SAMUEL HEATH & SONS PLC

Report and Accounts

for the year ended 31st March 2017

SAMUEL HEATH

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DIRECTORS AND OFFICERS

Directors:	Samuel B. Heath∗ *(Chairman)* Anthony R. Buttanshaw ∗+ *(Non-executive Deputy Chairman)* David J. Pick *(Managing Director)* Neil Bosworth *(Manufacturing Director)* Martyn P. Whieldon *(Sales Director)* Martin P. Green ∗+ *(Non-executive)* Simon G.P. Latham, FCCA *(Financial Director)* ∗Member of remuneration committee +Member of audit committee
Secretary:	John Park
Group Management Board:	Alan Cogzell Rolando Guselli
Registered Office:	Cobden Works Leopold Street Birmingham B12 OUJ Registered No. 00031942
Registrar:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 OLA
Auditors:	RSM UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF
Nominated Advisor and Nominated Broker:	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX

Chairman's Statement

It is pleasing to report results which show considerable improvement on last year.

Sales revenue was up to £13.053m (2016: £12.584) and profit before tax was £1.234m (2016: £947k). The operating profit was £1.444m (2016: £1.156m).

During the year, we thought it wise to have a revaluation of our land and buildings as well as our plant and machinery. This valuation showed a surplus of £1.389m (net of deferred tax) which is shown in the accounts.

The figures were helped considerably by the devaluation of sterling, increasing our margins on most of our export business which accounts for 42% of our sales. This was of course offset in part by the increased costs of all our imported raw materials and other purchases, a large percentage of which come from Europe or are priced in American dollars. Nevertheless, it is very pleasing to see a significant increase in performance.

On the personnel front as regard the Board, this year has witnessed much change. I reported on 11 August 2016 the sad death of Paul Turner at the very young age of 49.

As announced on 29 September 2016 Martin Legge decided that he finally had to retire. He has given many years' hard work and his financial advice in particular will be missed. I would like to thank him for all those years.

Our very successful Manufacturing Director, Neil Bosworth, has also decided to take early retirement from the Board and is stepping down with effect from 30 September 2017. He joined us straight from school and has excelled in a variety of positions before he took up his present one in 1996, being invited onto the Board in 2003.

Moving forward, it is a great pleasure to welcome Simon Latham to the Board as Financial Director. He is already contributing considerably.

After a very eventful year we are going into another one which is likely to be just as interesting. Along with a lot of other businesses, the effects at the moment of Brexit are not as feared, although it has to be said that even last year our UK business was marginally down. Our order book is fairly healthy. However, I still believe that there are likely to be some clouds on the horizon. Whether they arrive in this financial year, it is very difficult to forecast.

Meanwhile, the improving asset position allows us to pay the deferred interim dividend of 5.5p which I referred to in the interim report on 16 November 2016, as well as holding the final dividend at 6.875p, the same level as last year.

Sam Heath
Chairman

12th July 2017

STRATEGIC REPORT

The directors present their annual strategic report for the year ended 31st March 2017.

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 £4.361m (2016: £2.70m) through a combination of positive trading and the Revaluation of Property and Plant. These were sufficient to counter the increased deficit in the pension scheme.

Cash Position has remained strong, in excess of £2m. The cash balance was supported through not paying an interim dividend, itself the result of a spike in the pension deficit due to particularly low yields at the point of issue of the Interim Financial Information. However, a sum (£191k) was paid out as additional contribution to the pension scheme under the terms of the Recovery Plan.

Inventory has continued to grow (£3.789m, 2016: £3.321m) as we ensure that we can meet customer demand quickly, and also building up deliveries against customer contracts.

Pension Deficit has increased during the year as a result of worsening yield rates. The latest balance, net of the related deferred tax asset, is £5.396m (2016: £5.003m). The business has agreed to increase its fixed contributions under the Recovery Plan. See note 23.

Revenues have held up well, at £13.053m (2016: £12.584m), and we have a fairly healthy order book.

Gross Profit for the year has improved to 51%, from 48% last year, helped by strong results from overseas markets.

Operating Profit has also held up well, with a margin of 11%, compared to 9% last year.

Investments during the Year

The business has taken advantage of improved 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 £270k in R&D during the financial year (£110k in 2016) and advantage is taken of the various tax incentives where appropriate.

Also, significant investment was made in new machinery to improve the production process. £611k was spent on fixed assets in the year (2016: £422k), of which £423k (2016: £363k) was on Plant and Machinery.

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 increased during the year, with a greater emphasis on production:

	2017 Number	2016 Number
Production	**103**	97
Distribution	**22**	24
Administration	**16**	18
Total	**141**	139

The average staff costs were as follows:

Total Average Cost per head	**£38,335**	£36,475

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.

Risk

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

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

Currency risk, where this is viewed by the Directors as significant, is mitigated through the use of forward contracts. Although there were none in place at year end, subsequently a contract to mitigate the weakening of the USD has been put in place.

Environment

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

Pension

The Defined Benefit Pensions scheme has been in deficit for some years, and the current level of interest rates and yields does not help its recovery. The Company agreed a Recovery Plan with the Trustees in which it agreed to make both a fixed contribution each year, as well as additional contributions based on achievement of certain profit levels. The 2016 profits triggered the first of these additional payments, which was made during the 2017 financial year (£190k).

The nature of these variable payments is such that they are not recognised in future revenue expectations for deficit reduction purposes, and so in discussion with the Trustees, the Company has agreed to fix its contributions for the next three years at a level similar to the combined fixed and profit share elements previously agreed. The levels of contribution in 2017/18 are expected to be very similar in total under the new agreement to the expected level under the previous agreement, but they qualify to be included in the deficit reduction calculations.

New Product

The Landmark range of taps and bathroom accessories was launched in 2016, influenced in its styling by the Bauhaus School. It has been received very well within the market, and has already found its way into some significant new developments.

S.B. Heath
Chairman

12th July 2017

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31st March 2017.

Principal activities

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

Financial risk management

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

Dividends

The directors recommend a deferred interim dividend of 5.50 pence per share and a final dividend of 6.875 pence per share which will be proposed as a resolution at the forthcoming Annual General Meeting. Dividends of 6.25 pence per share (£174k) were paid during the year.

Directors

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

Beneficial interests:		**31st March 2017**	31st March 2016
S. B. Heath	Chairman	**491,581**	491,581
D. J. Pick	Managing Director	**5,733**	5,733
N. Bosworth	Manufacturing Director	**1,000**	1,000
A. R. Buttanshaw	Senior Non-Executive	**1,000**	1,000
M. P. Whieldon	Sales Director	**1,000**	1,000
M. P. Green	Non-Executive	**1,000**	1,000
S.G.P. Latham	Financial Director	**1,000**	-

Directors' remuneration is disclosed in note 22.

The directors retiring by rotation are Mr M.P. Green, and Mr N. Bosworth who, being eligible, offer themselves for re-election. Resolutions will be proposed that they be re-elected. Mr S.G.P. Latham, who was appointed on 28th February 2017 retires at the first General Meeting following his appointment and offers himself for election. He does not have a service contract with the company. Mr P.B. Turner died on 10th August 2016, and Martin Legge retired on 29th September 2016.

Non-executives

Mr A. R. Buttanshaw is a qualified accountant and has held a number of directorships in both public and private companies during his working life. He is the Senior Independent Director and Deputy Chairman.

Mr M.P. Green is a lawyer, specialising in tax, wills, trust advice and estate and inheritance tax planning. He holds a number of directorships/partnerships in private limited companies.

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

DIRECTORS' REPORT
(continued)

Other major shareholdings

On 1st July 2017, 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	5.2	132,400

Information to shareholders

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

Corporate governance

The Directors support high standards of corporate governance. The Board manages the affairs of the Company with regard to the Corporate Governance guidance issued by the Quoted Company Alliance.

Derivatives and other financial instruments

International Financial Reporting Standards (IFRS) 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.

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 2017 the creditor days compared to the value of supplier invoices received in the year was 31 days.

Revaluation

At the end of the year the company arranged for a professional revaluation of some of its major assets, to ensure fair representation of their value in the financial statements. This resulted in an increase in the carrying value of property (Land & Buildings) and machinery (Plant & Equipment):

Land & Buildings	£ 642,000
Plant & Machinery	£ 965,000
Gain on Revaluation of Assets	£1,607,000

This has been recognised in the carrying value of Fixed Assets at the end of the year, and credited to the Revaluation Reserve in Shareholders' Funds.

DIRECTORS' REPORT
(continued)

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 increased its spend on research and development to £270,000 (2016: £110,000) 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.

Auditors

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. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and applicable law. 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.

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

S.B. Heath
Chairman
12th July 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Samuel Heath & Sons PLC

Opinion on financial statements

We have audited the group and parent company financial statements ("the financial statements") on pages 11 to 34. 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 the parent's affairs as at 31 March 2017 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 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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, based on the work undertaken in the course of our audit, 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where 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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

INDEPENDENT AUDITOR'S 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.

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

12th July 2017

CONSOLIDATED INCOME STATEMENT
for the year ended 31st March 2017

	Note	2017 £000	2016 £000
Continuing operations			
Revenue	5	**13,053**	12,584
Cost of sales		**(6,386)**	(6,528)
Gross profit		**6,667**	6,056
Distribution costs		**(3,274)**	(3,083)
Administrative expenses		**(1,949)**	(1,817)
Operating profit	6	**1,444**	1,156
Finance income	8	**354**	360
Finance costs	9	**(564)**	(569)
Profit before taxation		**1,234**	947
Taxation	10	**(221)**	(178)
Profit for the year		**1,013**	769
Basic and diluted earnings per ordinary share	12	**40.0p**	30.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st March 2017

		2017 £000	2016 £000
Profit for the year		**1,013**	769
Items that will be reclassified to profit or loss:			
Cash flow hedges		**16**	(71)
		16	(71)
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme	23	**(629)**	411
Deferred taxation on actuarial loss/(gain)	18	**46**	(205)
Revaluation of property, plant and equipment		**1,607**	-
Deferred taxation on revaluation of assets		**(218)**	-
		806	206
Total comprehensive income for the year		**1,835**	904

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 before tax for the year is £1,864,000 (2016: £947,000).

STATEMENTS OF FINANCIAL POSITION

31st March 2017

		Group		Company	
		2017	2016	**2017**	2016
	Note	**£000**	£000	**£000**	£000
Non-current assets					
Intangible assets	13	**79**	128	**79**	128
Property, plant and equipment	14	**3,511**	1,581	**3,511**	1,581
Investments	15	**-**	-	**399**	399
Deferred tax asset	18	**793**	1,098	**793**	1,098
		4,383	2,807	**4,782**	3,206
Current assets					
Inventories	16	**3,789**	3,321	**3,789**	3,321
Trade and other receivables	17	**2,169**	2,153	**2,169**	2,153
Cash and cash equivalents		**2,079**	2,078	**2,079**	2,078
		8,037	7,552	**8,037**	7,552
Total assets		**12,420**	10,359	**12,819**	10,758
Current liabilities					
Trade and other payables	19	**(1,400)**	(1,317)	**(1,400)**	(1,317)
Amounts owed to group undertakings		**-**	-	**(422)**	(1,052)
Derivative financial instruments	20	**-**	(15)	**-**	(15)
Current tax payable		**(158)**	(147)	**(158)**	(147)
		(1,558)	(1,479)	**(1,980)**	(2,531)
Non-current liabilities					
Retirement benefit scheme	23	**(6,501)**	(6,101)	**(6,501)**	(6,101)
Deferred tax liability	18	**-**	(79)	**-**	(79)
		(6,501)	(6,180)	**(6,501)**	(6,180)
Total liabilities		**(8,059)**	(7,659)	**(8,481)**	(8,711)
Net assets		**4,361**	2,700	**4,338**	2,047
Equity					
Called up share capital	21	**254**	254	**254**	254
Capital redemption reserve		**109**	109	**109**	109
Revaluation reserve		**1,389**	-	**1,389**	-
Retained earnings		**2,609**	2,337	**2,586**	1,684
Equity shareholders' funds		**4,361**	2,700	**4,338**	2,047

The financial statements on pages 11 to 34 were approved by the Board and authorised for issue on 12th July 2017 and signed on its behalf by:

S.B. Heath
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st March 2017

	Share capital	Capital redemption reserve	Revaluation reserve	Retained Earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 31st March 2015	**254**	**109**	**-**	**1,731**	**2,094**
Equity dividends paid	-	-	-	(298)	(298)
Profit for the year	-	-	-	769	769
Other comprehensive income for the year	-	-	-	135	135
Total comprehensive loss for the year	-	-	-	904	904
Balance at 31st March 2016	**254**	**109**	**-**	**2,337**	**2,700**
Equity dividends paid	-	-	-	(174)	(174)
Profit for the year	-	-	-	1,013	1,013
Other comprehensive income for the year	-	-	1,389	(567)	822
Total comprehensive income for the year	-	-	1,389	446	1,835
Balance at 31st March 2017	**254**	**109**	**1,389**	**2,609**	**4,361**

STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)

for the year ended 31st March 2017

	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 31st March 2015	**254**	**109**	**-**	**1,078**	**1,441**
Equity dividends paid	-	-	-	(298)	(298)
Profit for the year	-	-	-	769	769
Other comprehensive loss for the year	-	-	-	135	135
Total comprehensive loss for the year	-	-	-	904	904
Balance at 31st March 2016	**254**	**109**	**-**	**1,684**	**2,047**
Equity dividends paid	-	-	-	(174)	(174)
Profit for the year	-	-	-	1,643	1,643
Other comprehensive income for the year	-	-	1,389	(567)	822
Total comprehensive income for the year	-	-	1,389	1,076	2,465
Balance at 31st March 2017	**254**	**109**	**1,389**	**2,586**	**4,338**

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

- The share capital is the issued and fully paid ordinary shares in issue at 10 pence per share (Note 21).
- 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.

CONSOLIDATED STATEMENT OF CASHFLOWS
for the year ended 31st March 2017

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Cash flow from operating activities				
Profit for the year before tax	**1,234**	947	**1,864**	947
Adjustments for:				
Depreciation	**272**	313	**272**	313
Amortisation	**57**	56	**57**	56
Profit on disposal of property, plant and equipment	**(37)**	(7)	**(37)**	(7)
Finance income	**(7)**	(10)	**(7)**	(10)
Defined benefit pension scheme expenses	**282**	255	**282**	255
Contributions to defined benefit pension scheme	**(511)**	(311)	**(511)**	(311)
Dividend Income	**-**	-	**(630)**	-
Operating cash flow before movements in working capital	**1,290**	1,243	**1,290**	1,243
Changes in working capital:				
Increase in inventories	**(468)**	(164)	**(468)**	(164)
Increase in trade and other receivables	**(16)**	(68)	**(16)**	(68)
Increase/(decrease) in trade and other payables	**117**	159	**(513)**	159
Cash generated from operations	**923**	1,170	**293**	1,170
Taxation paid	**(155)**	(72)	**(155)**	(72)
Net cash from operating activities	**768**	1,098	**138**	1,098
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(646)**	(390)	**(646)**	(390)
Proceeds from the sale of property, plant and equipment	**53**	10	**53**	10
Payments to acquire intangible assets	**(8)**	-	**(8)**	-
Finance income	**8**	10	**8**	10
Dividends received	**-**	-	**630**	-
	(593)	(370)	**37**	(370)
Cash flows from financing activities				
Dividends paid	**(174)**	(298)	**(174)**	(298)
	(174)	(298)	**(174)**	(298)
Net increase/(decrease) in cash and cash equivalents	**1**	430	**1**	430
Cash and cash equivalents at beginning of period	**2,078**	1,648	**2,078**	1,648
Cash and cash equivalents at end of period	**2,079**	2,078	**2,079**	2,078

1. General information

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

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2. Adoption of new and revised standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1st April 2016. The adoption of the following IFRSs has not impacted upon the financial statements:

IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – effective 2017
IAS 27 – Equity Method in Separate Financial Statements – Amendment – effective 2017
IAS 1 – Disclosure Initiative – effective 2017
Annual Improvements to IFRSs 2012-2014 Cycle – effective 2017
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the consolidation exception

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective, and are not expected to have a material impact on the group:

IAS 12 – Recognition of Deferred Tax – Amendment – effective 2018
IAS 7 – Disclosure Initiative – effective 2018
IFRS 9 – Financial Instruments – effective 2019
IFRS 15 – Revenue from Contracts with Customers – effective 2019
IFRS 16 – Leases – effective 2020
IFRIC22 – Foreign Currrency Transaction and Advance Consideration – effective 2019
Annual Improvements to IFRSs 2014-2016 Cycle - effective 2019

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3. Accounting policies

Basis of accounting

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

The financial statements, upon which this financial information is based, have been prepared under the historical cost basis. The principal accounting policies adopted are set out below.

Going concern

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

Basis of consolidation

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

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

3. Accounting policies (continued)

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred, and revenues and the associated costs can be measured reliably and future economic benefits are probable. 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. Revenue is recognised when goods are despatched.

Operating profit

Operating profit represents earnings from the company's core business operations, and does not include profit earned from investments 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.

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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all, or part, of the asset to be recovered.

Deferred tax is provided in full for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

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
Defined benefit scheme

Actuarial gains and losses arise on both defined benefit liabilities and scheme assets due to changes in assumptions compared with the start of the year and actual experience being different from those assumptions. These are recognised in full in the group statement of comprehensive income in the year in which they arise. Operating and financing costs of the scheme are recognised in the Income Statement in the period in which they arise. Changes in the scheme assets and scheme liabilities are reported in the Income Statement or the Statement of Comprehensive Income depending on the nature of the change.

3. Accounting policies (continued)

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 (which is included with cost of sales) is calculated so as 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

Property, plant and equipment

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

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

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

The residual values and expected useful economic lives are re-assessed on an annual basis. In 2017 an accounting policy of revaluations has been 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 has been recognised in Fixed Assets, and credited to the Revaluation Reserve.

Impairment of property, plant and equipment and intangible assets

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

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.

3. Accounting policies (continued)

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability and equity

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

Trade and other payables

Trade and other payables are not interest-bearing and are stated at their nominal value.

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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the year end date, and are discounted to present value where the effect is material.

Hedging

The normal course of the Group's business exposes it to currency exchange rate fluctuations. In order to hedge this risk the Group enters into foreign exchange contracts as deemed appropriate. This type of arrangement under IAS39 is classified as a "Cash Flow Hedge". The proportion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement. Upon crystallisation of the underlying transaction the gain or loss previously recognised in equity is recycled to the income statement.

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4. Critical accounting and key sources of estimation

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described above, the directors have made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Income taxes

The Group is subject to income taxes in the United Kingdom. Judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The recoverable amounts of the Group's deferred tax assets have been determined based on the Board's estimates of future taxable profits and income and tax rates.

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of intangible assets

Intangible assets are initially valued at their cost and then evaluated periodically for impairment. For purposes of valuation an intangible asset is considered impaired if its carrying value is less than the expected net cash flow from the asset.

Valuation of inventories

Determining the valuation of inventories requires an estimation of the obsolescence provision required to write down items to their realisable value.

Retirement benefit scheme deficit

The valuation of expected returns on assets and the present value of the liabilities of the scheme are determined by assumptions and estimates made by the directors based on the current information to hand. Therefore amounts are open to fluctuations in the future due to unforeseen changes or additional factors that come to light following the year end. The assumptions and their sensitivity are disclosed in note 23.

5. Segmental analysis

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

Primary analysis by business segment

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

Secondary analysis by geographical area

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

Sales revenue by geographical market

	2017	2016
	£000	£000
Overseas	**5,478**	4,882
Home	**7,575**	7,702
	13,053	12,584

NOTES FORMING PART OF THE ACCOUNTS
(continued)

6. Operating profit

Operating profit for the year has been arrived at after charging:

	2017 £000	2016 £000
Depreciation and impairment		
- depreciation of property, plant and equipment	**272**	313
- amortisation of intangible assets	**57**	56
Operating lease costs		
- site rental	**55**	46
- other operating leases	**13**	15
Employment costs (including directors remuneration – note 22)	**5,367**	5,070
Materials	**2,375**	2,523
Other services (including auditors' remuneration)	**3,491**	3,376
Profit on disposal of property, plant and equipment	**(37)**	(7)
Net foreign exchange (gains)/ losses	**(49)**	(77)
Retirement benefit pension scheme administration costs	**65**	36
Total of costs in income statement	**11,609**	11,351

Included within the above is £270k (2016: £110k) in relation to research and development expenditure.

7. Auditors' remuneration

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

	2017 £000	2016 £000
Fees payable:		
Audit services	**28**	25
Assurance services	**1**	1
Tax services	**24**	20
Other non-audit services	**5**	-
Total fees	**58**	46

8. Finance income

	2017 £000	2016 £000
Interest on bank deposits	**7**	10
Expected return on pension scheme assets	**347**	350
	354	360

9. Finance costs

	2017 £000	2016 £000
Interest on pension scheme liabilities	**564**	569
	564	569

NOTES FORMING PART OF THE ACCOUNTS
(continued)

10. Income taxes

	2017	2016
	£000	£000
Current taxes		
Tax on Profit in the Year	**158**	146
Adjustments in respect of prior periods	**8**	1
	166	147
Deferred taxes		
Origination and reversal of temporary differences	**59**	37
Effect of change in tax rates	**(4)**	(6)
	54	31
Total income taxes	**221**	178

Corporation tax is calculated at 20% (2016: 20%) of the estimated assessable profit for the year.

Tax reconciliation

	2017	2016
	£000	£000
Profit for the year	**1,234**	947
Corporation tax charge thereon at 20% (2016: 20%)	**247**	190
Adjusted for the effects of:		
Prior year adjustments	**8**	1
Research and development claim	**(24)**	(15)
Other adjustments	**(10)**	2
Total income taxes	**221**	178
Effective tax rate	**17.9%**	18.8%

11. Dividends

	2017	2016
	£000	£000
Final dividend for the year ended 31st March 2016 of 6.875 pence per share (2016: 6.25 pence per share)	**174**	158
Interim dividend for the year ended 31st March 2017 of 0.0 pence per share (2016: 5.50 pence per share)	**-**	140
	174	298

In addition to the dividends paid during the year the directors are recommending a deferred interim dividend of 5.50 pence per share amounting to £140,000 and a final dividend for 2017 of 6.875 pence per share amounting to £174,000. The proposed deferred interim and final dividend are subject to approval at the Annual General Meeting and have not been included as a liability in these accounts.

12. Earnings per share

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £1,013,000 (2016: £769,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2016: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

13. Intangible assets of the Group and of the Company

	Development costs £000
Cost	
At 31st March 2015	319
Additions	-
Disposals	-
At 31st March 2016	319
Additions	8
Disposals	-
At 31st March 2017	**327**
Amortisation	
At 31st March 2015	135
Charge for year	56
At 31st March 2016	191
Charge for year	57
At 31st March 2017	**248**
Net book value	
At 31st March 2017	**79**
At 31st March 2016	128

NOTES FORMING PART OF THE ACCOUNTS
(continued)

14. Property, plant and equipment of the Group and of the Company

	Freehold land and buildings £000	Plant and equipment £000	Vehicles £000	Total £000
Cost				
At 31st March 2015	1,544	6,763	369	8,676
Additions	39	363	20	422
Disposals	-	(180)	(33)	(213)
At 31st March 2016	1,583	6,946	356	8,885
Additions	-	423	188	611
Revaluation	642	965	-	1,607
Disposals	-	-	(174)	(174)
At 31st March 2017	**2,225**	**8,334**	**370**	**10,929**
Depreciation				
At 31st March 2015	785	6,206	210	7,201
Charge for year	31	207	75	313
Disposals	-	(180)	(30)	(210)
At 31st March 2016	816	6,233	255	7,304
Charge for year	34	164	74	272
Disposals	-	-	(158)	(158)
At 31st March 2017	**850**	**6,397**	**171**	**7,418**
Net book value				
At 31st March 2017	**1,375**	**1,937**	**199**	**3,511**
At 31st March 2016	767	713	101	1,581

The net book value of freehold land and buildings includes £774,000 (2016: £86,000) in respect of land which is not depreciated.

The group's freehold land and buildings, and plant and equipment, were revalued in January 2017, by independent valuers.

If the cost model had been used, the carrying amount of land and buildings would be £733k (2016: £767k) and plant and equipment would be £972k (2016: £713k)

NOTES FORMING PART OF THE ACCOUNTS
(continued)

15. Investments

	2017 Company £000	2016 Company £000
Shares in subsidiaries:		
Cost at 31st March 2017	**852**	852
Amounts written off	**(453)**	(453)
Net book value 31st March 2017	**399**	399

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

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

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 2017 was £518,000 (2016: £518,000).

16. Inventories

	2017 Group and Company £000	2016 Group and Company £000
Raw materials	**851**	761
Work in progress and intermediate products	**1,642**	1,376
Finished goods	**1,296**	1,184
	3,789	3,321

During the period, the group consumed £6,292,000 (2016: £6,528,000) of inventories including an increase in write-downs of £217,000 (2016: Increase of £241,000).

There are no inventories pledged as security for liabilities.

17. Trade and other receivables

	2017 Group and Company £000	2016 Group and Company £000
Trade receivables	**2,042**	1,993
Allowance for doubtful receivables	**(46)**	(32)
	1,996	1,961
Prepayments and accrued income	**173**	192
	2,169	2,153

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

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience, and knowledge of the solvency of customers. No interest is charged on the receivables.

The Group provides for all trade receivables that are potentially irrecoverable at the reporting date. The Group does not hold any collateral over the balances that are overdue.

Allowance for doubtful receivables	**2017 Group any Company £000**	2016 Group and Company £000
Balance at 31st March 2016	**32**	41
Provision for the year	**18**	2
Utilised in the year	**(4)**	(11)
Balance at 31st March 2017	**46**	32

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 doubtful receivables above. An analysis of financial risk is disclosed in note 24.

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

18. Deferred tax

	Defined benefit scheme	**Accelerated Capital Allowance**	**Revaluation of property, plant and equipment**	**Total**
	£000	**£000**	**£000**	**£000**
At 31st March 2015 (calculated at 20%)	**1,313**	**(58)**	**-**	**1,255**
Recognised in the Income Statement				
For the year	(10)	(27)	-	(37)
For the tax rate	-	6	-	6
Recognised in equity				
For the year	(131)	-	-	(131)
For the tax rate	(74)	-	-	(74)
At 31st March 2016 (calculated at 18%)	**1,098**	**(79)**	**-**	**1,019**
Recognised in the Income Statement				
For the year	(39)	(19)	-	(58)
For the tax rate	-	4	-	4
Recognised in equity				
For the year	107	-	(218)	(111)
For the tax rate	(61)	-	-	(61)
At 31st March 2017 (calculated at 17%)	**1,105**	**(94)**	**(218)**	**793**

The deferred tax asset and liability were presented gross in the 2016 Statement of Financial Position, however in 2017 these have been presented net as they arise in the same tax jurisdiction and are anticipated to be settled on a net basis.

The increase in the asset recognised at 31st March 2017 arises from an increase in the Samuel Heath & Sons PLC Combined Pension Scheme deficit.

The revaluation recognised in 2017 creates a deferred tax consideration.

19. Trade and other payables

	2017 Group and Company	2016 Group and Company
	£000	£000
Trade payables	**729**	734
Accruals and deferred income	**419**	316
Social security and other taxes	**252**	267
	1,400	1,317

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

20. Derivatives financial instruments and hedge accounting

At 31st March 2017 the Group has no derivatives in place held for cash flow hedging purposes (2016 £240,000).

Forward currency contracts

Contract	**Amount**	**Reference Currency**	**Maturity**	**Fair Value £000**
Forward currency contract	-	EURO	-	-

The purpose of these contracts is to mitigate the fluctuations of a proportion of expected sales (forecast) denominated in EURO's. The fair value of forward currency contracts is based on the current value of the difference between the contractual exchange rate and the forward market rate at the balance sheet date.

21. Share capital

	2017 £000	2016 £000
Authorised:		
5,000,000 Ordinary shares of 10 pence each	**500**	500
Issued and fully paid:		
2,534,322 (2016: 2,534,322) ordinary shares of 10 pence each	**254**	254

22. Particulars of staff

The average number of persons employed by the Company (including directors) during the year is analysed below:

	2017 Number	2016 Number
Production	**103**	97
Distribution	**22**	24
Administration	**16**	18
Total	**141**	139

	2017 £000	2016 £000
The total staff costs were as follows:		
Wages and salaries	**4,623**	4,314
Social security costs	**435**	401
Pension scheme costs	**309**	355
	5,367	5,070

22. Particulars of staff (continued)

Directors' remuneration

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

	Salary and fees £000	Pension contributions £000	Bonus £000	Benefits £000	**Total 2017 £000**	Total 2016 £000
Executive Directors						
N. Bosworth	149	-	47	2	**198**	177
S.B. Heath	64	-	40	4	**107**	66
D.J. Pick	204	-	59	8	**271**	251
P.B.Turner	44	9	-	3	**56**	141
M.P. Whieldon	109	31	40	16	**196**	165
S.G.P. Latham	19	4	-	-	**22**	-
Non-Executive Directors						
A.R. Buttanshaw	10	-	-	-	**10**	10
M.P. Green	10	-	-	-	**10**	10
M.J. Legge	5	-	-	-	**5**	10
	614	44	186	33	**877**	830
Employer's NI					**100**	86
					977	916

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

	Total 2017 £000	Total 2016 £000
N. Bosworth	**-**	38
D.J. Pick	**57**	56
M.P. Whieldon	**7**	7

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

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

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

The Company has agreed to fund the actuarial deficit of £6,422,000 by making payments to the scheme under the Recovery Plan that has been agreed between the Trustees of the scheme and the Company. The recovery plan has been updated to make the full contribution a commitment, removing the variable element based on profit. During the next 12 months, based on this revised recovery plan, payments will be made to the scheme amounting to £500,000.

The assets of these now combined schemes are held separately from those of the Company and invested in Standard Life Global Absolute Return Strategies (GARS) Unit Trusts.

The values use in the Financial Statements are valued using IAS 19:

The major assumptions used by the actuary were:	**2017**	2016	2015
	%	%	%
Inflation	**3.40**	3.20	3.20
Rate of increase in pension payment	**3.40**	3.20	3.20
Discount rate	**3.00**	3.70	3.40
Withdrawal of tax free cash	**25**	-	-

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. The return on the GARS fund is expected to be in line with the return on equities.
An additional assumption that members take advantage of the ability to withdraw 25% of their fund tax free on retirement has been included within the calculation to recognise that this is a frequent occurrence.

Mortality assumptions

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

	2017	2016	2015
Retiring today:			
Male	**22.4**	22.8	22.8
Female	**24.4**	25.3	25.3
Retiring in 20 years:			
Male	**24.2**	24.9	24.9
Female	**26.2**	27.6	27.6

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 1,740
	Increase by 0.5%	Decrease by 1,510
Rate of inflation	Decrease by 0.5%	Decrease by 820
	Increase by 0.5%	Increase by 920
Rate of mortality	Decrease by 1 year	Decrease by 610
	Increase by 1 year	Increase by 610

Amounts recognised within finance income/costs are as follows:

	2017 £000	2016 £000
Expected return on pension scheme assets	**(347)**	(350)
Interest on pension scheme liabilities	**564**	569
	217	219

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:

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Fair value of scheme assets	**8,945**	9,879	10,305	9,239	9,059
Present value of defined benefit obligations	**(15,446)**	(15,980)	(16,873)	(13,109)	(13,349)
Deficit in scheme	**(6,501)**	(6,101)	(6,568)	(3,870)	(4,290)
Related deferred tax asset	**1,105**	1,098	1,313	774	986
Net liability	**(5,396)**	(5,003)	(5,255)	(3,096)	(3,304)

	2017 £000	2016 £000
Deficit at 31st March	**6,101**	6,568
Company contributions	**(511)**	(311)
Administration costs	**65**	36
Net interest expense	**217**	219
Actuarial loss/(gain)	**629**	(411)
Deficit at 31st March	**6,501**	6,101

23. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations are as follows:

	2017 **£000**	2016 £000
As at 31st March	**15,980**	16,873
Interest cost	**564**	569
Benefits paid	**(1,463)**	(307)
Experience gain on defined benefit obligation	**(562)**	-
Changes to demographic assumptions	**(2,012)**	-
Actuarial (gain)/loss	**2,939**	(1,155)
As at 31st March	**15,446**	15,980

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

	2017 **£000**	2016 £000
As at 31st March	**9,879**	10,305
Expected returns on assets	**347**	350
Employer contributions	**511**	311
Benefits paid	**(1,462)**	(307)
Administrative costs	**(65)**	(36)
Return on plan assets	**(265)**	(744)
As at 31st March	**8,945**	9,879

The analysis of the scheme assets is set out below:

	2017	2016	2015
Standard Life GARS Fund	**97%**	97%	97%
Cash	**3%**	3%	3%

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and in the year ended 31st March 2017 amounted to £309,000 (2016: £355,000).

There is an accrual of £Nil (2016: £Nil) in the Statement of Financial Position representing the difference between the amount charged in the Income Statement and the amount paid to the pension scheme.

24. Financial instruments: information on financial risks

Categories of financial instruments:

	2017 Group £000	2016 Group £000	**2017 Company £000**	2016 Company £000
Financial assets				
Loans and receivables	**1,996**	1,961	**1,996**	1,961
Cash and cash equivalents	**2,079**	2,078	**2,079**	2,078
	4,075	4,039	**4,075**	4,039
Financial liabilities				
Financial Liabilities at amortised cost	**1,400**	1,317	**1,882**	2,424

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.

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

	Liabilities		**Assets**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
US Dollar	**-**	**-**	**339**	308
Euro	**22**	17	**149**	124
Australian Dollar	**-**	-	**26**	13
Canadian Dollar	**-**	5	**56**	26

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, because the position is mitigated through the use of forward currency contracts.

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.

24. Financial instruments: information on financial risks (continued)

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.

The table below illustrates the trade receivables past due date but not impaired:

	2017 Group and Company £000	2016 Group and Company £000
Trade receivables		
Less than 30 days	**68**	66
31 to 60 days	**17**	5
61 to 90 days	**6**	-
Over 91 days	**3**	9
	94	80

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

Liquidity risk

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

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

	2017 Group and Company		2016 Group and Company	
	Land and Buildings £000	**Other £000**	Land and Buildings £000	Other £000
In one year or less	**55**	**12**	55	10
Between one and five years	**52**	**40**	106	15
	107	**52**	161	25

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

26. Transactions with related parties

There have been no related party transactions during the year other than dividends paid to Directors of £37,000 (2016: £63,000) based on their shareholdings at the date the dividend was declared.

27. Events after the statement of financial position date

The financial statements were authorised for issue on 12th July 2017, and at this date the directors are unaware of any other events that would affect these financial statements.

28. Contingencies and commitments

As at 31st March 2017 the Group had placed contracts for capital expenditure amounting to £nil (2016: £66,000). The Group had no contingent liabilities at 31st March 2017.

29. Controlling Party

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

NOTICE OF MEETING

Notice is hereby given that the one hundred and twenty-seventh Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 11th August 2017 at 12.00 noon.

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

1. That the Directors' report and audited accounts for the year ended 31st March 2017 be approved and adopted.

2. That deferred interim dividend of 5.50 pence per share and a final dividend for the year ended 31st March 2017 of 6.875 pence per share be declared payable on 18th August 2017 to ordinary shareholders registered at the close of business on 21st July 2017.

3. That Mr M.P. Green who retires by rotation be re-elected a director.

4. That Mr N. Bosworth who retires by rotation be re-elected a director.

5. That Mr S.G.P. Latham 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 7 and 8 will be proposed as an Ordinary Resolution and Resolution 9 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 11th August 2022 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 heby had not expired.

NOTICE OF MEETING

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 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

J. Park

Secretary

12th July 2017

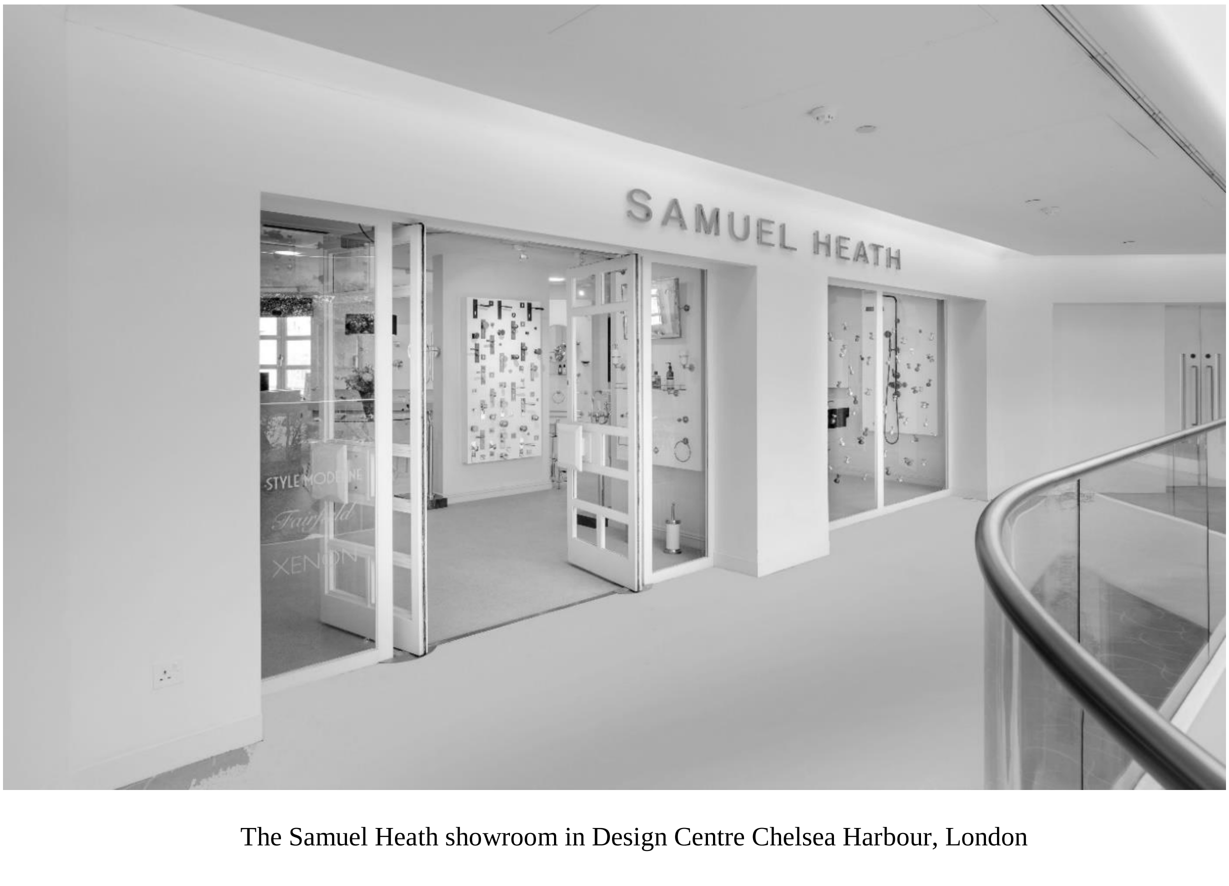
Notes:

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 30th June 2017 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 10th August 2017 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 9 August 2017 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 9th August 2017 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.

Samuel Heath's factory in Birmingham. Behind the protected 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

Landmark Industrial single lever basin mixer

Hand polishing a Style Moderne spout

CNC Manufacturing

Landmark Industrial thermostatic shower

SAMUEL HEATH

SAMUEL HEATH & SONS PLC
Leopold Street, Birmingham, B12 0UJ, England