

SANDAL PLC (“SANDAL” or “THE COMPANY”)
FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2018
11 OCTOBER 2018

The Board of Sandal Plc, the designer, developer and manufacturer of electronic products, announces its full year results for the year to 31 May 2018.

Highlights

- Energenie MiHome sales increased by 71% to £1,014,649
- Gross margin increased to 40.6% (2017: 37.0%)
- Energenie MiHome completed its range of lighting products as well as launching its thermostat and a unique click universal switch controller
- Average number of devices attached to each Energenie MiHome Gateway Hub at the year end of 4.33 (2017: 3.67)
- Energenie MiHome completed integration with Google Assistant
- Pitacs (a leading distributor to the independent plumbing merchant market) was appointed as an Energenie MiHome distributor.

Alan Tadd, CEO commented: “The smart home sector is rapidly moving beyond the “early adopter” phase and into the mainstream, driven substantially by the Google and Amazon platforms. We believe that the enlarged Energenie MiHome product range allows Sandal to take advantage of this market growth potential through our existing B2C distribution channels and the new B2B channels which we are continuing to grow in the current financial year.”

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Fair Review of the business

Energenie MiHome achieved turnover growth of 71% taking this division past £1m annual turnover for the first time and positioning it to become the future core of Sandal. Since the year end there has been continued growth in the number of gateways and devices attached against the same period last year, in what is traditionally a quiet period.

The Energenie MiHome range continued to achieve new listings in retail with Target Components, Wickes, Grahams Plumbers Merchants and Robert Dyas amongst these. The Company maintained its investment in

marketing of Energenie MiHome continuing its focus on the installer/wholesaler in readiness of the launch of its installation service in the current financial year.

The Energenie MiHome product range was enhanced by the launch of its two gang and dimmer light switches, thermostat and unique clicker switch. This now gives a complete product range suitable for the installation market which is well positioned to take advantage of the growth as the market moves from a DIY early adopter market to the “done for me” market. The network of stockists in the electrical wholesale and plumber’s merchant markets is being extended to make Energenie MiHome products readily available to installers. The appointment of Pitacs to distribute to the independent plumbers merchants is an important part of increasing distribution and further distributors for these channels are actively being sought so that the stockist network can be expanded as quickly as possible. Since the year end the Company has set up its fixed price installation service which will be managed by Icon Heating Solutions Limited using a network of registered installers.

During the year there has been a 144% increase in the number of Energenie MiHome Gateway Hubs in the market whilst the number of devices attached to these Gateway Hubs has grown by nearly 194%. At the year end this stood at 4.33 devices per system up from 3.67 in May 2017. This continues to demonstrate that consumers are adding devices to their Hub after their initial purchase and reinforces the strategy of selling entry level bundles as an initial route to market. The Directors are confident that there is significant sales potential from both new and existing customers particularly as the market moves from an early adopter stage to a “done for me” installer market.

The Directors see the continual integration with market leading voice systems like Amazon and Google as a major driver to the growth of the market so development with these partners is a key part of the strategy and Sandal has been invited by both companies to development conferences.

There was a small decrease in turnover of 3.3% in the year mainly as a result of the sales decrease in the PowerConnections division against the previous year’s abnormally high divisional turnover. The Company reduced its operating loss to £84,181 (2017 £108,692) despite the slightly reduced turnover and an exceptional stock impairment charge of £72,219. These negative aspects were offset by increase in gross margin to 40.6% (2017 37.0%). There was a less than 1% increase in administration overheads which included £232,072 (2017 £218,408) of general marketing activities, non-capitalised development costs of £20,584 (2017 £15,585) and depreciation and amortisation costs of £188,434 (2017 £92,111).

Development expenditure continued to focus on new products, technology and integrations with major platforms like Amazon and Google whose voice assistant products are growing the market for smart home. The heating range is being developed to meet the new Boiler Plus regulations for the coming heating season whilst a focus on reducing unit costs is aimed at attracting a greater share of the increasing Smart Home market.

Strategy and Future Developments

The Company’s strategy is to continue to grow Energenie MiHome into what is an expanding smart home space. This will be with new and existing products both into the UK and whilst also looking to expand into Europe using the distribution network of Exertis, Energenie MiHome’s distribution partner.

Product development focus will be on selected new products to broaden the Energenie MiHome range creating greater use with Amazon and Google products both in the UK and abroad. In addition, the launch of a monthly subscription service which is expected to generate a recurring revenue stream is being actively explored. The Company will also pursue other strategic partnerships in addition to those already in trial stages with Howz /EDF and Samsung.

This strategy is likely to require additional capital to enable the Energenie MiHome brand to reach what the Directors believe is its full potential in this market sector. Accordingly the Board will continue to review available options for raising both equity and debt to enable its execution.

Principle Risks and Uncertainties

Risks

Competitive Risks

The Company operates in a competitive market with changing technologies. The Directors are always reviewing our product and technology offering in our development programme. The Integration with major systems providers is seen as a counter balance to this risk.

Exchange Rate Risks

The Company seeks to internal hedge this risk by buying and selling in US Dollars wherever possible.

Profit and Loss Account

For the year ended 31 May 2018

	2018 £	2017 £
Turnover	3,620,565	3,745,780
Cost of sales	(2,149,221)	(2,360,757)
Gross profit	<u>1,471,344</u>	<u>1,385,023</u>
Administrative expenses	(1,502,257)	(1,493,715)
Other operating income	18,951	-
Profit/(loss) on disposal of operations	(72,219)	-
Operating loss	<u>(84,181)</u>	<u>(108,692)</u>
Interest receivable and similar income	41	133
Interest payable and similar expenses	(58,593)	(26,662)
Loss before taxation	<u>(142,733)</u>	<u>(135,221)</u>
Tax on loss	29,539	143,059
(Loss)/profit for the financial year	<u>(113,194)</u>	<u>7,838</u>

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

Statement of Comprehensive Income

For the year ended 31 May 2018

	2018 £	2017 £
(Loss)/profit for the year	(113,194)	7,838
Other comprehensive income		
Revaluation of tangible fixed assets	202,255	-
Total comprehensive income for the year	<u>89,061</u>	<u>7,838</u>

Balance Sheet

As at 31 May 2018

		2018		2017
	£	£	£	£
Fixed assets				
Goodwill		7,500		10,500
Other intangible assets		571,857		194,593
		<hr/>		<hr/>
Total intangible assets		579,357		205,093
Tangible assets		357,870		195,406
Investments		101		101
		<hr/>		<hr/>
		937,328		400,600
Current assets				
Stocks	768,752		915,367	
Debtors - deferred tax	9,259		23,357	
Debtors - other	750,901		932,148	
Cash at bank and in hand	50,761		162,442	
		<hr/>		<hr/>
	1,579,673		2,033,314	
Creditors: amounts falling due within one year	(1,045,429)		(1,272,716)	
		<hr/>		<hr/>
Net current assets		534,244		760,598
		<hr/>		<hr/>
Total assets less current liabilities		1,471,572		1,161,198
Creditors: amounts falling due after more than one year		(579,683)		(139,566)
Provisions for liabilities		(59,693)		(27,246)
		<hr/>		<hr/>
Net assets		832,196		994,386
		<hr/>		<hr/>
Capital and reserves				
Called up share capital		312,737		329,978
Share premium account		161,609		162,860
Revaluation reserve		202,255		-
Capital redemption reserve		17,241		-
Profit and loss reserves		138,354		501,548
		<hr/>		<hr/>
Total equity		832,196		994,386
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The financial statements were approved by the board of directors and authorised for issue on 10 October 2018 and are signed on its behalf by:

Mr A J Tadd
Director

Statement of Changes in Equity

For the year ended 31 May 2018

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£	£	£
Balance at 1 June 2016	324,660	121,938	-	-	493,710	940,308
Year ended 31 May 2017:						
Profit and total comprehensive income for the year	-	-	-	-	7,838	7,838
Issue of share capital	5,318	40,922	-	-	-	46,240
Balance at 31 May 2017	<u>329,978</u>	<u>162,860</u>	<u>-</u>	<u>-</u>	<u>501,548</u>	<u>994,386</u>
Year ended 31 May 2018:						
Loss for the year	-	-	-	-	(113,194)	(113,194)
Other comprehensive income:						
Revaluation of tangible fixed assets	-	-	202,255	-	-	202,255
Total comprehensive income for the year	-	-	202,255	-	(113,194)	89,061
Own shares acquired	-	-	-	-	(250,000)	(250,000)
Redemption of shares	(17,241)	-	-	17,241	-	-
Other	-	(1,251)	-	-	-	(1,251)
Balance at 31 May 2018	<u>312,737</u>	<u>161,609</u>	<u>202,255</u>	<u>17,241</u>	<u>138,354</u>	<u>832,196</u>

Statement of Cash Flows

For the year ended 31 May 2018

	£	2018 £	£	2017 £
Cash flows from operating activities				
Cash generated from/(absorbed by) operations		294,061		(192,657)
Interest paid		(58,593)		(26,662)
Income taxes refunded		107,116		178,719
		<hr/>		<hr/>
Net cash inflow/(outflow) from operating activities		342,584		(40,600)
Investing activities				
Purchase of intangible assets	(504,361)		(128,630)	
Purchase of tangible fixed assets	(18,548)		(49,669)	
Proceeds from other investments and loans	(71)		1,012	
Interest received	41		133	
		<hr/>		<hr/>
Net cash used in investing activities		(522,939)		(177,154)
Financing activities				
Proceeds from issue of shares	-		46,241	
Redemption of shares	(1,250)		-	
Purchase of company shares	(250,000)		-	
Repayment of borrowings	3,136		-	
Proceeds of new loans	500,000		-	
Repayment of loans	(83,930)		(76,949)	
Payment of finance leases obligations	(11,700)		(19,881)	
		<hr/>		<hr/>
Net cash generated from/(used in) financing activities		156,256		(50,589)
		<hr/>		<hr/>
Net decrease in cash and cash equivalents		(24,099)		(268,343)
Cash and cash equivalents at beginning of year		74,860		343,203
		<hr/>		<hr/>
Cash and cash equivalents at end of year		50,761		74,860
		<hr/> <hr/>		<hr/> <hr/>
Relating to:				
Cash at bank and in hand		50,761		162,442
Bank overdrafts included in creditors payable within one year		-		(87,582)
		<hr/>		<hr/>

Notes

1. Basis of Preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound (£).

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2016 but is derived from those accounts which contained an unqualified audit report.

2. Earnings per share

	2018	2017
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	15,636,833	16,498,901
- Weighted average number outstanding share options	2,050,635	1,950,635
Weighted average number of ordinary shares for diluted earnings per share	17,687,468	18,449,536

3. Availability of Report and Accounts

Copies of the Annual Report and Accounts will be available on the Company's website.

Notes to editors:

Sandal plc commenced business in 1996 and joined NEX in March 2015. The Company designs, develops and manufactures consumer electronics products. Its business is divided into two distinct product groups, PowerConnections, a long established wholesaler and reseller of a successful and patented range of converter plugs and power cables, and Energenie, which sells a newer product range that includes energy saving products, portable charging devices and the new Energenie MiHome range of products aimed at the "Home Automation" and "Internet of Things" marketplace.

The range of Energenie MiHome home automation products makes the remote operation of everyday household appliances and energy monitoring more accessible through integration with smartphone and tablet connectivity. The Energenie MiHome range is also integrated with the major players in the home automation market including Google Nest and Amazon Echo. Energenie MiHome products are available through a number of mainstream retailers including Amazon, Argos and Sainsbury's. In addition Energenie also offers Eco and electrical, travel and energy saving products for homes and offices, reducing energy usage and the Home Automation sector. It has store listings for its current products with several large retailers including Homebase, Maplin, Amazon, Screwfix, Toolstation and ASDA.

PowerConnections is a supplier to customers, in the UK and abroad, of single-phase electrical connection products. The products are manufactured in three partner factories in the Far East and have distributors worldwide for its range of patented converter plugs. The Company's product portfolio consists of International Power Leads, Rewireable Plugs, Converters and Connectors. These products are stocked in the Far East, Australia and UK.