

# **SAMUEL HEATH AND SONS PUBLIC LIMITED COMPANY**

Report and Accounts

**for the year ended 31st March 2019**

## **SAMUEL HEATH**

Company Registration Number: 00031942

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**DIRECTORS AND OFFICERS**

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**Directors:**

Samuel B. Heath\*  
*(Chairman)*  
Anthony R. Buttanshaw \* +  
*(Non-executive Deputy Chairman)*  
David J. Pick  
*(Managing Director)*  
Martyn P. Whieldon  
*(Sales Director)*  
Martin P. Green \* +  
*(Non-executive)*  
Ross M.H. Andrews \* +  
*(Non-Executive)*  
Simon G.P. Latham, FCCA  
*(Financial Director)*

\*Member of remuneration committee  
+Member of audit committee

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**Secretary:** Simon Latham

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**Group Management Board:**

Alan Cogzell  
Rolando Guselli  
Martin Harrison

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**Registered Office:**

Cobden Works  
Leopold Street  
Birmingham  
B12 0UJ  
Registered No. 00031942

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**Registrar:**

Link Asset Services  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

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**Auditor:**

RSM UK Audit LLP  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

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**Nominated Advisor and Nominated Broker:**

Cairn Financial Advisers LLP  
62-63 Cheapside  
London  
EC2V 6AX

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**CHAIRMAN'S STATEMENT**

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**Chairman's Statement**

It is pleasing to report the results for the year, in which revenue was a little down, but underlying operating profits improved.

Sales revenue was £13.89m (2018: £14.35m) and profit before tax was £0.88m (2018: £1.18m). This was after the exceptional item for Guaranteed Minimum Pension (GMP) Equalisation relating to our pension fund which we have had to recognise this year. The operating profit was better than last year at £1.38m (2018: £1.34m) reflecting savings made through overheads.

As I am certain shareholders are aware, this year has been the same as the one before with regard to trading conditions. The uncertainty around Brexit has caused us all sorts of continuing problems. These are perhaps surprisingly not led by uncertainty of sales to business customers within the EU, but much more seriously from our supplies from there. It is having, most importantly of all, a very bad effect on our business, and our future prospects, with our London and South Eastern customers within the UK.

It is therefore more difficult than ever to forecast where we might be in twelve months' time. You can imagine that I do not enjoy being so indecisive, but it is a unique situation we find ourselves in. Perhaps I could add, as a company listed on the London Stock Exchange since 1890, there must have been other times equally difficult, which we managed to get through.

Having said that, overall business activity has held up well up to the time of writing this statement. This has undoubtedly been helped by our considerable investment in some excellent designs and products, together with that in plant, machinery and IT systems in order to manufacture them efficiently.

Our current profitability allows us to recommend, in addition to the interim dividend of 5.5p per share which was paid 23rd March 2019, a final dividend at the same level as last year, at 6.875p per share, which will be paid on 16th August 2019 to shareholders registered as at 19th July 2019.

A handwritten signature in dark ink, appearing to read 'Sam Heath', with a horizontal line underneath.

**Sam Heath**  
*Chairman*

10th July 2019

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**STRATEGIC REPORT**


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The directors present their annual strategic report for the year ended 31st March 2019.

**Business Review and Key Performance Indicators**

A review of the business of the Group and future developments is set out in the Chairman's Statement on page 3.

The Board consider that the key financial performance indicators are those that communicate the financial performance and strength of the Company:

**Net Assets** at Group level decreased to £4.39m (2018: £4.74m) as a result of an increase in the pension scheme deficit due to changes in assumptions and the exceptional recognition of the GMP Equalisation on the past service cost, which were greater than the earnings for the year.

**Cash Position** has remained strong, growing by £0.79m to a balance of £3.15m. This was after paying out dividends for the year, as well as the new fixed contribution to the pension scheme.

**Inventory** has grown slightly to £3.99m (2018: £3.93m) as we ensure that we can meet customer demand quickly, and as the cost of production increases.

**Pension Deficit** has increased this year, contributions were offset by changes in assumptions, lower than expected returns on assets and the recognition of GMP Equalisation on past service cost. The latest balance, net of the related deferred tax asset, is £6.16m (2018: £5.37m).

**Revenues** have reduced by 3%, to £13.89m (2018: £14.35m), due to fewer large contracts being undertaken by developers.

**Gross Profit** for the year has reduced to 49%, from 50% last year, the small reduction resulting from a reduction in revenue and costs not varying to the same degree.

**Operating Profit** has increased a little illustrating a small reduction in central overheads, with a margin of 9.9%, compared to 9.3% last year.

**An Exceptional Item** of £299k has been recognised, relating to the recognition of Guaranteed Minimum Pension Equalisation as a result of a recent legal case.

**Investments during the Year**

The business has taken advantage of profitability to reinvest some of the profit and cash generated during the year, into investments anticipated to give returns back to the business in future years.

The business invested £142,000 in R&D during the financial year (2018: £228,000) and advantage is taken of the various tax incentives where appropriate. Costs of £23,000 were capitalised in the year (2018: £64,000).

These investments were funded from internally generated resources and not from third party sources, such as leasing.

**Staffing**

The number of staff employed within the business has reduced during the year:

	<b>2019 Number</b>	2018 Number
Production	<b>102</b>	106
Distribution	<b>23</b>	23
Administration	<b>16</b>	16
Total	<b>141</b>	145

The average staff costs were as follows:

Total average cost per head	<b>£40,560</b>	£39,855
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## STRATEGIC REPORT

(continued)

Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

The awareness and involvement of employees in the Group's performance is achieved by consultation and negotiation in meetings involving employees at all levels. An active Works Committee has been in operation for many years.

### Strategy and Business Model

The Company uses its long-established skills and investments in manufacturing metals to produce high-quality products for the bathroom and door hardware markets.

The customer value proposition is supported by:

- Brand value and recognition through long standing targeted advertising and PR.
- High quality design, manufacture and in-house finishing.
- Effective customer service and support from regular direct contact with resellers and specifiers of our product ranges.
- Industry leading shipment/delivery times.

The shareholder value is supported by:

- Variety of geographical markets spreading economic risk.
- Strong Balance Sheet.
- Business growth financed internally from profits.
- Vertically integrated manufacturing facility affords total control of quality and availability of product to ultimate customer.
- Recruiting and retaining suitable staff with the necessary skills and abilities enables the company to execute its strategy effectively. We foster initiatives to encourage the promotion of good staff engagement as well as ensuring that remuneration packages are competitive within the markets in which we operate.

### Risk

The risks to the Group's future are the usual ones for an exporting manufacturing organisation – commodity prices, variation in currencies, which affect both our return and the price of our purchases, and the general state of trade throughout the world.

By trading internationally, the Group mitigates the potential negative influence of any single market, and allows it to capitalise on any growing markets. The UK remains the largest market at 57% (2018: 58%), with exports 43% (2018: 42%) spread over a wide geographical base.

As a seller into the consumer market place, the business sees the effect of trends in the latest design style and particularly finish can have on the value of sales. Investment is made into the look and feel of its products.

Currency risk, where this is viewed by the Directors as significant, is mitigated through the use of forward contracts.

There is uncertainty in the current market place surrounding the Group's market in Europe which unfolds as the Brexit discussions take place. The business looks to mitigate this through spreading its export sales over a wide geographical area, as well as investigating contingency plans to mitigate the administration costs of any new customs legislation that may be forthcoming plus the supply risk to its purchasing.

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**STRATEGIC REPORT**

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(continued)

**Environment**

The Company takes its environmental obligations very seriously. Our packaging is made from re-cycled materials wherever possible and any waste packaging is re-cycled locally. The Company strives to improve energy efficiencies wherever possible. Solvent usage has also reduced, with any solvents that are used being in fully enclosed systems to reduce any release into the environment, any such solvents are totally re-cycled. We continually monitor our Carbon Footprint, with the aim of continual improvement.

**Pension**

The Defined Benefit Pensions scheme has been in deficit for some years, and the current level of interest rates and yields does not help its recovery. The Company agreed a recovery plan with the Trustees in which it agreed to make a fixed contribution each year, in place of the previous mix of fixed and variable payments; this was so that the full expectation could be included in the future revenue expectations for deficit reduction purposes. The second of these fixed payments, was made during the 2019 financial year, £516k (2018: £500k).

In recent years, the scheme has held its assets in what was regarded as a safe harbour investment. This has made poor returns relative to the equity market, and the scheme is moving a portion of its investments in a staged pattern over to equities to diversify its holdings and allow it to gain from the market whilst still holding conservative investments.

**New Product**

Following the launch of the Landmark range in 2016, we have enhanced further this already successful collection with additional fittings to broaden the appeal of the range. In addition, an extensive range of extra finishes has been introduced across the bathroom collection, in keeping with current trends in bathrooms.

**Sam Heath***Chairman*

10th July 2019

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**DIRECTORS' REPORT**


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The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31st March 2019.

**Principal activities**

The Group engages in the manufacture and marketing of a wide range of products in the builders' hardware and bathroom field.

**Financial Risk Management**

The Group's financial risk management policies are disclosed in note 24.

**Dividends**

The directors recommend a final dividend of 6.875 pence per share which will be proposed as a resolution at the forthcoming Annual General Meeting. An interim dividend of 5.5 pence per share (£139k) was paid during the year.

**Directors**

The directors who were in office at the end of the financial year and their interests, were as follows:

<i>Beneficial interests:</i>		<b>31st March 2019</b>	31st March 2018
S.B. Heath	Chairman	<b>493,581</b>	491,581
D.J. Pick	Managing Director	<b>5,733</b>	5,733
A.R. Buttanshaw	Senior Non-Executive	<b>1,000</b>	1,000
M.P. Whieldon	Sales Director	<b>1,000</b>	1,000
M.P. Green	Non-Executive	<b>1,000</b>	1,000
R.M.H. Andrews	Non-Executive	<b>1,000</b>	1,000
S.G.P. Latham	Financial Director	<b>1,000</b>	1,000

Directors' remuneration is disclosed in note 21.

The directors retiring by rotation are Mr A.R. Buttanshaw and Mr M.P. Whieldon who, being eligible, offer themselves for re-election. Resolutions will be proposed that they be re-elected.

**Non-Executives**

Mr A.R. Buttanshaw is an accountant and spent some 15 years in the GKN Group, as well as having experience in other companies, which has given him significant experience in the running of manufacturing and international businesses. He is the Senior Independent Director, acting as Deputy Chairman in support of the Chairman, as well as chairing the Audit Committee.

Mr M.P. Green is a solicitor who trained at Pinsent Masons in Birmingham before joining Lidders to specialise in wealth planning. He is now senior partner of Lidders LLP and the chairman of Self Financial Planning and has over 30 year's experience of acting as legal advisor to business and private clients. His experience offers guidance in the legal arena to the company.

Mr R.M.H. Andrews is a highly experienced and accomplished Corporate Adviser with 30 years' experience advising companies and management teams on public market transactions, and brings financial and commercial experience to the Board.

None of the non-executive directors have a material interest in any contract of significance with the Company.

**Executives**

Mr S.B. Heath joined the company in 1956 and was appointed to the board in 1962. He was Managing Director from 1963 until 1998. He was involved in all aspects of the business and especially sales, in both home and international markets giving him a deep knowledge of the company its markets and customers. He brings a depth of



**DIRECTORS' REPORT**

(continued)

**Executives (continued)**

financial understanding to the business, he has also led the development of a successful brand awareness campaign through advertising campaigns in the UK and other major markets.

Mr D.J. Pick joined the company in 1978 as an assistant production manager and gained experience in the company's manufacturing systems and processes, before moving into sales posts initially in the UK and then overseas. He became Sales Manager then Deputy Managing Director with involvement and responsibility in new product development and marketing. He was appointed to the board in 1995 and has been Managing Director since 1998.

Mr M.P. Whieldon joined the company in 1995 as a sales representative in Europe. Fluent in German and French, he went on to manage the sales team in both the export and home territories and has travelled widely, promoting the company's products to customers and at numerous trade shows to dealers and specifiers alike. He was appointed to the board in 2010.

Mr S.G.P. Latham is a Certified Accountant, initially training under Arthur Andersen, since being a professional auditor he has worked in industry for over 28 years, working in a Financial Director role for over 20 years. He has a breadth of experience in growing companies and international operations. He was appointed to the board in 2017.

**Meetings**

Meetings held during the last 12 months (to end of March 2019) and the attendance of directors is summarised below:

	Board Meetings		Audit Committee		Remuneration Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
<b>Chairman</b>						
Samuel Heath	9	6	-	-	1	1
<b>Exec Directors</b>						
David Pick	9	9	-	-	-	-
Martyn Whieldon	9	8	-	-	-	-
Simon Latham	9	9	2	2	-	-
<b>Non-Exec Directors</b>						
Anthony Buttanshaw	9	9	2	2	1	1
Martin Green	9	8	2	1	1	1
Ross Andrews	9	9	2	2	1	-

The directors keep abreast of our markets and industry through regular and frequent communication with our customers, designers and agencies, also attending various trade shows and exhibitions. Technical skills are kept up to date through communication with various external advisors, research and training updates.

All directors are encouraged to maintain individual continuing professional development programmes and all have the opportunity, if required, to attend specialist courses to enhance their skills. The Company Secretary, from time to time, provides technical briefings related to regulatory compliance issues, supported by our Nominated Adviser, Cairn Financial Advisors LLP.

The company retains the services of three external advisers.

- **RSM UK** provide advice on taxation issues, both in the UK and abroad.
- **Cairn Financial Advisors** are our nominated adviser and broker for our dealings with the London Stock Exchange and AIM.
- **Autonomy Wealth** support the financial planning for the business, and advise on the legacy Pension Scheme.

In addition, in 2017 the business also engaged **John Chivers Commercial** to conduct a valuation of its property and machinery assets.

**DIRECTORS' REPORT**

(continued)

**Board Evaluation**

The Chairman reviews the contributions of each board member on an ongoing basis, both individually and in relation to the performance of the company as a whole. The reviews consider effectiveness in areas including general supervision and oversight, business risks and trends, communications, corporate governance and individual contribution. Any refinements identified in working practices can then be adopted.

The balance of the Board is also assessed, for both numbers and experience, which lead to the appointment of Ross Andrews to balance the weight of executive and non-executive directors, as well as adding further experience in corporate governance.

**Other Major Shareholdings**

On 1st July 2019, the Company had been notified, in accordance with chapter 5 of Disclosures and Transparency Rules, in addition to the directors, of the following voting rights as a shareholder of the company:

	Percentage of voting rights and issued share capital	Number of shares
C.A. Heath	14.9	378,710
G.S. Heath	14.9	378,710
S.A. Perkins (née Heath)	10.8	272,810
Solid Brass AB	12.2	309,500
Ferlim Nominees Ltd – Pooled Account	5.1	130,400

**Information to Shareholders**

The Company has its own website ([www.samuel-heath.co.uk](http://www.samuel-heath.co.uk)) for the purposes of improving information flow to shareholders as well as potential investors.

**Corporate Culture**

The Company promotes honesty and integrity in all its dealings.

In order to achieve this the Board provides strategic leadership for the Company and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business. The Board defines a series of matters reserved for its decision and has approved terms of reference for its Audit and Remuneration Committees to which certain responsibilities are delegated.

- The Remuneration Committee sets and reviews the compensation of executive directors including the setting of performance frameworks for bonuses.
- Neither its directors nor management have significant interests in its suppliers or customers.
- Personnel policies and procedures include:-
  - Bribery prevention policy
  - Communications policy
  - Disciplinary procedure (including Statutory Dispute Resolution)
  - Equal opportunities policy
  - Grievance procedure
  - Health & safety policy (summary)
  - Redundancy policy & procedure (including Selection Criteria)
  - Retirement policy
  - Retirement counselling policy
  - Social media use policy
  - Stress policy

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**DIRECTORS' REPORT**

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**(continued)****Corporate Culture (continued)**

- The Works Committee discusses relevant issues affecting all employees.
- The business embeds principles into its processes and dealings through Quality Management System ISO 9001:2015 compliance and where necessary via mandatory industry standards and certification schemes.
- Company representatives meet with customers to discuss any issues and communicate with senior management on a regular basis.
- Suppliers also have relationships with both the Purchasing department and senior management.
- Compliance with the QCA code is cascaded through management.

**Corporate Governance****Chairman's Corporate Governance Statement**

All members of the board believe strongly in the value and importance of good corporate governance and in our accountability to all of Samuel Heath & Sons plc ("Samuel Heath" or the "Company") stakeholders including the shareholders, staff, advisers, regulators and other suppliers. Robust corporate governance improves performance and mitigates risk and therefore is an important factor in achieving the medium to long term success of the Company. In the statement which follows, we explain our approach to governance, and how the board and its committees operate. Changes to AIM rules on 30th March 2018 required AIM companies to apply a recognised corporate governance code from 28th September 2018. Samuel Heath has chosen to adhere to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018) to meet the new requirements of AIM Rule 26.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the board judges these to be appropriate in the circumstances.

The Chairman has the overall responsibility for implementing an appropriate corporate governance regime at the Company.

**Governance Structures**

The Company has both internal and external infrastructure to support the business:

**Internal**

- Board committees to support independence (Audit and Remuneration).
- Quality processes such as the BS EN ISO 9001:2015 Quality Management System

**External**

- Independent Audit;
- Trade body membership. Actively participates in membership of The Door Hardware Federation (DHF), The British Woodworking Federation (BWF) and The Guild of Architectural Ironmongers (GAI);
- Industry governance. Attend Management and Technical committees to ensure the Company 'has a voice' in the development of best practice and are able to influence any applicable legislation;
- AIM regulation;

The matters reserved for the board are:

- Setting long-term objectives and commercial strategy;
- Approving annual operating and capital expenditure budgets;
- Changing the share capital or corporate structure of the Group;
- Approving half year and full year results and reports;
- Approving dividend policy and the declaration of dividends;
- Approving major investments, disposals, capital projects or contracts;

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**DIRECTORS' REPORT**

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**(continued)****Governance Structures (continued)**

- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and
- Approving changes to the board structure.

**Board Communication**

The board has a schedule of regular business, financial and operational matters, and each board Committee has compiled a schedule of work to ensure that all areas for which the board has responsibility are addressed and reviewed during the course of the year. The Chairman is responsible for ensuring that, to inform decision-making, Directors receive accurate, sufficient and timely information. The Company Secretary compiles the board and Committee papers which are circulated to Directors prior to meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

The board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Directors attend seminars and other regulatory and trade events to ensure that their knowledge remains current.

Communication to and from stakeholders is encapsulated within the department processes and fed up through management to the Board.

Shareholders are invited and welcomed to the AGM held on company premises, to be able to meet with the Board.

**Audit Committee**

The Audit Committee consists of Anthony Buttanshaw (Chair), Martin Green and Ross Andrews. The committee meets twice a year and the external auditor and financial director are invited to attend these meetings. Consideration is given to the auditor's pre- and post-audit reports and these provide opportunities to review the accounting policies, internal control and the financial information contained in both the annual and interim reports. The committee monitors the integrity of financial statements and oversees risk management and control. The committee also meets with the auditors with no executives present.

**Remuneration Committee**

The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to set the remuneration of executive directors and senior managers. The committee approves annual salary and bonuses where appropriate and will consult outside of the company for relevant benchmark data from time to time. The Remuneration Committee consists of Samuel Heath (Chair), Anthony Buttanshaw, Martin Green and Ross Andrews. The Remuneration of Non-Executive Directors is a matter for the Board. No Director or officer is allowed to participate in any decisions as to their own remuneration.

**Nomination Committee**

Due to the nature and size of the Company, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a Nomination Committee.

**Derivatives and other Financial Instruments**

International Financial Reporting Standards (IFRSs) require us to explain the role that derivatives and other financial instruments play in the Group's activities.

The Group is financed by operational cash flow and any surplus cash is placed short term on the money market.

## **DIRECTORS' REPORT**

(continued)

### **Derivatives and other Financial Instruments (continued)**

Some trading takes place in foreign currencies but exposure at any one time is managed to a level that the Board consider to be an acceptable currency risk. The Group will enter into foreign currency exchange contracts to mitigate potential exposure as the Board deem appropriate.

### **Supplier Payment Policy**

The policy for payment of suppliers is to make payment in accordance with the agreed terms and conditions of trade.

At 31st March 2019 the creditor days compared to the value of supplier invoices received in the year was 31 days (2018: 30 days).

### **Future Developments**

In accordance with section 411C(11) of the Companies Act 2006, information regarding the future developments of the business has been set out within the Chairman's Statement.

### **Research and Development**

The Group undertakes research and development, using existing staff. In the opinion of the directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

The Company spend on research and development for the year was £142,000 (2018: £228,000) and advantage is taken of the various tax incentives where appropriate.

### **Disclosure of Information to Auditors**

The Directors who held office at the date of approval of this Directors' Report each confirm the following:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditor**

RSM UK Audit LLP has expressed its willingness to continue in office as auditor and a resolution is to be proposed that RSM UK Audit LLP be reappointed as auditor at the forthcoming Annual General Meeting.

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union (EU) and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law under IFRS adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period.

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**DIRECTORS' REPORT**

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(continued)

**Statement of Directors' Responsibilities (continued)**

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

*On behalf of the Board*

**Sam Heath**

*Chairman*

10th July 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMUEL HEATH & SONS PLC****Opinion**

We have audited the financial statements of Samuel Heath & Sons plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31st March 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and parent company statements of financial position, consolidated statement of changes in equity, parent company statement of changes in equity, consolidated and parent company statements of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Group and parent company key audit matters**

- Inventory provisions - This is considered a key audit matter due to its judgemental nature and magnitude. We reconfirmed our understanding of the basis for determining provisions against obsolete and slow-moving inventory items where the expected net realisable value is lower than cost. We considered the controls over this process and whether these continued to be appropriate and consistently applied. We considered the suitability of the assumptions adopted in determining the provision and tested a sample of inventory provisions considering their appropriateness. We found that the level of provisioning has been completed on a consistently prudent basis with no significant year on year impact on reported profits.

\_\_\_\_INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMUEL HEATH & SONS PLC\_\_\_\_

### **Our application of materiality**

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £115,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £115,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

### **An overview of the scope of our audit**

The parent company is the only trading entity in the group and hence all trading and net assets were subject to a full statutory audit.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 12 and 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



\_\_\_\_INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMUEL HEATH & SONS PLC\_\_\_\_

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Stephenson (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor, Chartered Accountants  
St Philips Point, Temple Row, Birmingham, B2 5AF

10<sup>th</sup> July 2019

**CONSOLIDATED INCOME STATEMENT**

for the year ended 31st March 2019

	Note	2019 £000	2018 £000
<b>Revenue</b>	5	<b>13,893</b>	14,354
Cost of sales		(7,125)	(7,232)
<b>Gross profit</b>		<b>6,768</b>	7,122
Selling & distribution costs		(3,474)	(3,767)
Administrative expenses		(1,915)	(2,020)
<b>Operating profit <sup>a</sup></b>	6	<b>1,379</b>	1,335
Finance income	8	13	30
Finance cost	8	(211)	(188)
<b>Profit before taxation and exceptional items</b>		<b>1,181</b>	1,177
Exceptional item - GMP equalisation	23	(299)	-
<b>Profit before taxation</b>		<b>882</b>	1,177
Taxation	9	(144)	(197)
<b>Profit for the year attributable to owners of the parent company</b>		<b>738</b>	980
Basic and diluted earnings per ordinary share	11	<b>29.1p</b>	38.7p

<sup>a</sup> Operating profit is calculated as profit before net finance costs, exceptional items and taxation.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31st March 2019

		2019 £000	2018 £000
Profit for the year		<b>738</b>	980
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial loss on defined benefit pension scheme	22	(933)	(234)
Deferred taxation on actuarial loss	17	159	40
Deferred taxation on revaluation of assets	17	-	44
		<b>(774)</b>	(150)
<b>Total comprehensive income for the year</b>		<b>(36)</b>	830

## STATEMENTS OF FINANCIAL POSITION

31st March 2019

		<b>Group</b>		<b>Company</b>	
	Note	<b>2019</b> <b>£000</b>	2018 £000	<b>2019</b> <b>£000</b>	2018 £000
<b>Non-current assets</b>					
Intangible assets	12	82	85	82	85
Property, plant and equipment	13	3,210	3,337	3,210	3,337
Investments	14	-	-	399	399
Deferred tax assets	17	1,048	853	1,048	853
		<b>4,340</b>	4,276	<b>4,739</b>	4,675
<b>Current assets</b>					
Inventories	15	3,989	3,930	3,989	3,930
Trade and other receivables	16	2,286	2,287	2,286	2,287
Amounts owed by group undertakings		-	-	527	527
Cash and cash equivalents		3,153	2,366	3,153	2,366
		<b>9,428</b>	8,583	<b>9,955</b>	9,110
<b>Total assets</b>		<b>13,768</b>	12,859	<b>14,694</b>	13,785
<b>Current liabilities</b>					
Trade and other payables	18	(1,789)	(1,474)	(1,789)	(1,474)
Amounts owed to group undertakings		-	-	(948)	(948)
Current tax payable		(171)	(175)	(171)	(175)
		<b>(1,960)</b>	(1,649)	<b>(2,908)</b>	(2,597)
<b>Non-current liabilities</b>					
Retirement benefit scheme	22	(7,420)	(6,472)	(7,420)	(6,472)
<b>Total liabilities</b>		<b>(9,380)</b>	(8,121)	<b>(10,328)</b>	(9,069)
<b>Net assets</b>		<b>4,388</b>	4,738	<b>4,366</b>	4,716
<b>Equity</b>					
Called up share capital	20	254	254	254	254
Capital redemption reserve		109	109	109	109
Revaluation reserve		1,277	1,357	1,277	1,357
Retained earnings		2,748	3,018	2,726	2,996
<b>Total equity attributable to owners of the Parent Company</b>		<b>4,388</b>	4,738	<b>4,366</b>	4,716

As permitted by section 408 of the Companies Act 2006 the Income Statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit after tax for the year is £738,000 (2018: £980,000).

The financial statements on pages 17 to 41 were approved by the Board and authorised for issue on 10th July 2019 and signed on its behalf by:

**S.B. Heath**  
*Chairman*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 31st March 2019

	Share capital £000	Capital redemption £000	Revaluation reserve £000	Retained earnings £000	Total Equity £000
Balance at 31st March 2017	254	109	1,389	2,609	4,361
<b>Total transactions with owners</b>					
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
<b>Balance at 31st March 2018</b>	<b>254</b>	<b>109</b>	<b>1,357</b>	<b>3,018</b>	<b>4,738</b>
<b>Total transactions with owners</b>					
Equity dividends paid	-	-	-	(314)	(314)
Profit for the year	-	-	-	738	738
Reclassification of depreciation on revaluation	-	-	(80)	80	-
Other comprehensive income for the year	-	-	-	(774)	(774)
Total comprehensive income for the year	-	-	(80)	44	(36)
<b>Balance at 31st March 2019</b>	<b>254</b>	<b>109</b>	<b>1,277</b>	<b>2,748</b>	<b>4,388</b>

**STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)**

for the year ended 31st March 2019

	Share capital £000	Capital redemption £000	Revaluation reserve £000	Retained earnings £000	Total Equity £000
Balance at 31st March 2017	254	109	1,389	2,586	4,338
<b>Total transactions with owners</b>					
Equity dividends paid	-	-	-	(452)	(452)
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
<b>Balance at 31st March 2018</b>	<b>254</b>	<b>109</b>	<b>1,357</b>	<b>2,996</b>	<b>4,716</b>
<b>Total transactions with owners</b>					
Equity dividends paid	-	-	-	(314)	(314)
Profit for the year	-	-	-	738	738
Reclassification of depreciation on revaluation	-	-	(80)	80	-
Other comprehensive loss for the year	-	-	-	(774)	(774)
Total comprehensive income for the year	-	-	(80)	44	(36)
<b>Balance at 31st March 2019</b>	<b>254</b>	<b>109</b>	<b>1,277</b>	<b>2,726</b>	<b>4,366</b>

The following narrative relates to both the “Consolidated Statement of Changes in Equity” and the “Statement of Changes in Equity (Parent Company)”:

- The capital redemption reserve relates to premium on acquisition of our own shares.
- Retained earnings consist of the accumulated profits and losses arising from the Consolidated Statement of Comprehensive Income net of distributions to owners.
- The revaluation reserve arises from the revaluation of property, plant and equipment and is not distributable.

**STATEMENTS OF CASHFLOWS**

for the year ended 31st March 2019

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cash flow from operating activities</b>				
<b>Profit for the year before taxation</b>	<b>882</b>	<b>1,177</b>	<b>882</b>	<b>1,177</b>
Adjustments for:				
Depreciation	<b>348</b>	365	<b>348</b>	365
Amortisation	<b>27</b>	58	<b>27</b>	58
Profit on disposal of property, plant and equipment	<b>(16)</b>	(10)	<b>(16)</b>	(10)
Net finance (income)/cost	<b>17</b>	(30)	<b>17</b>	(30)
Defined benefit pension scheme expenses	<b>530</b>	237	<b>530</b>	237
Contributions to defined benefit pension scheme	<b>(516)</b>	(500)	<b>(516)</b>	(500)
<b>Operating cash flow before movements in working capital</b>	<b>1,272</b>	<b>1,297</b>	<b>1,272</b>	<b>1,297</b>
Changes in working capital:				
Increase in inventories	<b>(59)</b>	(141)	<b>(59)</b>	(141)
Decrease/(increase) in trade and other receivables	<b>6</b>	(118)	<b>6</b>	(118)
Increase in trade and other payables	<b>310</b>	74	<b>310</b>	74
<b>Cash generated from operations</b>	<b>1,529</b>	<b>1,112</b>	<b>1,529</b>	<b>1,112</b>
Taxation paid	<b>(184)</b>	(157)	<b>(184)</b>	(157)
<b>Net cash from operating activities</b>	<b>1,345</b>	<b>955</b>	<b>1,345</b>	<b>955</b>
<b>Cash flows from investing activities</b>				
Payments to acquire property, plant and equipment	<b>(239)</b>	(222)	<b>(239)</b>	(222)
Proceeds from the sale of property, plant and equipment	<b>35</b>	41	<b>35</b>	41
Payments to acquire intangible assets	<b>(23)</b>	(64)	<b>(23)</b>	(64)
Finance (costs)/ income	<b>(17)</b>	30	<b>(17)</b>	30
	<b>(244)</b>	(215)	<b>(244)</b>	(215)
<b>Cash flows from financing activities</b>				
Dividends paid	<b>(314)</b>	(453)	<b>(314)</b>	(453)
Net increase in cash and cash equivalents	<b>787</b>	287	<b>787</b>	287
Cash and cash equivalents at beginning of year	<b>2,366</b>	2,079	<b>2,366</b>	2,079
Cash and cash equivalents at end of year	<b>3,153</b>	2,366	<b>3,153</b>	2,366

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**NOTES FORMING PART OF THE ACCOUNTS**


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**1. General information**

Samuel Heath & Sons plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Cobden Works, Leopold Street, Birmingham, B12 0UJ. The nature of the Group's operations and its principal activities during the period were the manufacture of a wide range of products in the builders' hardware and bathroom field. These Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company and Group operate.

**2. Adoption of new and revised standards*****New and amended accounting standards***

There were no new standards or amendments to standards, which had a material impact on these financial statements, and are mandatory and relevant to the Group for the first time for the financial year ended 31st March 2019.

The accounting policies are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31st March 2018 with the exception of new accounting policies in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, both of which were adopted on 1st April 2018. The effect of initially applying these standards is noted below.

***IFRS 9 Financial Instruments***

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard applies a forward-looking impairment model that replaces the current applicable incurred loss model. In contrast to the complex and rules-based approach of IAS 39, the new hedge accounting requirements provide an improved link to risk management and treasury operations and will be simpler to apply. The adoption of IFRS 9 did not have a material impact on the Group's consolidated results or financial position and does not require a restatement of comparative figures.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. It describes the principles an entity must follow to measure and recognise revenue using a five step approach. The standard requires revenue to be recognised when goods or services are transferred to customers and the entity has satisfied its performance obligations under the contract, and at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The Group has applied IFRS 15 using the full retrospective method (adopting all practical expedients); under which the Group has applied all the requirements of IFRS 15 to the comparative period presented. All of the Group's revenue is within the scope of IFRS 15. Under IFRS 15 revenue is recognised when a customer obtains control of goods or services in line with identifiable performance obligations.

The adoption of IFRS 15 did not have a material impact on the Group's consolidated results or financial position and did not require a restatement of comparative figures.

***Accounting standards in issue but not yet effective***

Certain new accounting standards and interpretations have been published that are not mandatory for 31st March 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases, this standard is applicable to annual reporting periods beginning on or after 1st January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be

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**NOTES FORMING PART OF THE ACCOUNTS**

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(continued)

recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17.

However results from operating activities before depreciation, amortisation and share-based payment charges will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The Group will adopt this standard from 1st April 2019. The expected impact on the year ended 31st March 2020 is to recognise a right of use asset of £106k and a capitalised lease liability of £104k which will increase net assets by £2k and increase the profit for the year by £4k.

The Group does not consider that any other standards or interpretations issued by the International Accounting Standards Board (IASB) but not yet applicable will have a significant impact on the financial statements of the Group when the relevant standards come into effect for periods commencing on or after 1st April 2019.

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**3. Accounting policies*****Basis of accounting***

The financial statements, upon which this financial information is based, have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretation as adopted by the European Union and the requirements of the Companies Act applicable to companies reporting under IFRS.

The financial statements, upon which this financial information is based, have been prepared under the historical cost basis with the exception of the revaluation of property, and where IFRS require measurement at a fair value. The principal accounting policies adopted are set out below.

***Going concern***

The Directors consider that the Group has adequate resources for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the financial statements.

***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st March each year. Control is achieved where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

***Revenue recognition***

Revenue is recognised when control of the goods has been transferred, being when the products are delivered to the customer, and there are no unfulfilled obligations that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been despatched to the specified location, or collected by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, any acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied. Revenue is measured at the fair value received or receivable for the goods provided in the normal course of business, net of VAT, discounts and rebates.

***Operating profit***

Operating profit represents earnings from the Group's core business operations and does not include profit earned from investments, exceptional items and the effects of interest and taxes.

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**3. Accounting policies (continued)*****Foreign currency***

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each year end, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on that date. Any differences arising are written off to the income statement.

***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

***Retirement benefit costs******i) Defined benefit scheme***

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years and updated at each balance sheet date. The post-employment benefits obligation recognised in the statement of financial position represents the present value of the defined benefit pension obligations adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets.

The service cost and net interest on assets, net of interest on scheme liabilities, are reflected in the income statement for the period, in place of the actual cash contribution made. All experience gains or losses on the assets and liabilities of the scheme, together with the effect of changes in assumptions are reflected as an actuarial gain or loss in the Consolidated Statement of Comprehensive Income.

***ii) Defined contribution scheme***

The costs of the defined contribution scheme are charged in the income statement as they fall due. Both employee and employer contributions are held in trust funds separately from the Group's finances.

***Intangible assets***

Research and development costs represent typical internally generated assets of relevance for the Group. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and it is the intention of management to complete the intangible asset and use it or sell it.

Research costs are expensed as incurred.

For intangible assets with finite useful lives, amortisation (included with cost of sales) is calculated to write off the cost of an asset, less its estimated residual value, over its useful economic life when the asset is available for use, as follows:

Development costs	20% per annum on cost
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## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**3. Accounting policies (continued)*****Property, plant and equipment***

Property, plant and equipment are stated at cost or revaluation less accumulated depreciation, amortisation and any recognised impairment loss.

Depreciation is charged (and is included within cost of sales, distribution costs or administration expenses as appropriate), except on freehold land, so as to write off the cost or valuation of assets over their estimated useful lives using the straight-line method to its residual value, on the following bases:

Freehold buildings	2%-10% per annum on cost
Plant and machinery	5%-10% per annum on cost
Office equipment	5%-25% per annum on cost
Vehicles	25% per annum on cost
Computer equipment	25% per annum on cost

In 2017 an accounting policy of revaluation was adopted for freehold buildings and plant and machinery, which the directors consider provides reliable and more relevant information regarding the Group's financial position due to the use of the historic cost model not accurately reflecting the worth of the assets held to the business, and therefore the revaluation model has been adopted to better reflect their value. The resultant increase in fair value was recognised in property, plant and equipment, and credited to the revaluation reserve.

The residual values, valuations and expected useful economic lives are re-assessed on an annual basis.

***Impairment of property, plant and equipment and intangible assets***

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. This is recognised in the cost of sales.

***Investments in subsidiaries***

Investments in subsidiaries in the Parent Company balance sheet are stated at cost, less any provision for impairment.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated at actual price paid. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

***Financial instruments***

Financial assets and financial liabilities are recognised on the Group's statement of financial position at market value when the Group becomes a party to the contractual provisions of the instrument.

***Trade and other receivables***

Trade and other receivables are initially recognised at fair value then subsequently at amortised cost using the effective interest method less any allowance for expected credit loss. The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

***Financial liability and equity***

Financial liabilities and equity instruments are classified according to the substance of the contractual agreements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction. To the extent that those proceeds exceed the par value of the shares issued they are credited to a share premium account.

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**NOTES FORMING PART OF THE ACCOUNTS**

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(continued)

**3. Accounting policies (continued)*****Trade and other payables***

Trade and other payables are not interest-bearing and are stated at amortised cost using the effective interest rate method.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with a maturity of 90 days or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

***Leases***

Rentals payable under operating leases, where substantially all of the benefit and risks of ownership remain with the lessor, are charged against profits on a straight-line basis over the term of the lease.

***Post balance sheet events and dividends***

IAS 10, "Events after the Balance Sheet Date" requires that final dividends proposed after the balance sheet date should not be recognised as a liability at that balance sheet date, as the liability does not represent a present obligation as defined by IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Consequently, final dividends are only recognised as a liability once formally approved at the Annual General Meeting and interim dividends are not recognised until paid.

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**4. 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. The key assumptions used to value pension assets and liabilities are set out in note 22 "Retirement benefit 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.

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**5. Segmental analysis**

The primary reporting format is by business segment and the second reporting format is by geographical area.

***Operating segments***

The turnover, profit on ordinary activities and net assets of the Group are attributable to one business segment, the manufacture and marketing of products in the builders' hardware and bathroom field.

***Geographical information***

The following table provides an analysis of the Group's non-current tangible and intangible assets:

	<b>2019</b>	2018
	<b>£000</b>	£000
Overseas	-	-
Home	<b>3,292</b>	3,422
	<b>3,292</b>	3,422

The geographical non-current assets above are exclusive of deferred tax assets.

***Sales from contracts with customers***

All revenue relates to sales of goods.

The following table provides analysis of the Group's sales:

	<b>2019</b>	2018
	<b>£000</b>	£000
Overseas	<b>6,027</b>	6,013
Home	<b>7,866</b>	8,341
	<b>13,893</b>	14,354

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**6. Operating profit**

Operating profit for the year has been arrived at after charging/(crediting):

	<b>2019</b>	2018
	<b>£000</b>	£000
Depreciation and impairment		
- depreciation of property, plant and equipment	<b>348</b>	365
- amortisation of intangible assets	<b>27</b>	58
Operating lease costs		
- site rental	<b>55</b>	55
- other operating leases	<b>16</b>	15
Employment costs (including directors remuneration – note 21)	<b>5,719</b>	5,779
Materials	<b>2,238</b>	2,612
Profit on disposal of property, plant and equipment	<b>(16)</b>	(9)
Retirement benefit pension scheme administration costs	<b>50</b>	49
Other services	<b>4,077</b>	4,095
<b>Total of costs included in operating profit</b>	<b>12,514</b>	13,019

Included within the above is £142,000 (2018: £228,000) in relation to research and development expenditure.

In addition to the above costs, a £299,000 charge in relation to GMP Equalisation has been shown as an exceptional item beneath operating profit (see note 23).

**7. Auditors' remuneration**

Amounts payable to the Company's auditor and their associates for services to the Group.

	<b>2019</b>	2018
	<b>£000</b>	£000
Fees payable:		
Audit services	<b>34</b>	31
Assurance services	<b>1</b>	1
Accounting services	<b>1</b>	-
Tax services	<b>14</b>	19
<b>Total fees</b>	<b>50</b>	51

**8. Net finance costs**

	<b>2019</b>	2018
	<b>£000</b>	£000
Interest on bank deposits	<b>13</b>	5
Foreign exchange (losses)/gains	<b>(30)</b>	25
Pension finance cost (see note 22)	<b>(181)</b>	(188)
	<b>(198)</b>	(158)

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**9. Income taxes**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Current taxes:</b>		
Current year	<b>169</b>	175
Adjustments in respect of prior periods	<b>11</b>	(1)
	<b>180</b>	174
<b>Deferred taxes:</b>		
Origination and reversal of temporary differences	<b>(36)</b>	23
<b>Total income taxes</b>	<b>144</b>	197

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year.

**Tax reconciliation**

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19% (2018:19%) as explained below:

	<b>2019</b>	2018
	<b>£000</b>	£000
Profit before taxation	<b>882</b>	1,177
Corporation tax charge thereon at 19% (2018: 19%)	<b>168</b>	224
<b>Adjusted for the effects of:</b>		
Prior year adjustments	<b>11</b>	(1)
Research and development claim	<b>(7)</b>	(22)
Other adjustments	<b>(28)</b>	(4)
<b>Total income taxes</b>	<b>144</b>	197
<b>Effective tax rate</b>	<b>16.3%</b>	16.7%

**10. Dividends**

	<b>2019</b>	2018
	<b>£000</b>	£000
Final dividend for the year ended 31st March 2018 of 6.875 pence per share (2017: 6.875 pence per share)	<b>174</b>	174
Deferred interim dividend for the year ended 31st March 2017 of 5.50 pence per share	-	139
Interim dividend for the year ended 31st March 2019 of 5.50 pence per share (2018: 5.50 pence per share)	<b>139</b>	139
	<b>313</b>	452

In addition to the dividends paid during the year the directors are recommending a final dividend for 2019 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.

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**11. Earnings per share**

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £738,000, (2018: £980,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2018: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

The profit figure before the exceptional item after taxation, would have been £1,037,000 (2018: £980,000) giving an adjusted basic and diluted earnings per share of 40.9p (2018: 38.7p).

**12. Intangible assets of the Group and Company**

	<b>Development costs £000</b>
<b>Cost</b>	
At 31st March 2017	327
Additions	64
	<hr/>
At 31st March 2018	391
Additions	24
Disposals	(319)
	<hr/>
At 31st March 2019	<b>96</b>
	<hr/>
<b>Amortisation</b>	
At 31st March 2017	248
Charge for year	58
	<hr/>
At 31st March 2018	306
Disposals	(319)
Charge for year	27
	<hr/>
At 31st March 2019	<b>14</b>
	<hr/>
<b>Net book value</b>	
At 31st March 2019	<b>82</b>
	<hr/>
At 31st March 2018	85
	<hr/>

The amortisation charge is included in cost of sales.

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**13. Property, plant and equipment of the Group and Company**

	<b>Freehold land and buildings</b>	<b>Plant and equipment</b>	<b>Computer &amp; office equipment</b>	<b>Vehicles</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>					
At 31st March 2017	2,225	7,700	634	370	10,929
Additions	-	125	9	88	222
Disposals	-	-	-	(94)	(94)
At 31st March 2018	2,225	7,825	643	364	11,057
Additions	-	127	5	108	240
Disposals	-	-	-	(106)	(106)
At 31st March 2019	<b>2,225</b>	<b>7,952</b>	<b>648</b>	<b>366</b>	<b>11,191</b>
<b>Depreciation</b>					
At 31st March 2017	850	5,850	547	171	7,418
Charge for year	41	202	48	74	365
Disposals	-	-	-	(63)	(63)
At 31st March 2018	891	6,052	595	182	7,720
Charge for year	19	212	26	91	348
Disposals	-	-	-	(87)	(87)
At 31st March 2019	<b>910</b>	<b>6,264</b>	<b>621</b>	<b>186</b>	<b>7,981</b>
<b>Net book value</b>					
At 31st March 2019	<b>1,315</b>	<b>1,688</b>	<b>27</b>	<b>180</b>	<b>3,210</b>
At 31st March 2018	1,334	1,773	48	182	3,337

The net book value of freehold land and buildings includes £774,000 (2018: £774,000) in respect of land which is not depreciated.

The Group's freehold land and buildings, and plant and equipment, were revalued in January 2017, by independent valuers, John Chivers Commercial Ltd and Tallon Asset Valuers and Auctioneers.

If the cost model had been used, the carrying amount of land and buildings would be £678,000 (2018: £705,000) and plant and equipment would be £954,000 (2018: £963,000)

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**14. Investments**

	<b>2019 Company £000</b>	2018 Company £000
<b>Shares in subsidiaries:</b>		
Cost at 31st March 2018	<b>399</b>	399
Provisions carried forward from prior years	-	-
	<hr/>	<hr/>
Net book value 31st March 2019	<b>399</b>	399
	<hr/>	<hr/>

All subsidiary undertakings are incorporated in Great Britain, wholly owned, are dormant and are listed below:

W. Adams & Sons Limited  
D P 1999 Limited  
Samuel Heath & Sons Group Services Limited  
Holt, Siron & Company Limited  
The Mander Frame Company  
Oakley Bedsteads Limited  
Perkins & Powell Limited  
R.M. Manufacturing & Engineering Co. Limited  
Regency Bathroom Accessories Limited  
The Walker Fender Co. Limited

The registered office of all subsidiaries is Cobden Works, Leopold Street, Birmingham. B12 0UJ.

The cumulative amount of goodwill purchased up to 23rd December 1998 and written off against reserves in respect of subsidiaries which remained in the Group at 31st March 2019 was £518,000 (2018: £518,000).

**15. Inventories**

	<b>2019 Group and Company £000</b>	2018 Group and Company £000
Raw materials	<b>1,061</b>	987
Work in progress and intermediate products	<b>1,854</b>	1,785
Finished goods	<b>1,074</b>	1,158
	<hr/>	<hr/>
	<b>3,989</b>	3,930
	<hr/>	<hr/>

During the period, the group consumed £6,979,000 (2018: £7,094,000) of inventories (including material costs) including an increase in inventory write-downs of £326,000 (2018: £94,000).



## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**16. Trade and other receivables**

	<b>2019 Group and Company £000</b>	<b>2018 Group and Company £000</b>
Trade receivables	<b>2,108</b>	2,102
Allowance for expected credit losses	<b>(28)</b>	(43)
	<b>2,080</b>	2,059
Prepayments and accrued income	<b>206</b>	228
	<b>2,286</b>	2,287

There is no material difference between the fair value of receivables and their book value.

All trade and other receivables have been reviewed for expected credit losses. Unless specific agreement has been reached with individual customers, sales invoices are due for payment 30 days after the date of the invoice. Trade receivables include amounts that are past due at the reporting date for which no allowance for expected credit losses has been recognised because these amounts are still considered to be recoverable. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. No interest is charged on the receivables.

An analysis of trade receivables aging based on due date is set out below:

	<b>2019 Group and Company £000</b>	<b>2018 Group and Company £000</b>
<b>Trade receivables</b>		
Not yet overdue	<b>2,053</b>	2,078
1 to 30 days overdue	<b>55</b>	15
30 to 60 days overdue	-	-
61+ days overdue	-	9
	<b>2,108</b>	2,102

Movement in the allowance for expected credit losses are as follows:

	<b>2019 Group any Company £000</b>	<b>2018 Group and Company £000</b>
Balance at 31st March (opening)	<b>43</b>	46
Provision for the year	<b>3</b>	18
Receivables written off during the year as uncollectable	<b>(18)</b>	(21)
Balance at 31st March (closing)	<b>28</b>	43

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the directors believe that there is no further credit provision required in excess of the allowance for expected credit losses above. An analysis of financial risk is disclosed in note 24.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**17. Deferred tax group and company**

The reconciliation of the net deferred tax asset is as follows:

	Defined benefit scheme	Accelerated capital allowances	Revaluation of property, plant and equipment	Total
	£000	£000	£000	£000
At 31st March 2017	1,105	(94)	(218)	793
Recognised in the Income Statement				
For the year	(45)	6	16	(23)
Recognised in equity				
For the year	40	-	43	83
At 31st March 2018	1,100	(88)	(159)	853
Recognised in the Income Statement				
For the year	2	16	18	36
Recognised in equity				
For the year	159	-	-	159
At 31st March 2019	1,261	(72)	(141)	1,048

The deferred tax rate applied is 17% (2018:17%) as legislation has been substantively enacted which reduces the main rate of UK corporation tax from 19% to 17% from April 2020. The impact of estimating the timing of deferred tax reversals in the intervening years before the rate reaches 17% is not considered to be material.

**18. Trade and other payables**

	<b>2019 Group and Company £000</b>	2018 Group and Company £000
Trade payables	957	750
Accruals and deferred income	536	388
Social security and other taxes	296	336
	<b>1,789</b>	<b>1,474</b>

The directors consider that the carrying amount of trade payables approximates to their fair value.

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**19. Derivatives financial instruments**

At 31st March 2019 the Group and Company has derivatives in place held for cash flow purposes (2018: £nil) as follows:

**Forward currency contracts**

<b>Contract</b>	<b>Amount</b>	<b>Reference Currency</b>	<b>Maturity Monthly until</b>	<b>Fair Value £000</b>
Forward currency contracts	1,080,000	USD	30 Sep 19	<b>(35)</b>

The purpose of forward currency contracts is to mitigate the fluctuations of a proportion of expected sales (forecast) denominated in US Dollars. These instruments are held at fair value with gains/losses recognised in profit or loss.

**20. Share capital**

	<b>2019 £000</b>	<b>2018 £000</b>
Authorised:		
5,000,000 Ordinary shares of 10 pence each	<b>500</b>	500
Issued and fully paid:		
2,534,322 (2018: 2,534,322) ordinary shares of 10 pence each	<b>254</b>	254

**21. Particulars of staff**

The average number of employees (including directors) during the year is analysed below:

	<b>2019 Number</b>	<b>2018 Number</b>
Production	<b>102</b>	106
Distribution	<b>23</b>	23
Administration	<b>16</b>	16
Total	<b>141</b>	145

	<b>2019 £000</b>	<b>2018 £000</b>
The total staff costs were as follows:		
Wages and salaries	<b>4,886</b>	4,954
Social security costs	<b>464</b>	462
Pension scheme costs	<b>369</b>	363
	<b>5,719</b>	5,779

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**21. Particulars of staff (continued)****Directors' remuneration**

The remuneration of directors, who are considered to be key management personnel, who served during the year was as follows:

	Salary and fees £000	Pension contributions £000	Bonus £000	Benefits £000	<b>Total 2019 £000</b>	Total 2018 £000
<b>Executive Directors</b>						
N. Bosworth	-	-	-	-	-	101
S.B. Heath	46	-	-	4	<b>50</b>	58
D.J. Pick	218	-	47	10	<b>275</b>	278
M.P. Whieldon	145	10	36	21	<b>212</b>	211
S.G.P. Latham	118	26	-	-	<b>144</b>	141
<b>Non-Executive Directors</b>						
A.R. Buttanshaw	19	-	-	-	<b>19</b>	14
M.P. Green	11	1	-	-	<b>12</b>	11
R.M.H. Andrews	11	-	-	-	<b>11</b>	6
<b>Directors' emoluments</b>	<b>568</b>	<b>37</b>	<b>83</b>	<b>35</b>	<b>723</b>	820
Employer's NI					<b>90</b>	83
<b>Key management remuneration</b>					<b>813</b>	903

The following directors are members of the Samuel Heath & Sons PLC final salary pension scheme (Note 22) which was closed to future accrual from 30<sup>th</sup> April 2005. The accrued annual benefits are:

	<b>Total 2019 £000</b>	Total 2018 £000
D.J. Pick	<b>31</b>	59
M.P. Whieldon	<b>7</b>	7

There has been a reduction in one of the funds after the director made a capital withdrawal.

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**22. Retirement benefit schemes**

The Samuel Heath & Sons plc Staff Pension and Works Pension Scheme both closed to future accrual from 30th April 2005. These schemes were merged into the Samuel Heath & Sons plc Combined Scheme (the Combined Scheme) on 31st March 2006.

The most recent valuation of the Combined Scheme was carried out as at 31st March 2016. The liabilities were calculated using the defined accrued benefits method and assumed:

- long-term investment returns of 5.1% pa for the period before a member retires and 2.9% pa for the period after a member has retired.
- long-term future inflation rates of 3.2% pa.
- mortality rates based on the SAPS normal health tables with CMI 2015 year of birth projections and long-term rate of improvement of 1.5% pa.

The 2016 actuarial valuation showed the market value of the Combined Scheme's assets to be £9,552,000 (excluding Additional Voluntary Contributions), compared with the value of the accrued benefits of £15,974,000. There were therefore sufficient assets to cover 60% of the accrued benefits, based on the long-term funding assumptions.

The Company has agreed to fund the actuarial deficit of £6,422,000 by making payments to the scheme under the Recovery Plan that has been agreed between the Trustees of the scheme and the Company. The recovery plan has been updated to make the full contribution a commitment, removing the variable element based on profit. During the next 12 months, based on this revised recovery plan, payments will be made to the scheme amounting to £532,000.

The assets of these now combined schemes are held separately from those of the Company and invested in Standard Life Global Absolute Return Strategies (GARS) Unit Trusts, and a group of Equities. The Analysis of Scheme Assets, below, gives the split.

The values used in the Financial Statements are valued using IAS 19.

<b>The major assumptions used by the actuary were:</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Inflation	<b>3.45</b>	3.30	3.40
Rate of increase in pension payment	<b>3.45</b>	3.30	3.40
Discount rate	<b>2.70</b>	2.90	3.00
Withdrawal of tax free cash	<b>25.00</b>	25.00	25.00

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. The return on the GARS fund is expected to be in line with the return on equities.

An additional assumption that members take advantage of the ability to withdraw 25% of their fund tax free on retirement has been included within the calculation to recognise that this is a frequent occurrence.

**Mortality assumptions**

The mortality tables were reviewed as part of the actuarial valuation as at 31st March 2016. The current tables reflect expected future mortality rates. These rates have reduced in the 12 months since March 2018. The assumed life expectations on retirement at age 65 are:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Retiring today:</b>			
Male	<b>21.8</b>	22.3	22.4
Female	<b>23.9</b>	24.3	24.4
<b>Retiring in 20 years:</b>			
Male	<b>23.5</b>	24.0	24.2
Female	<b>25.7</b>	26.1	26.2

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**22. Retirement benefit schemes (continued)**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities £000
Discount rate	Decrease by 0.5%	Increase by 1,797
	Increase by 0.5%	Decrease by 1,569
Rate of inflation	Decrease by 0.5%	Decrease by 950
	Increase by 0.5%	Increase by 1,066
Rate of mortality	Decrease by 1 year	Decrease by 737
	Increase by 1 year	Increase by 739

Amounts recognised within net finance costs are as follows:

	2019 £000	2018 £000
Expected return on pension scheme assets	(264)	(270)
Interest on pension scheme liabilities	445	458
	<b>181</b>	<b>188</b>

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Fair value of scheme assets	8,600	9,115	8,945	9,879	10,305
Present value of defined benefit obligations	(16,020)	(15,587)	(15,446)	(15,980)	(16,873)
Deficit in scheme	(7,420)	(6,472)	(6,501)	(6,101)	(6,568)
Related deferred tax asset	1,261	1,100	1,105	1,098	1,313
Net liability	(6,159)	(5,372)	(5,396)	(5,003)	(5,255)

	2019 £000	2018 £000
Deficit at 31st March (opening)	6,472	6,501
Company contributions	(516)	(500)
Administration costs	50	49
Net interest expense	181	188
Past service cost (GMP equalisation)	299	-
Actuarial loss	934	234
Deficit at 31st March (closing)	<b>7,420</b>	<b>6,472</b>

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**22. Retirement benefit schemes (continued)****Movements in the present value of defined benefit obligations are as follows:**

	<b>2019</b>	2018
	<b>£000</b>	£000
As at 31st March (opening)	<b>15,587</b>	15,446
Past service cost (GMP equalisation)	<b>299</b>	-
Interest cost	<b>445</b>	458
Benefits paid	<b>(911)</b>	(346)
Experience gain on defined benefit obligation	<b>(233)</b>	-
Actuarial gain (life expectancy)	<b>(76)</b>	(112)
Actuarial loss (financial assumptions)	<b>909</b>	141
As at 31st March (closing)	<b>16,020</b>	15,587

**Movements in the fair value of the scheme assets are as follows:**

	<b>2019</b>	2018
	<b>£000</b>	£000
As at 31st March (opening)	<b>9,115</b>	8,945
Expected returns on assets	<b>264</b>	270
Employer contributions	<b>516</b>	500
Benefits paid	<b>(911)</b>	(346)
Administrative costs	<b>(50)</b>	(49)
Actuarial loss – difference on return on plan assets to expectation	<b>(334)</b>	(205)
As at 31st March (closing)	<b>8,600</b>	9,115

**The analysis of the scheme assets is set out below:**

	<b>2019</b>	2018	2017
Standard Life GARS Fund	<b>83%</b>	95%	97%
Equities	<b>10%</b>	-	-
Cash	<b>7%</b>	5%	3%

**Defined contribution pension scheme**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and in the year ended 31st March 2019 amounted to £369,000 (2018: £363,000).

There is an accrual of £43,000 (2018: £Nil) in the Statement of Financial Position representing the difference between the amount charged in the Income Statement and the amount paid to the pension scheme.

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**23. Exceptional item**

The business has recognised the past service cost resulting from Guaranteed Minimum Pension (GMP) equalisation as an exceptional item on the basis that it is a one off cost of substance arising from a legal case during the financial year.

GMP equalisation is the recognition that during the 1990s benefits accrued differently for men and women based on their then different retirement ages. See note 22.

**24. Financial instruments: information on financial risks**

Categories of financial instruments:

	<b>2019 Group £000</b>	<b>2018 Group £000</b>	<b>2019 Company £000</b>	<b>2018 Company £000</b>
<b>Financial assets</b>				
Trade and other receivables – measured at amortised cost	<b>2,080</b>	2,059	<b>2,607</b>	2,586
Cash and cash equivalents – measured at cost	<b>3,153</b>	2,366	<b>3,153</b>	2,366
	<b>5,233</b>	4,425	<b>5,760</b>	4,952
<b>Financial liabilities</b>				
Trade and other payables measured at amortised cost	<b>1,246</b>	1,138	<b>2,194</b>	2,086
Derivative financial instruments at fair value	<b>35</b>	-	<b>35</b>	-
	<b>1,281</b>	1,138	<b>2,229</b>	2,086

**Financial risk management policies**

The main market risks to which the Group is exposed are commodity prices, interest rates and foreign exchange. There is also exposure to credit risk and liquidity risk. The Group monitors these risks and will take appropriate action to minimise any exposure through the use of natural hedges and forward currency contracts where appropriate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2019 £000</b>	<b>2018 £000</b>	<b>2019 £000</b>	<b>2018 £000</b>
US Dollar	-	22	<b>523</b>	502
Euro	<b>21</b>	9	<b>126</b>	185
Australian Dollar	-	-	<b>38</b>	24
Canadian Dollar	-	-	<b>55</b>	2
Singapore Dollar	-	-	-	9

**Foreign currency sensitivity analysis**

The Group is mainly exposed to the currency of US Dollar and the Euro.

In the opinion of the directors a 5% increase or decrease in sterling against the US Dollar and Euro would not have a material effect on the profit for the year and equity.



**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**24. Financial instruments: information on financial risks (continued)****Interest rate risk**

The Group has no borrowing and any excess funds are invested in money markets and/or available for sale financial assets. The directors believe that by constantly reviewing the options any excess funds are adequately invested.

In the opinion of the directors a 5% increase or decrease in interest rates would not have a material effect on the profit for the year and equity, excluding the Defined Benefit Scheme.

**Credit risk**

The Group controls its exposure to credit risk by setting limits on its exposure to individual customers and compliance is monitored by management. As part of the process of setting customer credit limits, different external credit reference agencies are used, according to the country of the customer. In addition the Group maintains a credit insurance policy which significantly limits its exposure to credit risk. There are no significant concentrations of credit risk.

All financial liabilities are due on demand or within credit terms.

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**25. Operating lease commitments**

Total future minimum lease payments under non-cancellable operating lease are:

	<b>2019</b>		<b>2018</b>	
	<b>Group and Company</b>		<b>Group and Company</b>	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
In one year or less	55	17	52	15
Between one and five years	111	27	-	41
	<u>166</u>	<u>44</u>	<u>52</u>	<u>57</u>

Operating lease payments represent rentals payable by the Group for site rental (L&B) and office equipment (Other). Leases are negotiated over the term considered most relevant for each particular lease.

**26. Transactions with related parties**

There have been no related party transactions during the year other than dividends paid to Directors of £62,000 (2018: £90,000) based on their shareholdings at the date the dividend was declared.

**27. Events after the statement of financial position date**

The financial statements were authorised for issue on 10th July 2019, and at this date the directors are unaware of any other events that would affect these financial statements.

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**NOTES FORMING PART OF THE ACCOUNTS**

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(continued)

**28. Contingencies and commitments**

As at 31st March 2019 the Group had placed contracts for capital expenditure amounting to £nil (2018: £40,000). The Group had no contingent liabilities at 31st March 2019.

As part of contingency planning for Brexit, the company placed advance orders with chief suppliers, principally raw metal providers, the unfulfilled value for which at the 31<sup>st</sup> March 2019 amounted to £277,000 (2018: £nil).

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**29. Controlling party**

The ultimate controlling party is considered to be Mr S. B. Heath and his close family by virtue of them holding a majority of the issued share capital of the Company.

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**NOTICE OF MEETING**

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**Notice is hereby given** that the one hundred and twenty-ninth Annual General Meeting of Samuel Heath & Sons plc (the Company) will be held at the registered office of the Company, Leopold Street, Birmingham, on 9th August 2019 at 12.00 noon.

The general business of the meeting will be to consider and, if thought fit, pass the following resolutions:

- 1 That the Directors' report and audited accounts for the year ended 31st March 2019 be approved and adopted.
- 2 That a final dividend for the year ended 31st March 2019 of 6.875 pence per share be declared payable on 16th August 2019 to ordinary shareholders registered at the close of business on 19th July 2019.
- 3 That Mr A.R. Buttanshaw who retires by rotation be re-elected a director.
- 4 That Mr M.P. Whieldon who retires by rotation be re-elected a director.
- 5 That RSM UK Audit LLP be reappointed as auditors and that the directors be authorised to determine their remuneration.

**As special business to consider and, if thought fit, to pass the resolutions of which Resolutions 6 and 7 will be proposed as an Ordinary Resolution and Resolution 8 as a Special Resolution.**

- 6 That the Company be authorised, pursuant to Article 10 of the Articles of Association of the Company, to make market purchases (within the meaning of Section 693 of the Companies Act 2006) on the London Stock Exchange up to a cumulative maximum of 380,148 ordinary shares of 10 pence each in the capital of the Company at a price of not less than 10 pence per ordinary share and not more than 5% above the average of the middle market quotations of the ordinary shares as derived from the Stock Exchange Daily Official List on the 5 dealing days before the purchase.

The prices specified above are exclusive of expenses.

The authority hereby conferred shall expire at the next Annual General Meeting unless previously varied, revoked or renewed by the Company in General Meeting, provided that the Company shall be permitted to make any contract of purchase of any such shares which will or may be executed wholly or partly after the authority hereby conferred shall have expired.

- 7 That the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution for any authorities previously granted to the Directors), pursuant to Sections 549 to 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £25,343 provided that this authority shall expire on 9th August 2024 save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.
- 8 That the Directors of the Company be and they are hereby empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 560(1) of the Act) pursuant to the authority conferred by Resolution 7 as if Section 561 of the Act did not apply to any such allotment, PROVIDED THAT this power shall be limited to a) the allotment of equity securities in connection with or pursuant to an offer by way of rights issue or open offer to the holders of equity shares in the Company in proportion (as nearly as may be) to such holders' holdings of such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise and b) the allotment (otherwise than pursuant to (a) above) of equity securities for cash up to an aggregate nominal amount of £25,343 provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company or, if later, 15 months from the passing of this resolution, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot

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**NOTICE OF MEETING**

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equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

*By order of the Board*

**S.G.P. Latham**

*Secretary*

10th July 2019

**Notes:**

1. Any member entitled to attend and vote at the above Meeting may appoint one or more persons as proxies, who need not also be members, to attend and vote on his behalf. Proxy forms must be lodged with the Registrar not later than 48 hours before the time fixed for the meeting.
2. A statement of the share transactions of each director for the twelve months to 28th June 2019 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 8th August 2019 and will also be available at the Annual General Meeting from 11.45 a.m. until 15 minutes after the meeting is closed.
3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as of close of business on 8 August 2019 or, in the event that the AGM is adjourned, registered in the register of members by close of business on the day falling two business days prior to the date of any adjourned meeting, shall be entitled to attend or vote in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after close of business on 7th August 2019 or, in the event that the AGM is adjourned, after close of business on the day falling two business days prior to the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the AGM.
4. You can vote either:
  - a. by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions;
  - b. You may request a hard copy form of proxy directly from the registrars, Link Asset Services, on Tel: 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
  - c. in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
5. In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4ZF by 12 noon on 7th August 2019.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

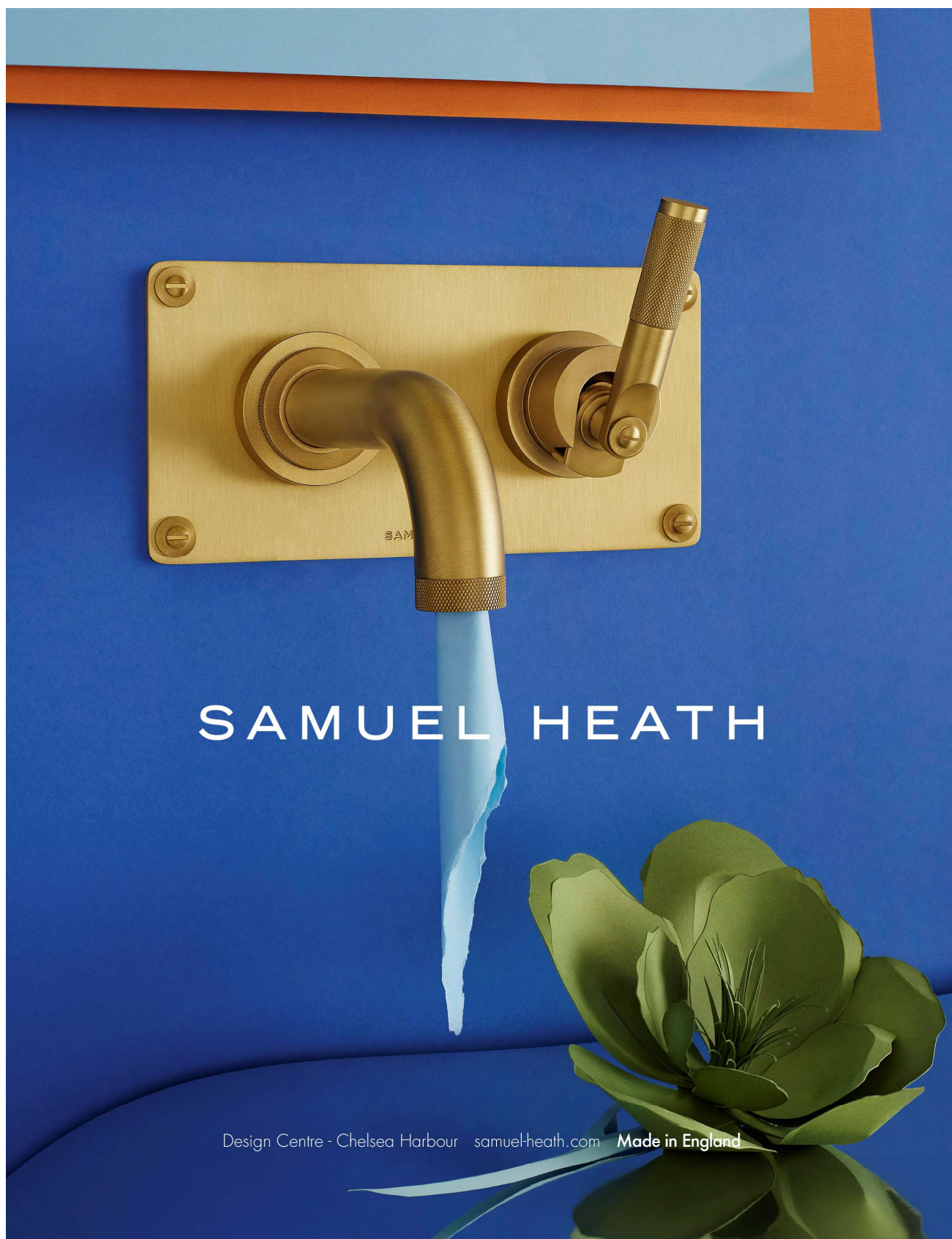
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**NOTICE OF MEETING**

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6. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12 noon on 7th August 2019. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

SAMUEL HEATH







SAMUEL HEATH



Samuel Heath's factory in Birmingham. Behind the Victorian facade there is a wealth of production craftsmanship combined with the very latest technology.



The Samuel Heath showroom in Design Centre Chelsea Harbour, London

SAMUEL HEATH

**SAMUEL HEATH & SONS PLC**

Leopold Street, Birmingham, B12 0UJ, England