

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

Report and Accounts

**for the year ended 31st March 2020**

## **SAMUEL HEATH**

Company Registration Number: 00031942

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**DIRECTORS AND OFFICERS**

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<b>Directors:</b>	Samuel B. Heath* <i>(Chairman)</i> Anthony R. Buttanshaw * + <i>(Non-executive Deputy Chairman)</i> David J. Pick <i>(Managing Director)</i> Martyn P. Whieldon <i>(Deputy Managing Director)</i> Martin P. Green * + <i>(Non-executive)</i> Ross M.H. Andrews * + <i>(Non-Executive)</i> Simon G.P. Latham, FCCA <i>(Financial Director)</i> Martin J. Harrison <i>(Manufacturing Director)</i>
	*Member of remuneration committee + Member of audit committee

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<b>Secretary:</b>	Simon Latham
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<b>Group Management Board:</b>	Alan Cogzell Rolando Guselli
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<b>Registered Office:</b>	Cobden Works Leopold Street Birmingham B12 0UJ Registered No. 00031942
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<b>Registrar:</b>	Link Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU
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<b>Auditor:</b>	RSM UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF
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<b>Nominated Advisor and Nominated Broker:</b>	Cairn Financial Advisers LLP 62-63 Cheapside London EC2V 6AX
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**CHAIRMAN'S STATEMENT**

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This statement will be very much in two halves. The first part will deal with the very successful past year's trading, and the second, and probably much more important for the future of the Company, the prospects for the next financial twelve months, which has potentially been thrown into chaos by the Coronavirus pandemic Covid-19.

Revenue at £13.887m was very similar to last year (2019: £13.893m) and profit before tax was £1.368m (2019: £1.181m) before exceptional items (last year's Exceptional cost of GMP Equalisation of £0.299m). These results were affected very little until the end of March, because we had a healthy order book. Then came the closures of the majority of our customers throughout the world. We have never closed the factory, having taken all the necessary safety measures quite correctly required by Law. However, because of the consequent drop in sales, we did then move to working with a skeleton staff. The Government help, especially through its furlough scheme in looking after our people who have been unable to work, has been invaluable to us. The result of this sharp downturn in activity will unsurprisingly have a devastating effect on our profitability in the current year. However, it would have been so much worse if we had not continued working as we did. I would like to thank all the people from top to bottom, who were involved with this. We ended 2019-20 with a strong balance sheet, and good liquidity evidenced by our strong cash balance, which has put us in good stead in the current financial year.

It is very difficult to know how the world will change after these events. Some of these changes could very much affect an organisation such as ours which has historically built its reputation with face-to-face meetings with its customers throughout the world and by exhibiting at trade exhibitions globally as well.

Output to the end of June was 37.6% down on the same period last year. Clearly there will be a significant loss on this figure. Extensive work has been done on a wide range of forecast scenarios for the current financial year. There has been input from all the Board on these figures, which has been much welcomed. What they all show is a large negative effect on cash flow, not helped by us continuing to fund the large deficit in our Pension Scheme, which I have previously discussed. With this in mind the Board does not believe that this is the correct time to pay a final dividend, even though our balance sheet is strong. We will revisit this decision at the time of the Interim announcement.



**Sam Heath**  
*Chairman*

9th July 2020

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**STRATEGIC REPORT**


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The directors present their annual strategic report for the year ended 31st March 2020.

**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 increased to £5.66m (2019: £4.39m) as a result of an improvement in the pension scheme deficit due to an actuarial gain on financial assumptions, and an increase in profits.

**Cash Position** has remained strong, reducing by £0.14m to a balance of £3.02m. This was after paying out dividends for the year, as well as additional contributions to the pension scheme.

**Inventory** has grown to £4.23m (2019: £3.99m) as we ensure that we can meet customer demand quickly, and as the cost of production increases due to more but shorter production runs.

**Pension Deficit** has reduced this year, as contributions were increased by £267k to £783k which combined with recognition of a change in membership since the last valuation offset the reduced asset value which resulted from the fall in markets in March 2020. The latest balance, net of the related deferred tax asset, is £5.33m (2019: £6.16m).

**Revenues** have been stable at £13.89m (2019: £13.89m). There was only a small effect of Covid-19 on sales in the latter part of March 2020.

**Gross Profit** for the year has increased to 51%, from 49% last year, the small increase resulting from a reduction in raw material prices towards the end of the year.

**Operating Profit** has increased a little illustrating a small reduction in direct costs, with a margin of 11.0%, compared to 9.9% last year.

**The Exceptional Item** of £299k recognised last year, relating to the recognition of Guaranteed Minimum Pension Equalisation, has not had to be reflected this year, any further changes will be recognised through the Statement of Comprehensive Income together with any other pension valuation changes.

**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 £196k in research and development during the financial year (2019: £142k) and advantage is taken of the various tax incentives where appropriate. In addition, costs of £85k were capitalised in the year (2019: £24k).

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 remained stable during the year:

	<b>2020 Number</b>	2019 Number
Production	<b>104</b>	102
Distribution	<b>20</b>	23
Administration	<b>17</b>	16
Total	<b>141</b>	141

The average staff costs were as follows:

Total average cost per head	<b>£42,766</b>	£40,560
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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.

### Stakeholders and s172

The Company recognises that it operates within various communities and groups of interested parties and looks to consider the interests of these groups as an integral part of its decisions and activities.

#### Shareholders

It is the Board's abiding aim to provide clear and transparent information as to the Company's activities, strategies and financial position to its shareholders. Details of all shareholder communications are available on the Company's website.

The Company is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through Annual Report and Accounts, full-year and half-year announcements and the annual general meeting (AGM) to which we encourage shareholders to attend and participate. Our website contains a range of corporate information (including all Samuel Heath announcements) which is available to shareholders, investors and the public.

Private shareholders: The AGM is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the board and all committees, together with all other directors whenever possible, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution, by way of a poll.

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**STRATEGIC REPORT**

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(continued)

The Company maintains a dedicated email address which investors can use to contact the Company which is prominently displayed on its website together with the Company's address and telephone number. As the Company is too small to have a dedicated investor relations department, the Financial Director is responsible for reviewing all communications received from members and determining the most appropriate response.

**Employees**

The Works Committee meets 3 times a year as a forum to pass on information and for members to raise concerns. Matters are recorded and following appropriate consultation, reported on at the next meeting.

**Customers**

Our representatives meet regularly with all significant customers to inform them of new products with samples where possible, to pass on product knowledge and understand their business plans and aspirations. Reports are produced which form part of our sales forecasting and budgetary process, these are fed back to influence future product and services development.

**Suppliers**

Our purchasing department interacts regularly with suppliers to ensure minimal disruptions to the supply chain and to ensure best value for money for the Company. New suppliers are invited to quote for materials, components and services.

**Regulation**

The business constantly reviews the relevant regulations governing its products to ensure current and future compliance within major markets. Door closers for use on fire doors are subject to performance standards. Taps and showers are subject to water usage restrictions and performance standards. The Company submits its products for third party testing both in the UK and in overseas markets and maintains 'listings' where appropriate.

Changes in legislation and approvals can have a material impact on product designs which are fed back through our NPD process.

**Industry Bodies**

The Company is a member of a number of influential trade bodies and attends Management and Technical committees to ensure we 'have a voice' in the development of best practice and are able to influence any applicable legislation. The Managing Director, Sales Director and Head of Design are involved in this process. Relevant outcomes are related to other Board members at monthly Board meetings.

**Environment**

The business looks to reduce any negative effects on the environment.

In 2020 measures taken to improve its use of resources have been:

- LED Lighting
  - A programme of replacing old lighting with LED lighting & sensor operated lights across the site has been carried out, reducing the associated electricity usage. This process will be on going throughout the year.
- Tank Temperature Monitoring
  - We have setup digital monitoring of our auto plating line tank temperatures using a remote optical character recognition camera and we have been analysing the temperature trends enabling us to switch tank heaters on and off at different times, which delivers closer control of the heat requirement and an associated reduction of electricity usage.
- Heating Replacement
  - A programme of replacing old boilers and floor space heaters has been carried out, replacing them with more modern energy efficient versions that consume less gas.
- Gas Oven Refurbishment
  - We have refurbished our large gas fired drying oven to increase energy efficiency. Key actions have been to replace the old thermal insulation to reduce heat loss and renewing the burner unit with a more efficient modern version.

**STRATEGIC REPORT**

(continued)

**Risk**

With the exception of the uncertainty created by Covid-19, 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.

The current situation with Covid-19 creates significant uncertainty for the business and limits its ability to plan in the short term. Initial shut down measures have affected many of our customers and therefore our immediate order book. The speed of recovery and the possibility of a renewed lockdown in our major markets are clearly risk factors. However, the Group has a strong balance sheet and cash balance at the start of the new financial year and is boosting potential liquidity with new credit lines through our bankers.

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% (2019: 57%), with exports 43% (2019: 43%) 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 continuing uncertainty 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 preparing contingency plans to mitigate the administration costs of any new customs legislation that may be forthcoming plus the supply risk to its purchasing.

**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 has agreed a revised recovery plan with the Trustees in which it has agreed to make increased contributions each year. In addition, as the revised plan begins in the financial year commencing April 2020, an additional single contribution was made in the year ended March 2020 which brings the total contributions made during the 2020 financial year to £783k (2019: £516k).

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 has moved in a staged pattern over to equities and fixed interest investments to diversify its holdings and allow it to gain from the market whilst still holding conservative investments which aim to match the movement in interest rates. The approach is consistent with the Pension Regulator guidance. Equity values generally dropped just before the year end, worldwide, due to Covid-19, which reduced the asset values held by the scheme by £900k between the beginning of February 2020 and year end. However, subsequent gains in equities have more than made up this drop by the start of July 2020.

**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.

We have designed and developed a new collection of taps, showers and bathroom accessories, which will be selectively launched to customers in our major markets as they re-open for business during the second half of the year.

**Sam Heath***Chairman*

9th July 2020



## DIRECTORS' REPORT

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 2020.

### Principal activities

The Group and Company 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 25.

### Dividends

The directors do not recommend a final dividend for this year, in view of the uncertainty resulting from the coronavirus pandemic. 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 2020</b>	<b>31st March 2019</b>
S.B. Heath	Chairman	<b>493,581</b>	493,581
D.J. Pick	Managing Director	<b>5,783</b>	5,783
A.R. Buttanshaw	Non-executive Deputy Chairman	<b>1,000</b>	1,000
M.P. Whieldon	Deputy Managing 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
M.J. Harrison	Manufacturing Director	<b>1,000</b>	-

Directors' remuneration is disclosed in note 22.

The directors retiring by rotation are Mr M.P. Green and Mr S.G.P. Latham who, being eligible, offer themselves for re-election. Resolutions will be proposed that they be re-elected. Mr M.J. Harrison, who was appointed on 17<sup>th</sup> December 2019 retires at the first General Meeting following his appointment and offers himself for election.

### 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 Ladders to specialise in wealth planning. He is now senior partner of Ladders LLP and the chairman of Self Financial Planning and has over 30 years' 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.

**DIRECTORS' REPORT**

(continued)

**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 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 and gained responsibility in new product development and marketing. He was appointed to the board in 1995 and has been Managing Director since 1998. He retires at the end of December 2020.

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, and to the role of Deputy Managing Director in February 2020 taking over from Mr Pick in 2021.

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.

Mr M.J. Harrison is a Chartered Mechanical Engineer and has worked in the manufacturing industry for over 24 years. He has led manufacturing operations in a number of different sectors including beverage dispensing and cooling equipment, power generation and aerospace, and has experience of managing factories and installation teams across multiple sites, both at home and overseas. He was appointed to the Board in 2019.

**Meetings**

Meetings held during the last 12 months (to end of March 2020) 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	7	6	-	-	1	1
<b>Exec Directors</b>						
David Pick	7	7	-	-	-	-
Martyn Whieldon	7	7	-	-	-	-
Simon Latham	7	7	2	2	-	-
Martin Harrison	3	3	-	-	-	-
<b>Non-Exec Directors</b>						
Anthony Buttanshaw	7	7	2	2	1	1
Martin Green	7	6	2	1	1	-
Ross Andrews	7	7	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 Advisers LLP.

**DIRECTORS' REPORT**

(continued)

The Company retains the services of two external advisers.

- **Cairn Financial Advisers** 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, during the financial year the business also engaged **John Chivers Commercial** to conduct a valuation of its property assets and **Tallon and Associates** a valuation of its machinery assets, and **RSM UK** (together with associated international firms) provided advice on taxation issues, both in the UK and abroad.

**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 2020, 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
P.S. Allen	3.9	98,600

**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
  - Equal opportunities policy
  - Grievance procedure
  - Health & safety policy (summary)

## DIRECTORS' REPORT

### (continued)

#### Corporate Culture (continued)

- Redundancy policy & procedure (including Selection Criteria)
- Retirement policy
- Retirement counselling policy
- Social media use policy
- Stress policy
- 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. AIM companies are required to apply a recognised corporate governance code. 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 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;

## DIRECTORS' REPORT (continued)

### Governance Structures (continued)

- Approving major investments, disposals, capital projects or contracts;
- 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 2020 the creditor days compared to the value of supplier invoices received in the year was 37 days (2019: 31 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 £196,000 (2019: £142,000) 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*

9th July 2020

**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 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Statement of Changes in Equity (Parent Company), the 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 2020 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.

**Summary of our audit approach**

<b>Key audit matters</b>	<b>Group and parent Company</b> <ul style="list-style-type: none"> <li>• Inventory provisions</li> <li>• Impact of Covid-19</li> </ul>
<b>Materiality</b>	<b>Group and parent Company</b> <ul style="list-style-type: none"> <li>• Overall materiality: £135,000 (2019: £115,000)</li> <li>• Performance materiality: £101,000 (2019: £84,000)</li> </ul>
<b>Scope</b>	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

**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.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMUEL HEATH &amp; SONS PLC

**Inventory provisions****Key audit matter description**

- The group holds a large number of stock items including raw materials, work in progress and finished goods which are bought in and manufactured.
- The valuation of inventory involves judgement relating to the potential obsolescence of inventory including determining the net realisable value of stock. The group has in place an established process for addressing this risk and recognising provisions accordingly.
- This is considered a key audit matter due to its judgemental nature and magnitude. This is explained further with the accounting policies and critical accounting judgements in notes 2 and 3.

**How the matter was addressed in the audit**

- 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.

**Impact of Covid-19****Key audit matter description**

- There has been a reduction in revenues since the year end due to the Covid-19 (Coronavirus) outbreak. The impact of this on the going concern status of the group has been considered by the directors including modelling of the group's ability to continue to operate in a number of different scenarios and they concluded the adopting of a going concern basis of accounting was appropriate. The disclosure of the process undertaken may be inadequate.

**How the matter was addressed in the audit**

- We considered the reasonableness of the assumptions adopted in preparation of the forecasts used to support the going concern assumption, the level of current cash, available financing, measures for managing costs and available government support.
- We have considered management's sensitivities against forecast sales and the resulting potential impact on headroom.
- We have reviewed the disclosures within the financial statements in respect of the impact of Covid-19, the recent trading performance and the financial resources available to the group.

**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. Based on our professional judgement, we determined materiality as follows:

	Group and parent Company
<b>Overall materiality</b>	£135,000 (2019: £115,000)
<b>Basis for determining overall materiality</b>	10% of profit before tax and exceptional items
<b>Rationale for benchmark applied</b>	Profit before tax chosen as the group is profit oriented
<b>Performance materiality</b>	£101,000 (2019: £84,000)
<b>Basis for determining performance materiality</b>	75% of overall materiality
<b>Reporting of misstatements to the Audit Committee</b>	Misstatements in excess of £7,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

(Company Registration Number: 00031942)

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

**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 13 and 14, 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.

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.

(Company Registration Number: 00031942)

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

**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  
9<sup>th</sup> July 2020

**CONSOLIDATED INCOME STATEMENT**

for the year ended 31st March 2020

	Note	2020 £000	2019 £000
<b>Revenue</b>	5	<b>13,887</b>	13,893
Cost of sales		<b>(6,798)</b>	(7,125)
<b>Gross profit</b>		<b>7,089</b>	6,768
Selling and distribution costs		<b>(3,543)</b>	(3,474)
Administrative expenses		<b>(2,012)</b>	(1,915)
<b>Operating profit *</b>	6	<b>1,534</b>	1,379
Finance income	8	<b>25</b>	13
Finance cost	8	<b>(191)</b>	(211)
<b>Profit before taxation and exceptional items</b>		<b>1,368</b>	1,181
Exceptional item - GMP equalisation	24	-	(299)
<b>Profit before taxation</b>		<b>1,368</b>	882
Taxation	9	<b>(299)</b>	(144)
<b>Profit for the year attributable to owners of the parent Company</b>		<b>1,069</b>	738
Basic and diluted earnings per ordinary share	11	<b>42.2p</b>	29.1p

\* 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 2020

		2020 £000	2019 £000
Profit for the year		<b>1,069</b>	738
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit pension scheme	23	<b>291</b>	(933)
Deferred taxation on actuarial (gain)/loss	17	<b>(55)</b>	159
Deferred tax rate change		<b>125</b>	-
Revaluation of property, plant and equipment		<b>182</b>	-
Deferred taxation on revaluation of assets	17	<b>(23)</b>	-
		<b>520</b>	(774)
<b>Total comprehensive income for the year</b>		<b>1,589</b>	(36)

## STATEMENTS OF FINANCIAL POSITION

31st March 2020

		<b>Group</b>		<b>Company</b>	
	Note	<b>2020</b>	2019	<b>2020</b>	2019
		<b>£000</b>	£000	<b>£000</b>	£000
<b>Non-current assets</b>					
Intangible assets	12	<b>151</b>	82	<b>151</b>	82
Property, plant and equipment	13	<b>3,635</b>	3,210	<b>3,635</b>	3,210
Investments	14	-	-	<b>399</b>	399
Deferred tax assets	17	<b>887</b>	1,048	<b>887</b>	1,048
		<b>4,673</b>	4,340	<b>5,072</b>	4,739
<b>Current assets</b>					
Inventories	15	<b>4,230</b>	3,989	<b>4,230</b>	3,989
Trade and other receivables	16	<b>2,370</b>	2,286	<b>2,370</b>	2,286
Amounts owed by group undertakings		-	-	<b>527</b>	527
Cash and cash equivalents		<b>3,016</b>	3,153	<b>3,016</b>	3,153
		<b>9,616</b>	9,428	<b>10,143</b>	9,955
<b>Total assets</b>		<b>14,289</b>	13,768	<b>15,215</b>	14,694
<b>Current liabilities</b>					
Trade and other payables	18	<b>(1,868)</b>	(1,789)	<b>(1,868)</b>	(1,789)
Amounts owed to group undertakings		-	-	<b>(948)</b>	(948)
Right of use lease liabilities	19	<b>(58)</b>	-	<b>(58)</b>	-
Current tax payable		<b>(79)</b>	(171)	<b>(79)</b>	(171)
		<b>(2,005)</b>	(1,960)	<b>(2,953)</b>	(2,908)
<b>Non-current liabilities</b>					
Right of use lease liabilities	19	<b>(46)</b>	-	<b>(46)</b>	-
Retirement benefit scheme	23	<b>(6,575)</b>	(7,420)	<b>(6,575)</b>	(7,420)
		<b>(6,621)</b>	(7,420)	<b>(6,621)</b>	(7,420)
<b>Total liabilities</b>		<b>(8,626)</b>	(9,380)	<b>(9,574)</b>	(10,328)
<b>Net assets</b>		<b>5,663</b>	4,388	<b>5,641</b>	4,366
<b>Equity</b>					
Called up share capital	21	<b>254</b>	254	<b>254</b>	254
Capital redemption reserve		<b>109</b>	109	<b>109</b>	109
Revaluation reserve		<b>1,349</b>	1,277	<b>1,349</b>	1,277
Retained earnings		<b>3,951</b>	2,748	<b>3,929</b>	2,726
<b>Total equity attributable to owners of the Parent Company</b>		<b>5,663</b>	4,388	<b>5,641</b>	4,366

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 £1,069,000 (2019: £738,000).

The financial statements on pages 19 to 43 were approved by the Board and authorised for issue on 9th July 2020 and signed on its behalf by:

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 31st March 2020

	Share capital £000	Capital redemption £000	Revaluation reserve £000	Retained earnings £000	Total Equity £000
Balance at 31st March 2018	254	109	1,357	3,018	4,738
<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>
<b>Total transactions with owners</b>					
Equity dividends paid	-	-	-	(314)	(314)
Profit for the year	-	-	-	1,069	1,069
Reclassification of depreciation on revaluation	-	-	(87)	87	-
Other comprehensive income for the year	-	-	159	361	520
Total comprehensive income for the year	-	-	72	1,517	1,589
<b>Balance at 31st March 2020</b>	<b>254</b>	<b>109</b>	<b>1,349</b>	<b>3,951</b>	<b>5,663</b>

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

for the year ended 31st March 2020

	Share capital £000	Capital redemption £000	Revaluation reserve £000	Retained earnings £000	Total Equity £000
Balance at 31st March 2018	254	109	1,357	2,996	4,716
<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>2,726</b>	<b>4,366</b>
<b>Total transactions with owners</b>					
Equity dividends paid	-	-	-	(314)	(314)
Profit for the year	-	-	-	1,069	1,069
Reclassification of depreciation on revaluation	-	-	(87)	87	-
Other comprehensive loss for the year	-	-	159	361	520
Total comprehensive income for the year	-	-	82	1,517	1,589
<b>Balance at 31st March 2020</b>	<b>254</b>	<b>109</b>	<b>1,349</b>	<b>3,929</b>	<b>5,641</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 2020

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</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>1,368</b>	<b>882</b>	<b>1,368</b>	<b>882</b>
Adjustments for:				
Depreciation	<b>405</b>	348	<b>405</b>	348
Amortisation	<b>16</b>	27	<b>16</b>	27
Profit on disposal of property, plant and equipment	<b>(3)</b>	(16)	<b>(3)</b>	(16)
Net finance costs/(income)	<b>(25)</b>	17	<b>(25)</b>	17
Defined benefit pension scheme expenses	<b>228</b>	530	<b>228</b>	530
Contributions to defined benefit pension scheme	<b>(783)</b>	(516)	<b>(783)</b>	(516)
<b>Operating cash flow before movements in working capital</b>	<b>1,206</b>	<b>1,272</b>	<b>1,206</b>	<b>1,272</b>
Changes in working capital:				
Increase in inventories	<b>(241)</b>	(59)	<b>(241)</b>	(59)
(Increase)/decrease in trade and other receivables	<b>(84)</b>	6	<b>(84)</b>	6
Increase in trade and other payables	<b>79</b>	310	<b>79</b>	310
<b>Cash generated from operations</b>	<b>960</b>	<b>1,529</b>	<b>960</b>	<b>1,529</b>
Taxation paid	<b>(180)</b>	(184)	<b>(180)</b>	(184)
<b>Net cash from operating activities</b>	<b>780</b>	<b>1,345</b>	<b>780</b>	<b>1,345</b>
<b>Cash flows from investing activities</b>				
Payments to acquire property, plant and equipment	<b>(502)</b>	(239)	<b>(502)</b>	(239)
Proceeds from the sale of property, plant and equipment	<b>14</b>	35	<b>14</b>	35
Payments to acquire intangible assets	<b>(85)</b>	(23)	<b>(85)</b>	(23)
Net finance (costs)/income	<b>25</b>	(17)	<b>25</b>	(17)
	<b>(548)</b>	(244)	<b>(548)</b>	(244)
<b>Cash flows from financing activities</b>				
Payment for right of use assets	<b>(55)</b>	-	<b>(55)</b>	-
Dividends paid	<b>(314)</b>	(314)	<b>(314)</b>	(314)
Net (decrease)/increase in cash and cash equivalents	<b>(137)</b>	787	<b>(137)</b>	787
Cash and cash equivalents at beginning of year	<b>3,153</b>	2,366	<b>3,153</b>	2,366
Cash and cash equivalents at end of year	<b>3,016</b>	3,153	<b>3,016</b>	3,153

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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 and Company’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.

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**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 2020.

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 2019 with the exception of new accounting policies in respect of IFRS 16 Leases, which was adopted on 1st April 2019. The effect of initially applying these standards is noted below.

***IFRS 16 Leases***

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 eliminates the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset is 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 is 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 is 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 are 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 are separated into both a principal (financing activities) and interest (either operating or financing activities) component. The Group has used the modified retrospective transition approach on adoption of IFRS 16 Leases, where the initial right of use asset values recognised on property leases of £159k are equal to the present value of the future lease payments as at the date of transition (1 April 2019).

The adoption of IFRS 16 did not have a material impact on the Group’s consolidated results or financial position.

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

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 2020.

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**NOTES FORMING PART OF THE ACCOUNTS**

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(continued)

**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, plant and equipment, and where IFRS require measurement at a fair value. The principal accounting policies adopted are set out below.

***Going concern***

The Directors have reviewed the Company's prospects under the current situation with coronavirus and the economic consequences. The Company has seen a reduction in its revenues as our customers have had to close down their retail premises. However, production has continued albeit at a reduced rate in order to meet continued demand. Advantage has been taken of incentives, such as the Furlough grant, to mitigate costs.

Careful review of several scenarios and sensitivities has been undertaken, with a variety of different possible revenue levels. The Company has started the new financial year with both a strong balance sheet and good cash balances and liquidity.

Post year end trading has proved consistent with or better than the scenarios reviewed, which is positive. Should things worsen, mitigations are being prepared to increase liquidity substantially through additional bank support and reductions in cash outflows.

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.

***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.

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

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

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

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**3. Accounting policies (continued)**

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 equipment	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. This exercise was updated in 2020 by external experts.

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. If any such indication exists, the asset's recoverable amount is estimated using a discounted cash flow model. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

***Tooling***

Costs of tooling are expensed as incurred.

***Investments in subsidiaries***

Investments in subsidiaries in the 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

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**NOTES FORMING PART OF THE ACCOUNTS**

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(continued)

**3. Accounting policies (continued)**

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.

***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***

Property financed under a leasing arrangement is recognised as a Right of Use Asset, with short and long term liabilities recognised in the balance sheet, with interest recognised in profit or loss. The lease liability reflects the present value of the future rental payments and interest, discounted using either the effective interest rate or the incremental borrowing rate of the entity.

Payments associated with short term leases and leases of low value assets are recognised on a straight line basis over the lease term as an expense within the income statement.

Right of use assets are recognised at the commencement date of lease and are measured at cost less any accumulated depreciation and impairment losses. Right of use assets are depreciated on a straight line basis over the lease term.

Right of use lease liabilities are recognised at the commencement date of the lease and are measured at the present value of the lease payments to be made over the lease term. The lease payments include lease payments less any lease incentives receivable. In calculating the present value of lease payments the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

Prior to the adoption of IFRS 16, rentals payable under operating leases, where substantially all of the benefit and risks of ownership remain with the lessor, were 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.

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**4. Critical accounting and key sources of estimation (continued)**

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 23 “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.

**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 before tax 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>2020</b>	2019
	<b>£000</b>	£000
Overseas	-	-
Home	<b>3,786</b>	3,292
	<b>3,786</b>	3,292

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>2020</b>	2019
	<b>£000</b>	£000
Overseas	<b>5,969</b>	6,027
Home	<b>7,918</b>	7,866
	<b>13,887</b>	13,893

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**6. Operating profit**

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

	<b>2020</b>	2019
	<b>£000</b>	£000
Depreciation and amortisation		
- depreciation of property, plant and equipment	<b>405</b>	348
- amortisation of intangible assets	<b>16</b>	27
Operating lease costs		
- site rental	-	55
- other operating leases	<b>16</b>	16
Employment costs (including directors remuneration – note 22)	<b>6,030</b>	5,719
Materials	<b>1,770</b>	2,238
Loss/(profit) on disposal of property, plant and equipment	<b>3</b>	(16)
Retirement benefit pension scheme administration costs	<b>38</b>	50
Other operating costs	<b>4,075</b>	4,077
<b>Total of costs included in operating profit</b>	<b>12,353</b>	12,514

Included within the above is £196,000 (2019: £142,000) in relation to research and development expenditure. In addition, £85,000 (2019: £23,000) of research and development costs were capitalised, including £54,000 (2019: £16,000) of employment costs.

**7. Auditors' remuneration**

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

	<b>2020</b>	2019
	<b>£000</b>	£000
Fees payable:		
Audit services	<b>37</b>	34
Assurance services	<b>1</b>	1
Accounting services	-	1
Tax services	<b>4</b>	14
<b>Total fees</b>	<b>42</b>	50

**8. Net finance costs**

	<b>2020</b>	2019
	<b>£000</b>	£000
Interest on bank deposits	<b>16</b>	13
Interest in relation to lease liabilities	<b>(4)</b>	-
Foreign exchange gains/(losses)	<b>13</b>	(30)
Pension finance cost (see note 23)	<b>(191)</b>	(181)
	<b>(166)</b>	(198)

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**9. Income taxes**

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Current taxes:</b>		
Current year	81	169
Adjustments in respect of prior periods	11	11
	<u>92</u>	<u>180</u>
<b>Deferred taxes:</b>		
Origination and reversal of temporary differences	174	(36)
Change in tax rate	8	-
Adjustments in respect of prior periods	25	-
	<u>207</u>	<u>(36)</u>
<b>Total income taxes</b>	<u>299</u>	<u>144</u>

**Tax reconciliation**

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19% (2019:19%) as explained below:

	<b>2020</b>	2019
	<b>£000</b>	£000
Profit before taxation	1,368	882
Corporation tax charge thereon at 19% (2019: 19%)	260	168
<b>Adjusted for the effects of:</b>		
Prior year adjustments	36	11
Research and development claim	(21)	(7)
Changes in tax rates	8	-
Other adjustments	16	(28)
<b>Total income taxes</b>	<u>299</u>	<u>144</u>
<b>Effective tax rate</b>	<u>21.9%</u>	<u>16.3%</u>

**10. Dividends**

	<b>2020</b>	2019
	<b>£000</b>	£000
Final dividend for the year ended 31st March 2019 of 6.875 pence per share (2018: 6.875 pence per share)	174	174
Interim dividend for the year ended 31st March 2020 of 5.50 pence per share (2019: 5.50 pence per share)	139	139
	<u>313</u>	<u>313</u>

The directors do not recommend a final dividend for this year, in view of the uncertainty resulting from the coronavirus pandemic.

## 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 £1,069,000, (2019: £738,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2019: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

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

	<b>Development costs £000</b>
<b>Cost</b>	
At 31st March 2018	391
Additions	24
Disposals	<b>(319)</b>
At 31st March 2019	96
Additions	85
Disposals	-
At 31st March 2020	<b>181</b>
<b>Amortisation</b>	
At 31st March 2018	306
Disposals	(319)
Charge for year	27
At 31st March 2019	14
Disposals	-
Charge for year	16
At 31st March 2020	<b>30</b>
<b>Net book value</b>	
At 31st March 2020	<b>151</b>
At 31st March 2019	82

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>Right of use assets - 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>£000</b>
<b>Cost or valuation</b>						
At 31st March 2018	2,225	-	7,825	643	364	11,057
Additions	-	-	127	5	108	240
Disposals	-	-	-	-	(106)	(106)
At 31st March 2019	2,225	-	7,952	648	366	11,191
Additions	-	159	416	84	-	659
Revaluation	118	-	(248)	-	-	(130)
Disposals	-	-	(145)	-	(25)	(170)
At 31st March 2020	<b>2,343</b>	<b>159</b>	<b>7,975</b>	<b>732</b>	<b>341</b>	<b>11,550</b>
<b>Depreciation</b>						
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	910	-	6,264	621	186	7,981
Charge for year	19	53	234	20	79	405
Revaluation	(32)	-	(280)	-	-	(312)
Disposals	-	-	(145)	-	(14)	(159)
At 31st March 2020	<b>897</b>	<b>53</b>	<b>6,073</b>	<b>641</b>	<b>251</b>	<b>7,915</b>
<b>Net book value</b>						
At 31st March 2020	<b>1,446</b>	<b>106</b>	<b>1,902</b>	<b>91</b>	<b>90</b>	<b>3,635</b>
At 31st March 2019	1,315	-	1,688	27	180	3,210

The net book value of freehold land and buildings includes £829,000 (2019: £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 2020, by independent valuers, John Chivers Commercial Ltd and Tallon & Associates.

If the cost model had been used, the carrying amount of land and buildings would be £792,000 (2019: £678,000) and plant and equipment would be £1,180,000 (2019: £954,000)

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**14. Investments**

	<b>2020</b>	2019
	<b>Company</b>	Company
	<b>£000</b>	£000
<b>Shares in subsidiaries:</b>		
Cost at 31st March 2019	<b>399</b>	399
Provisions carried forward from prior years	-	-
	<hr/>	<hr/>
Net book value 31st March 2020	<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 2020 was £518,000 (2019: £518,000).

**15. Inventories**

	<b>2020</b>	2019
	<b>Group and</b>	Group and
	<b>Company</b>	Company
	<b>£000</b>	£000
Raw materials	<b>921</b>	1,061
Work in progress and intermediate products	<b>1,923</b>	1,854
Finished goods	<b>1,386</b>	1,074
	<hr/>	<hr/>
	<b>4,230</b>	3,989
	<hr/>	<hr/>

During the period, the Group consumed £6,791,000 (2019: £6,979,000) of inventories (including material costs) including an increase in inventory write-downs of £373,000 (2019: £326,000).

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**16. Trade and other receivables**

	<b>2020 Group and Company £000</b>	<b>2019 Group and Company £000</b>
Trade receivables	<b>2,164</b>	2,108
Allowance for expected credit losses	<b>(49)</b>	(28)
	<b>2,115</b>	2,080
Prepayments and accrued income	<b>255</b>	206
	<b>2,370</b>	2,286

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>2020 Group and Company £000</b>	<b>2019 Group and Company £000</b>
<b>Trade receivables</b>		
Not yet overdue	<b>2,020</b>	2,053
1 to 30 days overdue	<b>103</b>	55
30 to 60 days overdue	<b>26</b>	-
61+ days overdue	<b>15</b>	-
	<b>2,164</b>	2,108

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

	<b>2020 Group any Company £000</b>	<b>2019 Group and Company £000</b>
Balance at 31st March (opening)	<b>28</b>	43
Provision for the year	<b>28</b>	3
Receivables written off during the year as uncollectable	<b>(7)</b>	(18)
Balance at 31st March (closing)	<b>49</b>	28

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 25.

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 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
Recognised in the Income Statement				
For the year	(88)	(127)	16	(199)
For the change in tax rate	-	(8)	-	(8)
Recognised in equity				
For the year	(55)	-	(24)	(79)
For the change in tax rate	131	-	(6)	125
At 31st March 2020	<b>1,249</b>	<b>(207)</b>	<b>(155)</b>	<b>887</b>

The deferred tax rate applied is 19% (2019:17%) as legislation has been substantively enacted which cancels the planned change in the main rate of UK corporation tax which was due to reduce from 19% to 17% from April 2020.

**18. Trade and other payables**

	<b>2020</b>	2019
	<b>Group and</b>	Group and
	<b>Company</b>	Company
	<b>£000</b>	£000
Trade payables	<b>968</b>	957
Accruals and deferred income	<b>556</b>	536
Social security and other taxes	<b>344</b>	296
	<b>1,868</b>	1,789

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

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**19. Leases**

**2020**  
**Group and**  
**Company**  
**£000**

**Right of Use Lease Liabilities**

Showroom premises Lease

Short term liability

58

Long term liability (1-2 years)

46

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 104
 

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The lease liability was calculated using an incremental borrowing rate of 3%.

The Group and Company have taken advantage of the available dispensation for short term and low value leases which continue to be expensed to profit or loss.

Measurement of lease liabilities

**2020**  
**Group and**  
**Company**  
**£000**

Operating lease commitments disclosed as at 31 March 2019

210

Less short-term and low value leases

(44)

Discount using the incremental borrowing rate

(7)

Lease liability recognised on 1 April 2019

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 159
 

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**20. Derivatives financial instruments**

At 31st March 2020 the Group and Company has no derivatives in place held for cash flow purposes (2019: £35,000 liability).

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

**21. Share capital**

**2020**                      2019  
**£000**                      £000

Authorised:

5,000,000 Ordinary shares of 10 pence each

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 500
 

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 500
 

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Issued and fully paid:

2,534,322 ordinary shares of 10 pence each

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 254
 

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 254
 

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**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**22. Particulars of staff**

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

	<b>2020</b>	2019
	<b>Number</b>	Number
Production	<b>104</b>	102
Distribution	<b>20</b>	23
Administration	<b>17</b>	16
Total	<b>141</b>	141

The total staff costs were as follows:

	<b>2020</b>	2019
	<b>£000</b>	£000
Wages and salaries	<b>5,137</b>	4,886
Social security costs	<b>477</b>	464
Pension scheme costs	<b>416</b>	369
	<b>6,030</b>	5,719

**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</b> <b>2020</b> <b>£000</b>	Total 2019 £000
<b>Executive Directors</b>						
S.B. Heath	47	-	-	4	<b>51</b>	50
D.J. Pick	229	-	60	12	<b>301</b>	275
M.P. Whieldon	155	10	48	21	<b>234</b>	212
S.G.P. Latham	121	28	-	-	<b>149</b>	144
M.J. Harrison**	27	6	7	4	<b>44</b>	-
<b>Non-Executive Directors</b>						
A.R. Buttanshaw	21	-	-	-	<b>21</b>	19
M.P. Green	11	1	-	-	<b>12</b>	12
R.M.H. Andrews	12	-	-	-	<b>12</b>	11
<b>Directors' emoluments</b>	<b>623</b>	<b>45</b>	<b>115</b>	<b>41</b>	<b>824</b>	723
Employer's NI					<b>118</b>	90
<b>Key management remuneration</b>					<b>942</b>	813

\*\* Figures for M.J. Harrison are from the date of his appointment on 17 December 2019.

The following directors are members of the Samuel Heath & Sons PLC final salary pension scheme (Note 23) which was closed to future accrual from 30<sup>th</sup> April 2005. The accrued annual benefits are:

	<b>Total</b> <b>2020</b> <b>£000</b>	Total 2019 £000
D.J. Pick	<b>31</b>	31
M.P. Whieldon	<b>8</b>	7

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**23. 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 full valuation of the Combined Scheme was carried out as at 31st March 2019. The liabilities were calculated using the defined accrued benefits method and assumed:

- long-term investment returns of 4.3% pa for the period before a member retires and 2.1% pa for the period after a member has retired.
- long-term future inflation rates of 3.6% pa.
- mortality rates based on the SAPS normal health tables with CMI 2018 year of birth projections and long-term rate of improvement of 1.5% pa.

The 2019 actuarial valuation showed the market value of the Combined Scheme's assets to be £8,609,000 (excluding Additional Voluntary Contributions), compared with the value of the accrued benefits of £16,966,000. There were therefore sufficient assets to cover 50% of the accrued benefits, based on the long-term funding assumptions.

The Company has agreed to fund the actuarial deficit of £8,357,000 by making payments to the scheme under the Recovery Plan that has been agreed between the Trustees of the scheme and the Company. During the next 12 months, based on this revised recovery plan, payments will be made to the scheme amounting to £1,000,000.

The assets of these now combined schemes are held separately from those of the Company and invested in equities and fixed interest investments to diversify its holdings and allow it to gain from the market whilst still holding conservative investments which aim to match the movement in interest rates. 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>2020</b>	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Inflation	<b>2.60</b>	3.45	3.30
Rate of increase in pension payment	<b>2.60</b>	3.45	3.30
Discount rate	<b>2.60</b>	2.70	2.90
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.

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 2019. The current tables reflect expected future mortality rates. These rates have increased in the 12 months since March 2019. The assumed life expectations on retirement at age 65 are:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Retiring today:</b>			
Male	<b>22.4</b>	21.8	22.3
Female	<b>24.8</b>	23.9	24.3
<b>Retiring in 20 years:</b>			
Male	<b>24.0</b>	23.5	24.0
Female	<b>26.4</b>	25.7	26.1

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**23. 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 1,451
	Increase by 0.5%	Decrease by 1,272
Rate of inflation	Decrease by 0.5%	Decrease by 639
	Increase by 0.5%	Increase by 710
Rate of mortality	Decrease by 1 year	Decrease by 629
	Increase by 1 year	Increase by 646

Amounts recognised within net finance costs are as follows:

	2020 £000	2019 £000
Expected return on pension scheme assets	(237)	(264)
Interest on pension scheme liabilities	428	445
	<b>191</b>	<b>181</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:

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Fair value of scheme assets	8,429	8,600	9,115	8,945	9,879
Present value of defined benefit obligations	(15,004)	(16,020)	(15,587)	(15,446)	(15,980)
Deficit in scheme	(6,575)	(7,420)	(6,472)	(6,501)	(6,101)
Related deferred tax asset	1,249	1,261	1,100	1,105	1,098
Net liability	(5,326)	(6,159)	(5,372)	(5,396)	(5,003)

	2020 £000	2019 £000
Deficit at 31st March (opening)	7,420	6,472
Company contributions	(783)	(516)
Administration costs	38	50
Net interest expense	191	181
Past service cost (GMP equalisation)	-	299
Actuarial (gain) / loss	(291)	934
Deficit at 31st March (closing)	<b>6,575</b>	<b>7,420</b>



**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

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

	<b>2020</b>	2019
	<b>£000</b>	£000
As at 31st March (opening)	<b>16,020</b>	15,587
Past service cost (GMP equalisation)	-	299
Interest cost	<b>428</b>	445
Benefits paid	<b>(359)</b>	(911)
Experience gain on defined benefit obligation	<b>(213)</b>	(233)
Actuarial loss / (gain) (life expectancy)	<b>280</b>	(76)
Actuarial (gain) / loss (financial assumptions)	<b>(1,152)</b>	909
As at 31st March (closing)	<b>15,004</b>	16,020

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

	<b>2020</b>	2019
	<b>£000</b>	£000
As at 31st March (opening)	<b>8,600</b>	9,115
Expected returns on assets	<b>237</b>	264
Employer contributions	<b>783</b>	516
Benefits paid	<b>(359)</b>	(911)
Administrative costs	<b>(38)</b>	(50)
Actuarial loss – difference on return on plan assets to expectation	<b>(794)</b>	(334)
As at 31st March (closing)	<b>8,429</b>	8,600

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

	<b>2020</b>	2019	2018
Standard Life GARS Fund	-	83%	95%
Equities	<b>78%</b>	10%	-
Cash	<b>22%</b>	7%	5%

**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 2020 amounted to £416,000 (2019: £369,000).

There is an accrual of £45,000 (2019: £43,000) 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)

**24. Exceptional item**

In 2019, the business recognised the past service cost resulting from Guaranteed Minimum Pension (GMP) equalisation as an exceptional item on the basis that it was 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 23.

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

Categories of financial instruments:

	<b>2020</b>	2019	<b>2020</b>	2019
	<b>Group</b>	Group	<b>Company</b>	Company
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Financial assets</b>				
Trade and other receivables – measured at amortised cost	<b>2,115</b>	2,080	<b>2,642</b>	2,607
Cash and cash equivalents – measured at cost	<b>3,016</b>	3,153	<b>3,016</b>	3,153
	<b>5,131</b>	5,233	<b>5,658</b>	5,760
<b>Financial liabilities</b>				
Trade and other payables measured at amortised cost	<b>1,082</b>	1,246	<b>2,030</b>	2,194
Derivative financial instruments at fair value	-	35	-	35
	<b>1,082</b>	1,281	<b>2,030</b>	2,229

**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>2020</b>	2019	<b>2020</b>	2019
	<b>£000</b>	£000	<b>£000</b>	£000
US Dollar	-	-	<b>264</b>	523
Euro	<b>7</b>	21	<b>147</b>	126
Australian Dollar	-	-	<b>1</b>	38
Canadian Dollar	-	-	<b>15</b>	55
	<b>7</b>	21	<b>427</b>	742

**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)

**25. 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.

**26. Operating lease commitments**

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

	<b>2020</b>		<b>2019</b>	
	<b>Group and Company</b>		<b>Group and Company</b>	
	<b>Land and</b>	<b>Other</b>	<b>Land and</b>	<b>Other</b>
	<b>Buildings</b>		<b>Buildings</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
In one year or less	-	<b>15</b>	55	17
Between one and five years	-	<b>10</b>	111	27
	-	<b>25</b>	166	44

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.

**27. Transactions with related parties**

There have been no related party transactions during the year other than dividends paid to Directors of £62,000 (2019: £62,000) based on their shareholdings at the date the dividend was declared.

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

The financial statements were authorised for issue on 9th July 2020, 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)

**29. Contingencies and commitments**

As at 31st March 2020 the Group had placed contracts for capital expenditure amounting to £nil (2019: £nil). The Group had no contingent liabilities at 31st March 2020.

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**30. 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 7th August 2020 at 12.00 noon.

**The Board is monitoring closely the current UK Government guidance on public gatherings and meetings, and in light of this the Company will proceed with the AGM with the minimum quorum of shareholders present to conduct business. Any shareholders who try to attend on the day unfortunately will be refused entry. The Board recognises the importance of the AGM to Shareholders and would encourage any wishing to vote to do so by proxy.**

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 2020 be approved and adopted.
2. The Directors do not recommend a final dividend as a result of the uncertainty arising from Coronavirus.
3. That Mr M.P. Green who retires by rotation be re-elected a director.
4. That Mr S.G.P. Latham who retires by rotation be re-elected a director.
5. That Mr M.J. Harrison who retires at the first General Meeting following his appointment be elected a director.
6. 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.**

7. 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.

8. 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 7th August 2025 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.
9. 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

## NOTICE OF MEETING

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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 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*

9th July 2020

**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 26th June 2020 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 6th August 2020 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 5th August 2020 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 5th August 2020 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 are charged at the standard geographic rate and will vary by provider. 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 5th August 2020.

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 5th August 2020. 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'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