

SAMUEL HEATH & SONS plc  
("the Company")

## UNAUDITED INTERIM REPORT

Half year ended 30 September 2023

### CHAIR'S STATEMENT

The weakness in sales experienced at the beginning of the first half was offset by some recovery at the end of the half, so that the six months sales of £7.78m represented a 3% increase over the six months to 30 September 2022. However, this was only made possible by an improvement in production efficiency restoring output to the previous year's levels and so 'catching up' the historical order book. The order book is now unfortunately much weaker than the prior year, as mentioned later in this statement.

Operating profit was £441k compared to £610k in the six months to 30 September 2022, a reduction of £169k. The main cost increases driving this reduction were a 37% increase in energy and utility costs, additional spending on tooling, and payroll growth (rate increases and recruiting to fill vacant skilled labour vacancies).

Cash and cash equivalents at 30 September 2023 reduced to £1.473m, £1.244m lower than at 31 March 2023. As indicated in previous statements, necessary investment in production equipment is partly responsible for the net cash outflows, but there was also an increase in trade receivables and inventories. Cash outflows also included £300k interim contribution to the pension fund and £192k in payment of dividends.

The balance sheet nevertheless remains strong with net assets of £11.4m (March 2023: £11.2m). The retirement benefit scheme deficit has reduced to £195k from £537k at 31 March 2023, calculated under IAS 19 rules. As reported in the previous financial statements, the scheme actuarial valuation at 31 March 2023 recorded a deficit of £1.030m.

Addressing the second half, I have to report that trading conditions have worsened materially and since June the order book has been running consistently below management budget. The current level of the order book reduces flexibility to plan efficient production. We have taken soundings from our UK and EU marketplace and there is no expectation that things will improve during this calendar year. Orders and projects remain out there but, in some cases, have been put on hold in the current uncertain economic environment. The only area of continuing confidence appears to be the USA, but there is no guarantee that this will continue.

These reductions in the order book will have a disproportionately adverse effect on sales, margins and profits. Therefore, action has now been taken to reduce costs and improve efficiency, including 10 redundancies (7% of workforce).

Customer enthusiasm for our new 'Forme' range remains strong, but delays in receiving regulatory approval in overseas markets are proving frustrating, both for us and our customers. In any event, it is probable that the second half will record a loss after redundancy costs, unless there is some improvement in sales and the markets. The directors are hopeful of remaining in the black for the year as a whole and that sales will recover early in the new calendar year.

**Anthony Buttanshaw**

Chair

20 November 2023

## Dividend

As a result of the deteriorating trading conditions, the directors recommend a reduction in the interim dividend to 4.5p per share (2022: 5.5p). The interim dividend will be paid on 22 March 2024 to shareholders on the register at the close of business on 23 February 2024. The ex-dividend date for this payment is 22 February 2024.

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.

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

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**Unaudited Interim Financial Report**  
For the Half Year ended 30 September 2023

**CONSOLIDATED INCOME STATEMENT**

	<b>Half year ended 30 September 2023 Unaudited £'000</b>	Half year ended 30 September 2022 Unaudited £'000	Year ended 31 March 2023 Audited £'000
<b>Revenue</b>	<b>7,784</b>	7,560	14,717
Cost of sales	<b>(4,298)</b>	(3,938)	(7,950)
<b>Gross profit</b>	<b>3,486</b>	3,622	6,767
Selling and distribution costs	<b>(1,956)</b>	(1,981)	(3,556)
Administrative expenses	<b>(1,089)</b>	(1,031)	(2,097)
Other operating income – grants (note 5)	-	-	53
<b>Operating profit</b>	<b>441</b>	610	1,167
Finance income	-	-	34
Finance cost	<b>(8)</b>	(89)	(133)
<b>Profit/(loss) before taxation</b>	<b>433</b>	521	1,068
Taxation	<b>(22)</b>	(33)	(137)
Profit for the period	<b>411</b>	488	931
Basic and diluted earnings per ordinary share (note 4)	<b>16.2p</b>	19.3p	36.7p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Half year ended 30 September 2023 Unaudited £'000</b>	Half year ended 30 September 2022 Unaudited £'000	Year ended 31 March 2023 Audited £'000
Profit for the period	<b>411</b>	488	931
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial profit on defined benefit pension scheme	<b>45</b>	4,210	3,588
Deferred tax on actuarial profit	<b>(11)</b>	(1,052)	(891)
Revaluation of property, plant and equipment	-	-	293
Deferred tax on revaluation	-	-	(73)
	<b>34</b>	3,158	2,917
<b>Total comprehensive income for the period</b>	<b>445</b>	3,646	3,848

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2023	At 30 September 2022	At 31 March 2023
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Non-current assets</b>			
Intangible assets	723	505	691
Property, plant and equipment	4,951	3,891	4,754
Deferred tax assets	-	-	-
	<u>5,674</u>	<u>4,396</u>	<u>5,445</u>
<b>Current assets</b>			
Inventories	4,690	4,188	4,387
Trade and other receivables	2,448	2,115	1,629
Current tax receivable	-	-	37
Cash and cash equivalents	1,473	3,479	2,717
	<u>8,611</u>	<u>9,782</u>	<u>8,770</u>
<b>Total assets</b>	<u>14,285</u>	<u>14,178</u>	<u>14,215</u>
<b>Current liabilities</b>			
Trade and other payables	(1,718)	(2,017)	(1,644)
Right of use lease liabilities	(62)	(60)	(62)
Borrowings (note 6)	-	-	-
Current tax payable	(22)	(79)	-
	<u>(1,802)</u>	<u>(2,156)</u>	<u>(1,706)</u>
<b>Non-current liabilities</b>			
Right of use liabilities	(24)	(87)	(56)
Deferred tax liability	(818)	(806)	(723)
Retirement benefit scheme (note 6)	(195)	-	(537)
	<u>(1,037)</u>	<u>(893)</u>	<u>(1,316)</u>
<b>Total liabilities</b>	<u>(2,839)</u>	<u>(3,049)</u>	<u>(3,022)</u>
<b>Net assets</b>	<u>11,446</u>	<u>11,129</u>	<u>11,193</u>
<b>Equity</b>			
Called up share capital	254	254	254
Capital redemption reserve	109	109	109
Revaluation reserve	1,183	1,145	1,220
Retained earnings	9,900	9,621	9,610
<b>Equity shareholders' funds</b>	<u>11,446</u>	<u>11,129</u>	<u>11,193</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 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>
Total transactions with owners					
Equity dividends paid	-	-	-	(138)	(1438)
Profit for the period	-	-	-	443	443
Other comprehensive income for the period	-	-	115	(356)	(241)
Reclassification of depreciation on revaluation	-	-	(40)	40	-
Total comprehensive income for the period	-	-	75	127	202
<b>Balance at 31 March 2023</b>	<b>254</b>	<b>109</b>	<b>1,220</b>	<b>9,610</b>	<b>11,193</b>
Total transactions with owners					
Equity dividends paid	-	-	-	(192)	(192)
Profit for the period	-	-	-	411	411
Other comprehensive income for the period	-	-	-	34	34
Reclassification of depreciation on revaluation	-	-	(37)	37	-
Total comprehensive income for the period	-	-	(37)	482	445
<b>Balance at 30 September 2023</b>	<b>254</b>	<b>109</b>	<b>1,183</b>	<b>9,900</b>	<b>11,446</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Half year ended 30 September 2023 Unaudited £'000	Half year ended 30 September 2022 Unaudited £'000	Year ended 31 March 2023 Audited £'000
<b>Cash flow from operating activities</b>			
Profit for the period before taxation	433	521	1,068
Adjustments for:			
Depreciation	238	168	401
Amortisation	63	48	107
Loss/(profit) on disposal of property, plant and equipment	-	(1)	41
Net finance costs/(income)	(57)	-	(34)
Defined benefit pension scheme expenses	83	83	166
Contributions to defined benefit pension scheme	(300)	(533)	(877)
<b>Operating cash flow before movements in working capital</b>	<b>460</b>	<b>286</b>	<b>872</b>
Changes in working capital:			
(Increase)/decrease in inventories	(303)	(272)	(471)
(Increase)/decrease in trade and other receivables	(819)	(279)	170
Increase/(decrease) in trade and other payables	83	57	(338)
<b>Cash (used in) / generated from operations</b>	<b>(1,039)</b>	<b>(208)</b>	<b>233</b>
Taxation paid	-	-	-
<b>Net cash (used in) / from operating activities</b>	<b>(1,039)</b>	<b>(208)</b>	<b>233</b>
<b>Cash flow from investing activities</b>			
Payments to acquire property, plant and equipment	(402)	(390)	(1,167)
Proceeds from the sale of property, plant and equipment	-	1	41
Payments to acquire intangible assets	(95)	(110)	(357)
Net finance income/(costs)	57	-	34
<b>Net cash outflow from investing activities</b>	<b>(440)</b>	<b>(499)</b>	<b>(1,449)</b>
<b>Cash flow from financing activities</b>			
Payment for right of use assets	(33)	(31)	(58)
Dividends paid	(192)	(193)	(331)
<b>Net cash outflow from financing activities</b>	<b>(225)</b>	<b>(224)</b>	<b>(389)</b>
Net decrease in cash and cash equivalents	(1,244)	(931)	(1,605)
Effect of exchange rate differences on cash or cash equivalents	-	-	(88)
Cash and cash equivalents at beginning of period	2,717	4,410	4,410
Cash and cash equivalents at end of period	1,473	3,479	2,717

## 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 2023 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 2023 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 2022 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 2023. 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 2023 from the movements in discount rates and inflation during the six months.

### 3. DIVIDENDS

A final dividend for the financial year 2023 of 7.5625p per share (2022: 7.5625p) was paid during the period.

An Interim dividend for the financial year 2024 of 4.5p per share is proposed (2023: 5.5p), payable on 22 March 2024.

### 4. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £411,000 (2022: profit £488,000) by the average number of ordinary shares in issue during the period being 2,534,322 (2022: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

### 5. OTHER OPERATING INCOME

Income was received for the financial year 2023 by recognition of the fair value in foreign currency contracts held at 31 March 2023, but to be exercised during financial year ended 31 March 2024. There are no contracts currently held which would be exercised post 31 March 2024.

	Half year ended 30 September 2023 Unaudited £'000	Half year ended 30 September 2022 Unaudited £'000	Year ended 31 March 2023 Audited £'000
Fair value gain on foreign currency	-	-	53
<b>Total other operating income</b>	<b>-</b>	<b>-</b>	<b>53</b>

Income has been accounted for under the accruals method.

## NOTES TO THE INTERIM FINANCIAL REPORT

### 6. 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. Yields have dropped since, returning the scheme to a deficit position.

The improvement in a reduced deficit at 30 September 2023 (£195,000) compared to 31 March 2023 (£537,000) is largely a result of reduced forward inflation estimates.

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.