SAMUEL HEATH AND SONS

Public Limited Company

Report and Accounts

for the year ended 31st March 2018

SAMUEL HEATH

CONTENTS

DIRECTORS AND OFFICERS

Directors:	Samuel B. Heath∗ *(Chairman)* Anthony R. Buttanshaw ∗+ *(Non-executive Deputy Chairman)* David J. Pick *(Managing Director)* Martyn P. Whieldon *(Sales Director)* Martin P. Green ∗+ *(Non-executive)* Ross M.H. Andrews∗+ *(Non-Executive)* Simon G.P. Latham, FCCA *(Financial Director)* ∗Member of remuneration committee +Member of audit committee
Secretary:	John Park
Group Management Board:	Alan Cogzell Rolando Guselli Martin Harrison
Registered Office:	Cobden Works Leopold Street Birmingham B12 OUJ Registered No. 00031942
Registrar:	Link Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU
Auditor:	RSM UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF
Nominated Advisor and Nominated Broker:	Cairn Financial Advisers LLP 62-63 Cheapside London EC2V 6AX

Chairman's Statement

It is pleasing to report the results for the year, which although a little bit down on the previous one, were still satisfactory.

Sales revenue was up to £14.354m (2017: £13.053m) although profit before tax was £1.177m (2017: £1.234m). The operating profit was £1.335m (2017: £1.444m). Operating profit has reduced a little, reflecting investment in overseas markets, with a margin of 9.3%, compared to 11.1% last year.

During the year, sterling appreciated after its sharp decline following the Brexit vote, reducing profitability on export sales. At the same time, the business invested in its sales infrastructure, principally to benefit future export sales. These combined to reduce our current margins.

Moving forward to the future and the current financial year, we must be very cautious. Shareholders must be sick of me saying it, but uncertainty is the worst thing for a good business environment. We certainly have plenty of uncertainty at the moment.

In constructing our budget this year, we consulted with some of our larger customers, particularly in the UK, about their own budgets. These varied from cautious to the downright pessimistic. Our own order book is down on what it was last year, which reflects the lack of sizeable contracts, again caused by others fearing to commit. On the other side of the coin we have some first class products including our expanding Landmark range of taps and accessories and the much tested Powermatic door closer. We also have active, if sometime erratic, export markets, which are the result of much thought and hard work over the years.

We are budgeting for a sales and profit figure down on last year, whilst remaining profitable, and at the time of writing are achieving our budgeted levels.

Our current profitability and strength of the Balance Sheet allow us to recommend, in addition to the interim dividend of 5.5p which was paid in March, a final dividend at the same level as last year, at 6.875p, which will be paid on 17th August 2018 to shareholders registered as at 20th July 2018.

Sam Heath
Chairman

11th July 2018

STRATEGIC REPORT

The directors present their annual strategic report for the year ended 31st March 2018.

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 £4.74m (2017: £4.36m) as a result of positive trading and a small reduction in the pension scheme deficit.

Cash Position has remained strong, growing by £287k to a balance of £2.4m. This was after paying out dividends for the year including the deferred interim dividend from the previous year, as well as the new fixed contribution to the pension scheme.

Inventory has continued to grow (£3.930m, 2017: £3.789m) as we ensure that we can meet customer demand quickly, and as the cost of production increases.

Pension Deficit has reduced during the year, although contributions were offset by worsening yield rates. The latest balance, net of the related deferred tax asset, is £5.372m (2017: £5.396m).

Revenues have increased by 10%, to £14.354m (2017: £13.053m).

Gross Profit for the year has reduced to 50%, from 51% last year, the small reduction resulting from an increase in the value of sterling.

Operating Profit has reduced a little illustrating investment in overseas markets, with a margin of 9.3%, compared to 11.1% last year.

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 £228,000 in R&D during the financial year (£270,000 in 2017) and advantage is taken of the various tax incentives where appropriate.

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:

	2018 Number	2017 Number
Production	**106**	103
Distribution	**23**	22
Administration	**16**	16
Total	**145**	141

The average staff costs were as follows:

Total Average Cost per head	**£39,855**	£38,063

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

By trading internationally, the 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.

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

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

There is uncertainty in the current market place surrounding the Company'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 wider geographical area, as well as investigating contingency plans to mitigate the administration costs of any new customs legislation that may be forthcoming.

Environment

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

Pension

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

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.

S.B. Heath
Chairman

11th July 2018

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 2018.

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 23.

Dividends

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

Directors

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

Beneficial interests:		**31st March 2018**	31st March 2017 or appointment
S. B. Heath	Chairman	**491,581**	491,581
D. J. Pick	Managing Director	**5,733**	5,733
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
R.M.H. Andrews	Non-Executive	**1,000**	-
S.G.P. Latham	Financial Director	**1,000**	1,000

N. Bosworth was a director during the year, until his resignation effective 30th September 2017.
R.M.H Andrews was appointed to a Non-Executive Director role on 1st September 2017.

Directors' remuneration is disclosed in note 21.

The directors retiring by rotation are Mr S.B. Heath, and Mr D.J. Pick who, being eligible, offer themselves for re-election. Resolutions will be proposed that they be re-elected. Mr R.M.H. Andrews offers himself for election at the first AGM after his appointment.

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.

Mr R.M.H. Andrews is an experienced corporate adviser with 30 years' experience advising companies and management teams on public market transactions.

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

Executives

S.B Heath joined the Company in 1956 and was appointed to the board in 1962. He was Managing Director from 1963 until 1998.

Executives (continued)

D.J Pick joined the Company in 1978 and was appointed to the board in 1995 and has been Managing Director since 1998.

M.P. Whieldon joined the Company in 1995 and was appointed to the board in 2010. His main responsibility is for Sales.

S.G.P. Latham is a qualified accountant, joining the Company and the board in 2017.

Other major shareholdings

On 1st July 2018, the Company had been notified, in accordance with chapter 5 of Disclosures and Transparency Rules, in addition to the directors, of the following voting rights as a shareholder of the company:

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

Information to shareholders

The Company has its own website (www.samuel-heath.co.uk) 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 2018 the creditor days compared to the value of supplier invoices received in the year was 30 days.

Future developments

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

Research and development

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

The Company spend on research and development for the year was £228,000 (2017: £270,000) 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.

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
11th July 2018

(Company Registration Number: 00031942)

_____INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SAMUEL HEATH & SONS PLC_____

Opinion on financial statements

We have audited the financial statements of Samuel Heath & Sons plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 March 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, statements of financial position, consolidated statement of changes in equity, parent company statement of changes in equity, 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 31 March 2018 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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 and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £120,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

(Company Registration Number: 00031942)

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

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 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, 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.

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

11th July 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 31st March 2018

	Note	2018 £000	2017 £000
Revenue	5	**14,354**	13,053
Cost of sales		**(7,232)**	(6,386)
Gross profit		**7,122**	6,667
Selling & distribution costs		**(3,767)**	(3,274)
Administrative expenses		**(2,020)**	(1,949)
Operating profit	6	**1,335**	1,444
Net finance costs	8	**(158)**	(210)
Profit before taxation		**1,177**	1,234
Taxation	9	**(197)**	(221)
Profit for the year attributable to owners of the parent company		**980**	1,013
Basic and diluted earnings per ordinary share	11	**38.7p**	40.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st March 2018

		2018 £000	2017 £000
Profit for the year		**980**	1,013
Items that will be reclassified to profit or loss:			
Cash flow hedges		**-**	16
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension scheme	22	**(234)**	(629)
Deferred taxation on actuarial loss	17	**40**	46
Revaluation of property, plant and equipment		**-**	1,607
Deferred taxation on revaluation of assets	17	**44**	(218)
		(150)	806
Total comprehensive income for the year		**830**	1,835

STATEMENTS OF FINANCIAL POSITION

31st March 2018

		Group		Company	
		2018	2017	**2018**	2017
	Note	**£000**	£000	**£000**	£000
Non-current assets					
Intangible assets	12	**85**	79	**85**	79
Property, plant and equipment	13	**3,337**	3,511	**3,337**	3,511
Investments	14	**-**	-	**399**	399
Deferred tax assets	17	**853**	793	**853**	793
		4,276	4,383	**4,675**	4,782
Current assets					
Inventories	15	**3,930**	3,789	**3,930**	3,789
Trade and other receivables	16	**2,287**	2,169	**2,287**	2,169
Amounts owed by group undertakings		**-**	-	**527**	527
Cash and cash equivalents		**2,366**	2,079	**2,366**	2,079
		8,583	8,037	**9,110**	8,563
Total assets		**12,859**	12,420	**13,785**	13,345
Current liabilities					
Trade and other payables	18	**(1,474)**	(1,400)	**(1,474)**	(1,400)
Amounts owed to group undertakings		-	**-**	**(948)**	(948)
Current tax payable		**(175)**	(158)	**(175)**	(158)
		(1,649)	(1,558)	**(2,597)**	(2,506)
Non-current liabilities					
Retirement benefit scheme	22	**(6,472)**	(6,501)	**(6,472)**	(6,501)
Total liabilities		**(8,121)**	(8,059)	**(9,069)**	(9,007)
Net assets		**4,738**	4,361	**4,716**	4,338
Equity					
Called up share capital	20	**254**	254	**254**	254
Capital redemption reserve		**109**	109	**109**	109
Revaluation reserve		**1,357**	1,389	**1,357**	1,389
Retained earnings		**3,018**	2,609	**2,996**	2,586
Total equity attributable to owners of the Parent Company		**4,738**	4,361	**4,716**	4,338

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 £980,000 (2017: £1,643,000).

The financial statements on pages 12 to 35 were approved by the Board and authorised for issue on 11th July 2018 and signed on its behalf by:

S.B. Heath
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st March 2018

	Share capital £000	Capital redemption £000	Revaluation reserve £000	Retained earnings £000	Total Equity £000
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**
Equity dividends paid	-	-	-	(453)	(453)
Profit for the year	-	-	-	980	980
Reclassification of depreciation on revaluation	-	-	(76)	76	-
Other comprehensive income for the year	-	-	44	(194)	(150)
Total comprehensive income for the year	-	-	(32)	862	830
Balance at 31st March 2018	**254**	**109**	**1,357**	**3,018**	**4,738**

STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)

for the year ended 31st March 2018

	Share capital £000	Capital redemption £000	Revaluation reserve £000	Retained earnings £000	Total Equity £000
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**
Equity dividends paid	-	-	-	(453)	(453)
Profit for the year	-	-	-	980	980
Reclassification of amortisation on revaluation	-	-	(76)	76	-
Other comprehensive loss for the year	-	-	44	(194)	(150)
Total comprehensive income for the year	-	-	(92)	922	830
Balance at 31st March 2018	**254**	**109**	**1,357**	**2,996**	**4,716**

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 20).
- 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 2018

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Cash flow from operating activities				
Profit for the year before taxation	**1,177**	1,234	**1,177**	1,864
Adjustments for:				
Depreciation	**365**	272	**365**	272
Amortisation	**58**	57	**58**	57
Profit on disposal of property, plant and equipment	**(10)**	(37)	**(10)**	(37)
Finance income	**(30)**	(7)	**(30)**	(7)
Defined benefit pension scheme expenses	**237**	282	**237**	282
Contributions to defined benefit pension scheme	**(500)**	(511)	**(500)**	(511)
Dividend income	**-**	-	**-**	(630)
Operating cash flow before movements in working capital	**1,297**	1,290	**1,297**	1,290
Changes in working capital:				
Increase in inventories	**(141)**	(468)	**(141)**	(468)
Increase in trade and other receivables	**(118)**	(16)	**(118)**	(16)
Increase/(decrease) in trade and other payables	**74**	117	**74**	(513)
Cash generated from operations	**1,112**	923	**1,112**	293
Taxation paid	**(157)**	(155)	**(157)**	(155)
Net cash from operating activities	**955**	768	**955**	138
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(222)**	(646)	**(222)**	(646)
Proceeds from the sale of property, plant and equipment	**41**	53	**41**	53
Payments to acquire intangible assets	**(64)**	(8)	**(64)**	(8)
Finance income	**30**	8	**30**	8
Dividends received	**-**	-	**-**	630
	(215)	(593)	**(215)**	37
Cash flows from financing activities				
Dividends paid	**(453)**	(174)	**(453)**	(174)
Net increase in cash and cash equivalents	**287**	1	**287**	1
Cash and cash equivalents at beginning of year	**2,079**	2,078	**2,079**	2,078
Cash and cash equivalents at end of year	**2,366**	2,079	**2,366**	2,079

NOTES FORMING PART OF THE ACCOUNTS

1. General information

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

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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 2018.

Accounting standards in issue but not yet effective

Following an initial review of the likely impact, the Directors anticipate that the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" will not have any impact on the financial statements of the Group or the Parent Company, other than on disclosure notes. Based on leases in existence at 31st March 2018, the adoption of IFRS 16 "Leases" will not have an impact on net assets or to the annual profit or loss charge of more than £10,000.

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 2018.

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3. Accounting policies

Basis of accounting

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

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

Going concern

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

Basis of consolidation

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

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

Revenue recognition

Revenue is recognised when 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 dispatched, as the Directors believe that this is the point

3. Accounting policies (continued)

at which the significant risks and rewards of ownership are transferred to the customer in accordance with IAS 18 “Revenue Recognition”.

Operating profit

Operating profit represents earnings from the Group’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 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 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.

3. Accounting policies (continued)

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 to its residual value, on the following bases:

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

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

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

Impairment of property, plant and equipment and intangible assets

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

Investments in subsidiaries

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

Inventories

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

Financial instruments

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value then subsequently at amortised cost and are reduced by appropriate allowances for estimated irrecoverable amounts.

3. Accounting policies (continued)

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.

Leases

Rentals receivable under operating leases are recognised in the income statement as and when they fall due. Rentals payable under operating leases, where substantially all of the benefit and risks of ownership remain with the lessor, are charged against profits on a straight-line basis over the term of the lease.

Post balance sheet events and dividends

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

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 accounting estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements.

The key accounting judgements and sources of estimation uncertainty with a significant risk of causing a material adjustment to assets and liabilities in the next 12 months include the following:

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

Pensions – movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in the defined benefit pension scheme. The key assumptions used to value pension assets and liabilities are set out in note 22 “Retirement benefit scheme”.

Valuation of property, plant and equipment – the Group reviews the value, useful economic lives and residual values attributed to assets on an on-going basis to ensure they are appropriate. Changes in market value, economic lives or residual values could impact the carrying value and charges to the income statement in future periods.

Provisions – using information available at the balance sheet date, the Directors make judgements based on experience on the level of provision required against assets, including inventory and trade receivables. Further information received after the balance sheet date may impact the level of provision required.

Deferred tax assets – deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

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

	2018	2017
	£000	£000
Overseas	**6,013**	5,478
Home	**8,341**	7,575
	14,354	13,053

6. Operating profit

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

	2018	2017
	£000	£000
Depreciation and impairment		
- depreciation of property, plant and equipment	**365**	272
- amortisation of intangible assets	**58**	57
Operating lease costs		
- site rental	**55**	55
- other operating leases	**15**	13
Employment costs (including directors remuneration – note 21)	**5,779**	5,367
Materials	**2,612**	2,375
Other services (including auditors' remuneration)	**4,055**	3,491
Profit on disposal of property, plant and equipment	**(9)**	(37)
Net foreign exchange losses/(gains)	**40**	(49)
Retirement benefit pension scheme administration costs	**49**	65
Total of costs in income statement	**13,019**	11,609

Included within the above is £228,000 (2017: £270,000) 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.

	2018	2017
	£000	£000
Fees payable:		
Audit services	**31**	28
Assurance services	**1**	1
Tax services	**19**	24
Other non-audit services	**-**	5
Total fees	**51**	58

8. Net finance costs

	2018	2017
	£000	£000
Interest on bank deposits	**30**	7
Pension finance cost (see note 22)	**(188)**	(217)
	(158)	(210)

9. Income taxes

	2018	2017
	£000	£000
Current taxes:		
Current year	**175**	158
Adjustments in respect of prior periods	**(1)**	8
	174	166
Deferred taxes:		
Origination and reversal of temporary differences	**23**	59
Effect of change in tax rates	**-**	(4)
	23	55
Total income taxes	**197**	221

Corporation tax is calculated at 19% (2017: 20%) of the estimated assessable profit for the year.

Tax reconciliation

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19% (2017:20%) as explained below:

	2018	2017
	£000	£000
Profit for the year	**1,177**	1,234
Corporation tax charge thereon at 19% (2017: 20%)	**224**	247
Adjusted for the effects of:		
Prior year adjustments	**(1)**	8
Research and development claim	**(22)**	(24)
Other adjustments	**(4)**	(10)
Total income taxes	**197**	221
Effective tax rate	**16.7%**	17.9%

10. Dividends

	2018	2017
	£000	£000
Final dividend for the year ended 31st March 2017 of 6.875 pence per share (2017: 6.875 pence per share)	**174**	174
Deferred Interim dividend for the year ended 31st March 2017 of 5.50 pence per share (2016: 5.50 pence per share)	**139**	-
Interim dividend for the year ended 31st March 2018 of 5.50 pence per share (2017: 5.50 pence per share)	**139**	-
	452	174

In addition to the dividends paid during the year the directors are recommending a final dividend for 2018 of 6.875 pence per share amounting to £174,000. The proposed final dividend is subject to approval at the Annual General Meeting and hence has not been included as a liability in these accounts.

11. Earnings per share

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £980,000 (2017: £1,013,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2017: 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

	Development costs £000
Cost	
At 31st March 2016	319
Additions	8
Disposals	-
At 31st March 2017	327
Additions	64
Disposals	-
At 31st March 2018	**391**
Amortisation	
At 31st March 2016	191
Charge for year	57
At 31st March 2017	248
Charge for year	58
At 31st March 2018	**306**
Net book value	
At 31st March 2018	**85**
At 31st March 2017	79

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

	Freehold land and buildings	Plant and equipment	Computer & office equipment	Vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 31st March 2016	1,583	6,350	596	356	8,885
Additions	-	385	38	188	611
Revaluation	642	965	-	-	1,607
Disposals	-		-	(174)	(174)
At 31st March 2017	2,225	7,700	634	370	10,929
Additions	-	125	9	88	222
Disposals	-	-	-	(94)	(94)
At 31st March 2018	**2,225**	**7,825**	**643**	**364**	**11,057**
Depreciation					
At 31st March 2016	816	5,736	497	255	7,304
Charge for year	34	114	50	74	272
Disposals	-	-	-	(158)	(158)
At 31st March 2017	850	5,850	547	171	7,418
Charge for year	41	202	48	74	365
Disposals	-	-	-	(63)	(63)
At 31st March 2018	**891**	**6,052**	**595**	**182**	**7,720**
Net book value					
At 31st March 2018	**1,334**	**1,773**	**48**	**182**	**3,337**
At 31st March 2017	1,375	1,850	87	199	3,511

The net book value of freehold land and buildings includes £774,000 (2017: £774,000) in respect of land which is not depreciated.

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

If the cost model had been used, the carrying amount of land and buildings would be £705,000 (2017: £733,000) and plant and equipment would be £963,000 (2017: £972,000)

14. Investments

	2018 Company £000	2017 Company £000
Shares in subsidiaries:		
Cost at 31st March 2018	**399**	852
Provisions carried forward from prior years	**-**	(453)
Net book value 31st March 2018	**399**	399

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 2018 was £518,000 (2017: £518,000).

15. Inventories

	2018 Group and Company £000	2017 Group and Company £000
Raw materials	**987**	851
Work in progress and intermediate products	**1,785**	1,642
Finished goods	**1,158**	1,296
	3,930	3,789

During the period, the group consumed £7,094,000 (2017: £6,292,000) of inventories (including material costs) including an increase in inventory write-downs of £94,000 (2017: £217,000).

16. Trade and other receivables

	2018 Group and Company £000	2017 Group and Company £000
Trade receivables	**2,102**	2,042
Allowance for doubtful receivables	**(43)**	(46)
	2,059	1,996
Prepayments and accrued income	**228**	173
	2,287	2,169

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	**2018 Group any Company £000**	2017 Group and Company £000
Balance at 31st March (Opening)	**46**	32
Provision for the year	**18**	18
Utilised in the year	**(21)**	(4)
Balance at 31st March (Closing)	**43**	46

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 23.

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

17. Deferred tax

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 2016	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	1,105	(94)	(218)	793
Recognised in the Income Statement				
For the year	(45)	6	16	(23)
Recognised in equity				
For the year	40	-	43	83
At 31st March 2018	**1,100**	**(88)**	**(159)**	**853**

The deferred tax rate applied is 17% (2017:17%) as legislation has been substantively enacted which reduces the main rate of UK corporation tax from 19% to 17% from April 2020. The impact of estimating the timing of deferred tax reversals in the intervening years before the rate reaches 17% is not considered to be material.

18. Trade and other payables

	2018 Group and Company	2017 Group and Company
	£000	£000
Trade payables	**750**	729
Accruals and deferred income	**388**	419
Social security and other taxes	**336**	252
	1,474	1,400

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

19. Derivatives financial instruments and hedge accounting

At 31st March 2018 the Group has no derivatives in place held for cash flow hedging purposes (2017 nil).

The purpose of forward currency contracts is to mitigate the fluctuations of a proportion of expected sales (forecast) denominated in US Dollars.

20. Share capital

	2018 £000	2017 £000
Authorised:		
5,000,000 Ordinary shares of 10 pence each	**500**	500
Issued and fully paid:		
2,534,322 (2017: 2,534,322) ordinary shares of 10 pence each	**254**	254

21. Particulars of staff

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

	2018 Number	2017 Number
Production	**106**	103
Distribution	**23**	22
Administration	**16**	16
Total	**145**	141

	2018 £000	2017 £000
The total staff costs were as follows:		
Wages and salaries	**4,954**	4,623
Social security costs	**462**	435
Pension scheme costs	**363**	309
	5,779	5,367

21. Particulars of staff (continued)

Directors' remuneration

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

	Salary and fees £000	Pension contributions £000	Bonus £000	Benefits £000	**Total 2018 £000**	Total 2017 £000
Executive Directors						
N. Bosworth	77	-	24	-	**101**	198
S.B. Heath	54	-	-	4	**58**	107
D.J. Pick	211	-	59	8	**278**	271
M.P. Whieldon	114	34	43	20	**211**	196
S.G.P. Latham	115	26	-	-	**141**	22
P. B. Turner	-	-	-	-	**-**	56
Non-Executive Directors						
A.R. Buttanshaw	14	-	-	-	**14**	10
M.P. Green	10	1	-	-	**11**	10
R.M.H. Andrews	6	-	-	-	**6**	-
M. J. Legge	-	-	-	-	**-**	5
Directors' emoluments	601	61	126	32	**820**	875
Employer's NI					**83**	100
Key management remuneration					**903**	975

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

	Total 2018 £000	Total 2017 £000
D.J. Pick	**59**	57
M.P. Whieldon	**7**	7

22. Retirement benefit schemes

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

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

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

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

The Company has agreed to fund the actuarial deficit of £6,422,000 by making payments to the scheme under the Recovery Plan that has been agreed between the Trustees of the scheme and the Company. The recovery plan has been updated to make the full contribution a commitment, removing the variable element based on profit. During the next 12 months, based on this revised recovery plan, payments will be made to the scheme amounting to £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 used in the Financial Statements are valued using IAS 19:

The major assumptions used by the actuary were:	**2018**	2017	2016
	%	%	%
Inflation	**3.30**	3.40	3.20
Rate of increase in pension payment	**3.30**	3.40	3.20
Discount rate	**2.90**	3.00	3.70
Withdrawal of tax free cash	**25.00**	25.00	-

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

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

Mortality assumptions

The mortality tables were reviewed as part of the actuarial valuation as at 31st March 2016. The current tables reflect expected future improvements in mortality rates. These rates have reduced in the 12 months since March 2017. The assumed life expectations on retirement at age 65 are:

	2018	2017	2016
Retiring today:			
Male	**22.3**	22.4	22.8
Female	**24.3**	24.4	25.3
Retiring in 20 years:			
Male	**24.0**	24.2	24.9
Female	**26.1**	26.2	27.6

22. Retirement benefit schemes (continued)

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

Assumption	Change in assumption	Impact on scheme liabilities £000
Discount rate	Decrease by 0.5%	Increase by 1,713
	Increase by 0.5%	Decrease by 1,491
Rate of inflation	Decrease by 0.5%	Decrease by 843
	Increase by 0.5%	Increase by 946
Rate of mortality	Decrease by 1 year	Decrease by 644
	Increase by 1 year	Increase by 644

Amounts recognised within net finance costs are as follows:

	2018 £000	2017 £000
Expected return on pension scheme assets	**(270)**	(347)
Interest on pension scheme liabilities	**458**	564
	188	217

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:

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Fair value of scheme assets	**9,115**	8,945	9,879	10,305	9,239
Present value of defined benefit obligations	**(15,587)**	(15,446)	(15,980)	(16,873)	(13,109)
Deficit in scheme	**(6,472)**	(6,501)	(6,101)	(6,568)	(3,870)
Related deferred tax asset	**1,100**	1,105	1,098	1,313	774
Net liability	**(5,372)**	(5,396)	(5,003)	(5,255)	(3,096)

	2018 £000	2017 £000
Deficit at 31st March	**6,501**	6,101
Company contributions	**(500)**	(511)
Administration costs	**49**	65
Net interest expense	**188**	217
Actuarial loss/(gain) (financial assumptions)	**234**	629
Deficit at 31st March	**6,472**	6,501

22. Retirement benefit schemes (continued)

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

	2018 £000	2017 £000
As at 31st March (Opening)	**15,446**	15,980
Interest cost	**458**	564
Benefits paid	**(346)**	(1,463)
Experience gain on defined benefit obligation	**-**	(562)
Actuarial gain (life expectancy)	**(112)**	(2,012)
Actuarial loss (financial assumptions)	**141**	2,939
As at 31st March (Closing)	**15,587**	15,446

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

	2018 £000	2017 £000
As at 31st March (Opening)	**8,945**	9,879
Expected returns on assets	**270**	347
Employer contributions	**500**	511
Benefits paid	**(346)**	(1,462)
Administrative costs	**(49)**	(65)
Actuarial loss – difference on return on plan assets to expectation	**(205)**	(265)
As at 31st March (Closing)	**9,115**	8,945

The analysis of the scheme assets is set out below:

	2018	2017	2016
Standard Life GARS Fund	**95%**	97%	97%
Cash	**5%**	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 2018 amounted to £363,000 (2017: £309,000).

There is an accrual of £Nil (2017: £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.

23. Financial instruments: information on financial risks

Categories of financial instruments:

	2018 Group £000	2017 Group £000	**2018 Company £000**	2017 Company £000
Financial assets				
Trade and other receivables – measured at amortised cost	**2,059**	1,996	**2,585**	2,522
Cash and cash equivalents – measured at cost	**2,366**	2,079	**2,366**	2,079
	4,425	4,075	**4,951**	4,601
Financial liabilities				
Trade and other payables measured at cost	**1,138**	1,148	**2,086**	2,096

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:

	Liabilities		**Assets**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
US Dollar	**22**	**-**	**502**	339
Euro	**9**	22	**185**	149
Australian Dollar	**-**	-	**24**	26
Canadian Dollar	**-**	**-**	**2**	56
Singapore Dollar	**-**	-	**9**	-

Foreign currency sensitivity analysis

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

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

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.

23. 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:

	2018 Group and Company £000	2017 Group and Company £000
Trade receivables		
Less than 30 days	**15**	68
31 to 60 days	**-**	17
61 to 90 days	**-**	6
Over 91 days	**9**	3
	24	94

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.

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

	2018 Group and Company		2017 Group and Company	
	Land and Buildings £000	**Other £000**	Land and Buildings £000	Other £000
In one year or less	**52**	**15**	55	12
Between one and five years	**-**	**42**	52	40
	52	**57**	107	52

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.

25. Transactions with related parties

There have been no related party transactions during the year other than dividends paid to Directors of £90,000 (2017: £35,000) based on their shareholdings at the date the dividend was declared.

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

The financial statements were authorised for issue on 11th July 2018, and at this date the directors are unaware of any other events that would affect these financial statements.

27. Contingencies and commitments

As at 31st March 2018 the Group had placed contracts for capital expenditure amounting to £40,000 (2017: nil). The Group had no contingent liabilities at 31st March 2018.

28. 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-eighth Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 10th August 2018 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 2018 be approved and adopted.

2. That a final dividend for the year ended 31st March 2018 of 6.875 pence per share be declared payable on 17th August 2018 to ordinary shareholders registered at the close of business on 20th July 2018.

3. That Mr S.B. Heath who retires by rotation be re-elected a director.

4. That Mr D.J. Pick who retires by rotation be re-elected a director.

5. That Mr R.M.H. Andrews 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 10th August 2023 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.

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

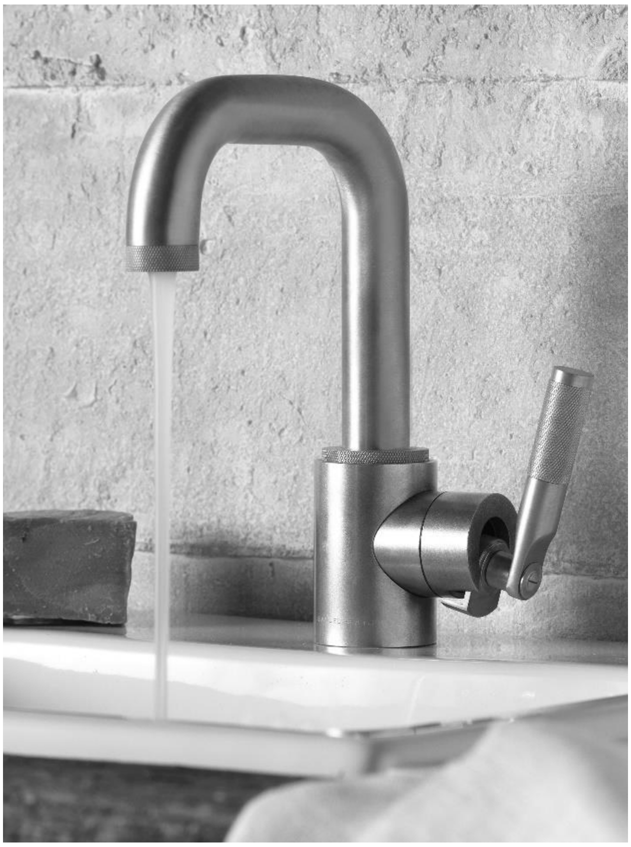
11th July 2018

Notes:

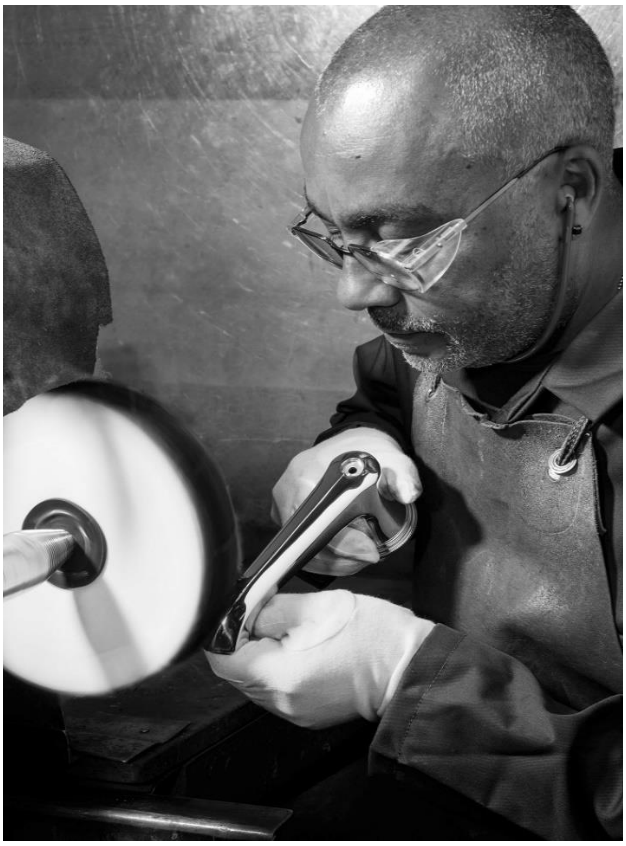
1. Any member entitled to attend and vote at the above Meeting may appoint one or more persons as proxies, who need not also be members, to attend and vote on his behalf. Proxy forms must be lodged with the Registrar not later than 48 hours before the time fixed for the meeting.

2. A statement of the share transactions of each director for the twelve months to 29th June 2018 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 9th August 2018 and will also be available at the Annual General Meeting from 11.45 a.m. until 15 minutes after the meeting is closed.

3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as of close of business on 8 August 2018 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 8th August 2018 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.



Landmark Industrial single lever basin mixer



Hand polishing a Style Moderne spout

CNC Manufacturing

Landmark Industrial thermostatic shower

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