discount rates and inflation during the six months.

### 3. DIVIDENDS

A final dividend for the financial year 2022 of 7.5625p per share (2021: 6.875p) was paid during the period.

An Interim dividend for the financial year 2023 of 5.5p per share is proposed (2022: 5.5p), payable on 25 March 2023.

### 4. EARNINGS/(LOSS) PER SHARE

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £488,000 (2021: profit £651,000) by the average number of ordinary shares in issue during the period being 2,534,322 (2021: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

### 5. OTHER OPERATING INCOME – GRANT FUNDING

Income has been received from government grants providing support during the Coronavirus pandemic:

	<b>Half year ended 30 September 2022 Unaudited £'000</b>	<b>Half year ended 30 September 2021 Unaudited £'000</b>	<b>Year ended 31 March 2022 Audited £'000</b>
Job Retention Scheme	-	15	15
<b>Total other operating income</b>	<b>-</b>	<b>15</b>	<b>15</b>

Income has been accounted for under the accruals method.

## NOTES TO THE INTERIM FINANCIAL REPORT

### 6. BORROWINGS

At the end of April 2021, the Company drew down a loan under the Coronavirus Business Interruption Loan Scheme (CBILS), for the value of £950,000, which under the standard terms is interest free for 12 months, with no penalty for early repayment.

This loan was repaid in full in March 2022.

### 7. RETIREMENT BENEFIT SCHEME

The retirement benefit scheme is valued in part using yield rates, as indicated by government bonds. Towards the end of September 2022, the rate of these bonds increased significantly, causing the valuation of the scheme to move from a liability to become an asset.

However, based on a review of the scheme deeds it is not clear whether the Company has an unconditional right to a refund and therefore for the purposes of the interim financial statements the surplus has not been recognised as an asset in accordance with the requirements of IAS 19 and IFRIC 14. In addition, the Directors believe that the gilt yields at 30 September 2022 are not likely to persist and indeed they have subsequently reduced. A future movement (reduction) in bond yields may return the scheme to a deficit position.

At 30 September 2022 the scheme had no exposure to Liability Driven Investments.

#### Note:

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not a guarantee of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.