

SAMUEL HEATH & SONS plc
("the Company")

UNAUDITED INTERIM REPORT

Half year ended 30 September 2021

CHAIR'S STATEMENT

This is my first statement as Chair following the passing of Sam Heath. Sam had an enormous influence on the Company over his working life and we will greatly miss him. He has however left behind a strong board of directors and senior executive team.

Our trading performance for the six months to 30 September 2021 reflected the successful navigation of the Company from the destabilising effects of the global Covid-19 virus and related lockdowns. Profit before tax of £776k was achieved compared to a £224k loss before tax after exceptional items in the Covid impacted period ended 30 September 2020 and a profit of £363k in the pre-Covid period ended 30 September 2019. Sales recovered to £6.9 million (2020: £4.9m and 2019: £6.9m), with performance continuing to improve as the pandemic restrictions eased. The primary driver of improved profitability was a post-Covid 'bounce' in sales and strong order book growth. We were also able to avoid any significant export logistical issues. The increase in sales was achieved while maintaining much of the cost savings implemented during lockdown, thereby improving margins. The UK Government furlough scheme made a very minor contribution. This brought our total half year results to a profit after tax of £651k (2020: loss after tax of £181k).

Looking forward to the second six months of the year, we have entered the period with solid momentum and a healthy order book. However, there is uncertainty regarding how long the Covid bounce will last and whether a Covid resurgence over the winter could cause renewed disruption to sales and operations. So far, we have managed supply disruptions well, raising stock levels where prudent or finding alternative sources. However, there remains the possibility that we will struggle to source some materials, as a result of further import disruption and the knock-on effects of high energy costs and interrupted transport logistics. So, all in all, it is not possible to predict with confidence that the second half will match the first half performance.

In the light of the performance recovery in the first half, we have decided to resume payment of an interim dividend of 5.5p per share (2020: nil), the same level as in 2019, which will be paid on 25 March 2022 to shareholders registered as at 25 February 2022.

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.

Anthony Buttanshaw

Chair

11 November 2021

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Unaudited Interim Financial Report
For the Half Year ended 30 September 2021

CONSOLIDATED INCOME STATEMENT

	Half year ended 30 September 2021 Unaudited £'000	Half year ended 30 September 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Revenue	6,904	4,850	11,539
Cost of sales	(3,510)	(3,062)	(6,568)
Gross profit	3,394	1,788	4,971
Selling and distribution costs	(1,510)	(1,344)	(2,469)
Administrative expenses	(1,052)	(940)	(2,004)
Other operating income – grants (note 6)	16	596	625
Operating profit before exceptional items	848	100	1,123
Exceptional items – GMP equalisation	-	-	(70)
Reorganisation	-	(230)	(252)
Operating profit	848	(130)	801
Finance income	10	14	4
Finance cost	(82)	(108)	(185)
Profit/(loss) before taxation	776	(224)	620
Taxation	(125)	43	(227)
Profit/(loss) for the period	651	(181)	393
Basic and diluted earnings /(loss) per ordinary share (note 4)	25.7p	(7.1p)	15.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year ended 30 September 2021 Unaudited £'000	Half year ended 30 September 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Profit/(loss) for the period	651	(181)	393
Items that will not be reclassified to profit or loss:			
Actuarial (loss) on defined benefit pension scheme	(316)	(1,239)	(542)
Deferred tax on actuarial loss	60	218	103
Deferred tax rate change	298	-	-
	42	(1,021)	(439)
Total comprehensive income for the period	693	(1,202)	(46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2021	At 30 September 2020	At 31 March 2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Non-current assets			
Intangible assets	191	135	186
Property, plant and equipment	3,345	3,541	3,413
Deferred tax assets	997	1,103	741
	<u>4,533</u>	<u>4,779</u>	<u>4,340</u>
Current assets			
Inventories	3,718	3,869	3,682
Trade and other receivables	2,113	1,689	2,108
Current tax receivable	-	-	25
Cash and cash equivalents	4,909	3,424	3,682
	<u>10,740</u>	<u>8,982</u>	<u>9,497</u>
Total assets	<u>15,273</u>	<u>13,761</u>	<u>13,837</u>
Current liabilities			
Trade and other payables	(1,862)	(1,772)	(1,769)
Right of use lease liabilities	(26)	(53)	(55)
Borrowings (note 7)	(84)	-	-
Current tax payable	(101)	(36)	-
	<u>(2,073)</u>	<u>(1,861)</u>	<u>(1,824)</u>
Non-current liabilities			
Right of use lease liabilities	-	(26)	-
Borrowings (note 7)	(866)	-	-
Retirement benefit scheme	(6,198)	(7,413)	(6,396)
	<u>(7,064)</u>	<u>(7,439)</u>	<u>(6,396)</u>
Total liabilities	<u>(9,137)</u>	<u>(9,300)</u>	<u>(8,220)</u>
Net assets	<u>6,136</u>	<u>4,461</u>	<u>5,617</u>
Equity			
Called up share capital	254	254	254
Capital redemption reserve	109	109	109
Revaluation reserve	1,225	1,308	1,267
Retained earnings	4,548	2,790	3,987
Equity shareholders' funds	<u>6,136</u>	<u>4,461</u>	<u>5,617</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
Balance at 31 March 2020	254	109	1,349	3,951	5,663
Total transactions with owners					
Equity dividends paid	-	-	-	-	-
Loss for the period	-	-	-	(181)	(181)
Other comprehensive income for the period	-	-	-	(1,021)	(1,021)
Reclassification of depreciation on revaluation	-	-	(41)	41	-
Total comprehensive income for the period	-	-	(41)	(1,161)	(1,202)
Balance at 30 September 2020	254	109	1,308	2,790	4,461
Total transactions with owners					
Equity dividends paid	-	-	-	-	-
Profit for the period	-	-	-	574	574
Other comprehensive income for the period	-	-	-	582	582
Reclassification of depreciation on revaluation	-	-	(41)	41	-
Total comprehensive income for the period	-	-	(41)	1,197	1,156
Balance at 31 March 2021	254	109	1,267	3,987	5,617
Total transactions with owners					
Equity dividends paid	-	-	-	(174)	(174)
Profit 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
Balance at 30 September 2021	254	109	1,225	4,548	6,136

CONSOLIDATED CASH FLOW STATEMENT

	Half year ended 30 September 2021 Unaudited £'000	Half year ended 30 September 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Cash flow from operating activities			
Profit/(loss) for the period before taxation	776	(224)	620
Adjustments for:			
Depreciation	150	155	370
Amortisation	24	16	45
Loss/(profit) on disposal of property, plant and equipment	10	-	(41)
Net finance costs/(income)	(10)	(14)	21
Defined benefit pension scheme expenses	106	98	280
Contributions to defined benefit pension scheme	(518)	(500)	(1,000)
Operating cash flow before movements in working capital	538	(469)	295
Changes in working capital:			
(Increase)/decrease in inventories	(36)	361	548
(Increase)/decrease in trade and other receivables	(33)	658	262
Increase/(decrease) in trade and other payables	124	(65)	(65)
Cash generated from operations	593	485	1,040
Taxation paid	-	-	(109)
Net cash from operating activities	593	485	931
Cash flow from investing activities			
Payments to acquire property, plant and equipment	(93)	(61)	(169)
Proceeds from the sale of property, plant and equipment	-	-	63
Payments to acquire intangible assets	(29)	-	(79)
Net finance income/(costs)	10	14	(21)
Net cash outflow from investing activities	(112)	(47)	(206)
Cash flow from financing activities			
Payment for right of use assets	(30)	(30)	(59)
Proceeds from new loans (note 7)	950	-	-
Dividends paid	(174)	-	-
Net cash outflow from financing activities	746	(30)	(59)
Net increase in cash and cash equivalents	1,227	408	666
Cash and cash equivalents at beginning of period	3,682	3,016	3,016
Cash and cash equivalents at end of period	4,909	3,424	3,682

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 2021 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 2021 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 2020 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 2021. 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 2021 from the movements in discount rates and inflation during the six months.

3. DIVIDENDS

A final dividend for the financial year 2021 of 6.875p per share (2020: 0.0p) was paid during the period. An Interim dividend for the financial year 2022 of 5.5p per share is proposed (2021: 0.0p), payable on 25 March 2022.

4. EARNINGS/(LOSS) PER SHARE

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £651,000 (2020: loss £181,000) by the average number of ordinary shares in issue during the period being 2,534,322 (2020: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

5. EXCEPTIONAL ITEMS

In November 2020, there was a further High Court ruling in relation to guaranteed minimum pension benefits. The latest ruling states that trustees of defined benefit schemes that provided guaranteed minimum payments should revisit, and where necessary, top-up historic cash equivalent transfer values that were calculated on an unequalised basis if an affected member makes a successful claim. The impact of the ruling implies that pension scheme trustees are responsible for equalising the guaranteed minimum payments for members who transferred out of its defined benefit pension scheme. This has resulted in an increase in the liabilities of the scheme of £70,000 for the year ended 31 March 2021 (half years ended 30 September 2020 and 30 September 2021: £nil), which was recognised in the results as a past service cost in exceptional items.

Included within exceptional costs are the costs of restructuring the business to size itself better in the year ended 31 March 2021. Costs for exceptional redundancy in the half year ended 30 September 2021 were £nil (year ended 31 March 2021: £252,000; half year ended 30 September 2020: £230,000).

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

6. OTHER OPERATING INCOME – GRANT FUNDING

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

	Half year ended 30 September 2021 Unaudited £'000	Half year ended 30 September 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Job Retention Scheme	16	571	600
Borough of Hammersmith & Fulham	-	25	25
Total other operating income	16	596	625

Income has been accounted for under the accruals method.

7. 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.

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.