SAMUEL HEATH AND SONS
PUBLIC LIMITED COMPANY

Report and Accounts

for the year ended 31st March 2022

SAMUEL HEATH

Company Registration Number: 00031942

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DIRECTORS AND OFFICERS

Directors:	Anthony R. Buttanshaw ✱+ *(Non-executive Chair)* Martyn P. Whieldon *(Managing Director)* Martin P. Green ✱+ *(Non-executive)* Ross M.H. Andrews✱+ *(Non-Executive)* Simon G.P. Latham, FCCA *(Financial Director)* Martin J. Harrison *(Manufacturing Director)* ✱Member of remuneration committee +Member of audit committee
Secretary:	Simon Latham
Group Management Board:	Rolando Guselli Adam Daniels
Registered Office:	Cobden Works Leopold Street Birmingham B12 OUJ Registered No. 00031942
Registrar:	Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL
Auditor:	RSM UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF
Nominated Advisor and Nominated Broker:	Cairn Financial Advisers LLP 9th Floor, 107 Cheapside London EC2V 6DN

CHAIR'S STATEMENT

Our financial performance clearly indicates that we have had a very successful year. The improvements in the first half, following the destabilising effects of Covid-19 and lockdowns, have continued throughout the second half. However, this was achieved with unsustainably low costs and it is therefore important that we manage future profit expectations as I explain further on.

Revenue for the year of £14.015m represented a 21% increase compared to last year (2021: £11.539m). Operating profit for the year was £2.152m (2021: £1.123m before exceptional items) and profit before tax £2.030m (2021: £0.942m before exceptional costs). In 2021, £322k exceptional costs relating to GMP equalisation and re-organisation were charged, after which profit before tax was £620k.

As 2021 was affected by Covid-19 and lockdowns, it is instructive to compare 2022 with the 2020 year, when revenues were at a similar level (2020: £13.887m). The increase in operating profit over 2020 was £618k (2020: £1.534m), but this must be viewed in the context of a £626k reduction in selling and distribution costs, which was in large part involuntary and caused by reductions in sales staff, the absence of trade shows to attend and lower marketing spend. These costs have now been reinstated as being essential for the future growth of the business. Nevertheless, the overall performance was excellent, reflecting the input provided by our very competent and skilled executive management team, supported by a loyal hard-working workforce.

Our sales profile during the year was varied, influenced in part by Covid patterns. Following the end of lockdown in June 2021, we saw a significant jump in orders in July, as customer projects put on hold during lockdown started back up. The order flow then reduced through much of the remainder of 2021, picking up again in December and continuing through the quarter to March 2022. It has remained strong into the quarter to June 2022. Trade shows have begun to take place again, and we have attended shows in the UK, North America, and Europe, which should help support interest in our products and the order stream.

So, to our forecast for the present trading year to 31st March 2023. I can report that we are experiencing continued momentum in sales during our first financial quarter, both at home and abroad, particularly overseas. However compared to 2021/2022, we are also experiencing some significant cost increases. As already mentioned, selling and marketing costs have increased and additionally, product development is an area of increased focus with emphasis on new product ranges. Increases in global energy costs, freight costs, and commodity prices are all impinging on margins. Supply chain disruption is an area where we have particular concerns, so we have been taking action to mitigate the effects, such as building longer lead times into our inventory and committing to raw material supplies much further in advance. Fortunately, we do have an advantage in that we manufacture a high proportion of our product inhouse, compared to our competitors.

The outturn for the year to 31st March 2023 is clearly dependent on our markets continuing to hold up, which is by no means certain in the current climate, but also on avoiding potentially serious disruption in supplies and being able to mitigate or pass on escalating costs increases.

In conclusion, whilst we have started the year well there are a number of headwinds which makes the Board cautious about the outturn for the year as a whole.

In view of these very strong expected results, we have no hesitation in recommending an increase in the final dividend to 7.5625p, which will be paid on 2nd September 2022 to shareholders registered as at 27th July 2022.

Anthony Buttanshaw
Non-Executive Chair

19th July 2022

STRATEGIC REPORT

The directors present their annual strategic report for the year ended 31st March 2022.

Business Review and Key Performance Indicators

A review of the business of the Group and future developments is set out in the Chair'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 £7.68m (2021: £5.62m). The improved position has come as business has picked up after the various lockdowns, whilst we maintained a level of short-term cost savings.

Cash Position has remained strong, increasing by £0.73m to a balance of £4.41m. This was after paying out increased contributions to the pension scheme. The Company received a loan under the CBILS facility in April 2021 for the value of £0.95m, which was repaid in full in March 2022.

Inventory has increased slightly to £3.92m (2021: £3.68m) as we have ramped up production following the various lockdowns, although increasingly we look to make to order, not make for stock.

Pension Deficit has reduced this year. Contributions were increased by £36k to £1.036m and the asset values have seen a small increase in value, combined with changes to the discount rate this has reduced the deficit. An increase in inflation rates have gone against us but were not as significant. The latest balance, net of the related deferred tax asset, is £3.628m (2021: £5.18m).

Revenues have increased to £14.02m (2021: £11.54m). Revenues are now running in excess of pre Covid-19 levels, and order streams are strong.

Gross Profit for the year has increased to 50%, from 43% last year. With revenues returning to pre-Covid levels and caution maintaining our cost base, we have seen an increase in margins.

Operating Profit Before Exceptional Items has increased this year to 15.4% of turnover, compared to 9.7% last year.

Exceptional Items were £nil this year. Last year saw costs incurred of £70k relating to the recognition of Guaranteed Minimum Pension Equalisation resulting from further recent case law, and also costs for reorganisation of £252k.

Investments during the Year

The business has taken advantage of increased profitability to reinvest some of the profit and cash generated during the year, into investments (including £444k on plant and machinery) anticipated to give returns back to the business in future years.

The business increased its work on research and development this year, total costs incurred were £501k (2021: £125k) of which £276k costs (2021: £29k) were capitalised in the year, and advantage is taken of the various tax incentives where appropriate.

Staffing

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

	2022 Number	2021 Number
Production	**100**	95
Distribution	**17**	18
Administration	**14**	16
Total	**131**	129

Average cost per head before monies received in relation to the Coronavirus Job Retention Scheme was £43,366 (2021: £43,093).

STRATEGIC REPORT
(continued)

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

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

Strategy and Business Model

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

The customer value proposition is supported by:

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

The shareholder value is supported by:

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

Stakeholders and s172

The Company recognises that it operates within various communities and groups of interested parties and looks to consider the interests of these groups as an integral part of its decisions and activities. It aims to maintain high standards of business conduct, taking decisions with a view to the long-term consequences of the outcomes.

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

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

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

STRATEGIC REPORT
(continued)

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

The Company also considers its actions to ensure that the effects will be fair amongst its various members.

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

During the year we took minimal advantage of the Coronavirus Job Retention Scheme to fund employees who were on Furlough whilst not being able to make customer representation visits. The majority of staff were back in full time work by the end of August 2020.

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

We worked extremely hard during the year to set up a process for smooth delivery into Europe so that customers would experience very little change, working with our carrier partner.

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

Community
The Company supports local charities, in particular St Mary's Hospice, encouraging employees also to join in through collections at work, the Company matching all employee donations.

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

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

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

Environment
Samuel Heath & Sons plc is committed to protecting the environment and recognises the importance of embedding environmental protection & sustainability into its business model and ethos. We are a responsible organisation that aims for excellence in environmental management through continuous improvement and engaging with our suppliers, customers, regulatory bodies and local community.

Our purpose is to produce high quality, environmentally friendly, long-lasting bathroom and hardware products for all our customers. We aim to achieve this by reducing the impact of our operations, challenging our supply chain and working with our customers to reduce their own environmental impact, all of which are critical to our objective of minimising our impact on the environment.

Guiding Principles

- To ensure our environmental sustainability policy is relevant, progressive and regularly updated, our chief guiding principles are:

- The recognition that our business has significant impact on the environment and we respond to this through our embedded Quality & Safety management systems.

- Promoting resource efficiency through preventing and minimising waste production and diverting waste from landfill through increasing re-use, recycling and recovery.

- Carefully selecting suppliers, raw materials, chemicals, equipment and processes that minimise our impact on the environment.

- Ensuring that we comply with all relevant environmental legislation and take any additional measures that we feel are necessary, such as third-party approvals.

- Promoting sustainable forms of transport.

The Board of Directors are responsible for the environmental performance of the company, but all employees share this responsibility and are supported by key staff who promote best practice, continual improvement and monitor performance.

In 2021/22 measures taken to improve its use or resources have been:

- Degreaser
    - We have undertaken a waste heat recovery survey in conjunction with Warwick Manufacturing Group and are assessing which options are feasible and will maximise benefits. The most promising area is Process Tank Insulation and we are planning to trial additional insulation on some heated process tanks to reduce heat loss and improve thermal efficiency. If successful, this will be rolled out across all our process tanks.

- Energy Efficiency
    - We have engaged with Birmingham University through their ATETA scheme (Accelerating Thermal Energy Technology Adoption) and have carried out an analysis of where thermal insulation could be used to reduce heat loss in our process tanks. Insulation materials have been procured and are due to be fitted to the tanks to monitor their effectiveness. If successful, this will be rolled out across all of our suitable process tanks.

- Packaging Box Changes
    - We have moved from coloured packing boxes to plain cardboard boxes, thus facilitating increased recycling after use.
    - We are increasing use of corrugated card wrapping to replace plastic packaging where possible.
    - We have changed over to bubble wrap made from 50% recycled material and are evaluating other alternatives to improve this further.
    - We are evaluating the use of paper based adhesive tape to replace plastic tape in some of our smaller packaged items.

Risk

With the exception of the uncertainty created by Covid-19, which appears now to have diminished, the risks to the Group's future are the usual ones for an exporting manufacturing organisation. These include volatility in commodity prices and delivery disruption as we manufacture from bought in raw materials. Also, volatile exchange rate movements can be an issue because a substantial minority proportion of our revenue is earned in foreign currency, and we also source materials in foreign currency. There is also the general state of trade throughout the world.

STRATEGIC REPORT
(continued)

Covid-19 has reduced as a potential uncertainty, and the business was able to continue operating even under the lockdown from March 2020, at a reduced capacity. It was also able to reduce considerably variable short term expenditure to mitigate the financial effects, and although we have begun to reinvest in costs such as marketing, the option of cost reduction remains available if the situation were to deteriorate significantly again.

The Company was able to manage its cash position illustrated by the increase in its balance, additionally its application for a loan under the CBILS programme was approved, and its loan was received in April 2021. The outlook for the business has improved and the Directors took the decision to repay the loan in full in March 2022.

By trading internationally, the Group mitigates the potential negative influence of any single market and allows it to capitalise on any growing markets. The UK remains the largest market at 52% (2021: 55%), with exports at 48% (2021: 45%) spread over a wide geographical base.

As a seller into the consumer marketplace, the business understands the effect that trends in the latest design style and particularly finish can have on the value of sales. Investment is therefore 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.

The fallout from a combination of Brexit, Covid-19 and the conflict in Ukraine means that some materials and components are seeing significant rises in cost, either from the cost of raw materials or transport issues. Some of these were anticipated in our current year (2022-23) planning but there remains uncertainty as things have not yet settled down. The business is mitigating these risks through increasing its raw material stocks, but risk remains.

Pension

The Defined Benefit Pensions scheme has been in deficit for some years, and the current level of interest rates and yields does not help its recovery. The Company has agreed a revised recovery plan with the Trustees in which it has agreed to make increased contributions each year. A revised plan began in the financial year commencing April 2020, with contributions made during the 2022 financial year amounting to £1.04m (2021: £1m).

Up until 3 years ago, the scheme has held its assets in what was regarded as a safe harbour investment. This made poor returns relative to the equity market, and the scheme moved in a staged pattern over to equities and fixed interest investments during 2019/20 to diversify its holdings and allow it to gain from the market whilst still holding conservative investments which aim to match the movement in interest rates. The approach is consistent with the Pension Regulator guidance. This year the volatility in equity prices means we have only seen a small gain in asset values, however an increase in bond yields has resulted in a substantial increase in the discount rate and therefore significantly reduced the deficit.

New Product

2020 saw the launch of our One Hundred Collection, named after the address of our brass foundry: 100 Leopold Street. The collection is inspired by the best of British engineering and the understated elegance of fine products that turn simple tasks into luxurious experiences. These taps, showers and accessories feature 5 handles styles including crystal and 11 interchangeable finish combinations allowing for further expression of individual style. Repeated lockdowns have limited launch opportunities but over the next year, trade shows will allow the company to showcase items not seen before. The business continues to refine and extend this collection, whilst working on new offerings for future release.

Martyn Whieldon
Managing Director

19th July 2022

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31st March 2022.

Principal activities

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

Financial Risk Management

The Group's financial risk management policies are disclosed in note 26.

Dividends

The directors recommend a final dividend of 7.5625 pence per share (2021: 6.875 pence) which will be proposed as a resolution at the forthcoming Annual General Meeting. An interim dividend was paid during the year of 5.5 pence per share (2021: nil). During the year, total dividends paid amounted to £314,000 (2021: £nil).

Events After The Reporting Period

There are no significant events to report, post the reporting period.

Directors

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

Beneficial interests:		**31st March 2022**	31st March 2021
A.R. Buttanshaw	Non-executive Chair	**1,000**	1,000
M.P. Whieldon	Managing Director	**1,000**	1,000
M.P. Green	Non-Executive	**1,000**	1,000
R.M.H. Andrews	Non-Executive	**1,000**	1,000
S.G.P. Latham	Financial Director	**1,000**	1,000
M.J. Harrison	Manufacturing Director	**1,000**	1,000
Executors of the S.B. Heath estate		**455,800**	455,800

Directors' remuneration is disclosed in note 22.

S.B. Heath was a director, and holding the position of Chair, until his death on 16th July 2021. His sole two executors are also members of the Board.

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

Non-Executives

Our Non-Executive Directors all maintain significant business interests outside of the Group, maintaining independence as they are not financially reliant upon their positions with us, and at the same time, being able to contribute from their current and previous experiences outside of our business.

Mr A.R. Buttanshaw is an accountant and spent some 15 years in the GKN Group, as well as having experience in other companies, which has given him significant experience in the running of manufacturing and international businesses. He is the Senior Independent Director and has the role of Non-Executive Chair.

Mr M.P. Green is a solicitor who trained at Pinsent Masons in Birmingham before joining Lodders to specialise in wealth planning. He has recently retired as senior partner of Lodders LLP and remains a consultant for them benefitting from over 35 years' experience of acting as legal advisor to business and private clients. His experience offers guidance in the legal arena to the Company and he is Chair of the Remuneration Committee.

DIRECTORS' REPORT
(continued)

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

None of the non-executive directors have a material interest in any contract with the Company other than their service contract. They are therefore considered to be independent.

Executives

Mr M.P. Whieldon joined the Company in 1995 as a sales representative in Europe. Fluent in German and French, he went on to manage the sales team in both the export and home territories and has travelled widely, promoting the Company's products to customers and at numerous trade shows to dealers and specifiers alike. He was appointed to the board in 2010, and to the role of Managing Director in January 2021 taking over from Mr Pick.

Mr S.G.P. Latham is a Certified Accountant, initially training under Arthur Andersen; since being a professional auditor he has worked in industry for over 30 years, working in a Financial Director role for over 25 years. He has a breadth of experience in growing companies and international operations. He was appointed to the board in 2017.

Mr M.J. Harrison is a Chartered Mechanical Engineer and has worked in the manufacturing industry for over 25 years. He has led manufacturing operations in a number of different sectors including beverage dispensing and cooling equipment, power generation and aerospace, and has experience of managing factories and installation teams across multiple sites, both at home and overseas. He was appointed to the Board in 2019.

Meetings

Meetings held during the last 12 months (to end of March 2022) and the attendance of directors is summarised below:

	Board Meetings		Audit Committee		Remuneration Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
Samuel Heath	3	-	-	-	-	-
Martyn Whieldon	9	9	-	-	-	-
Simon Latham	9	9	2	2	-	-
Martin Harrison	9	9	-	-	-	-
Anthony Buttanshaw	9	9	2	2	1	1
Martin Green	9	9	2	2	1	1
Ross Andrews	9	9	2	2	1	1

Each meeting takes about 4 hours, with preparation and attendance.

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

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

The Company retains the services of two external advisers.

- **Cairn Financial Advisers** are our nominated adviser and broker for our dealings with the London Stock Exchange and AIM.
- **Autonomy Wealth** support the financial planning for the business and provide advice on the legacy Pension Scheme.

DIRECTORS' REPORT
(continued)

In addition, in 2020 the business also engaged **John Chivers Commercial** to conduct a valuation of its property assets and **Tallon and Associates** a valuation of its machinery assets, and **Cooper Parry Group Ltd** (together with associated international firms) provided advice on taxation issues, both in the UK and abroad.

Board Evaluation

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

The balance of the Board is also assessed, for numbers and diversity, skills and experience. With the death of Mr Heath, the Chair has reviewed the current Board, and concluded that its membership and effectiveness is suitable.

Other Major Shareholdings

On 1st July 2022, 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
S.B. Heath (deceased)	18.0	455,800
C.A. Heath	14.9	378,710
G.S. Heath	14.9	378,710
S.A. Perkins (née Heath)	10.8	272,810
VOB&T UK Ltd	12.2	309,500
Ferlim Nominees Ltd – Pooled Account	5.1	130,400
P.S. Allen	4.1	103,600

S.B. Heath's shares are currently held within his estate.

Information to Shareholders

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

Corporate Culture

The Company promotes honesty and integrity in all its dealings.

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

- The Remuneration Committee sets and reviews the compensation of executive directors including the setting of performance frameworks for bonuses.
- Neither its directors nor management have significant interests in its suppliers or customers.
- Personnel policies and procedures include:-
    - Bribery prevention policy
    - Communications policy
    - Disciplinary procedure
    - Equal opportunities policy
    - Grievance procedure
    - Health & safety policy (summary)
    - Redundancy policy & procedure (including selection criteria)

DIRECTORS' REPORT
(continued)

  - Retirement policy
  - Retirement counselling policy
  - Social media use policy
  - Stress policy

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

Corporate Governance

Chair's Corporate Governance Statement

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

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

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

The Company aims to promote a strong culture of excellence in its products and dealings with stakeholders. It monitors these through its, infrastructure, using feeds to and from customers (for instance via advertising, and direct communication through sales representatives) and employees (via the works committee).

Governance Structures

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

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

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

DIRECTORS' REPORT
(continued)

The matters reserved for the board are:

- Setting long-term objectives and commercial strategy;
- Approving annual operating and capital expenditure budgets;
- Changing the share capital or corporate structure of the Group;
- Approving half year and full year results and reports;
- Approving dividend policy and the declaration of dividends;
- Approving major investments, disposals, capital projects or contracts;
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and
- Approving changes to the board structure.

Board Communication

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

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

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

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

Audit Committee

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

During Audit Planning, the Committee considered issues which would be considered significant in relation to the annual report and accounts and how they would be dealt with, including significant estimates, judgements and risks. Of particular note this year were:

- Stock Provisions
  The committee considered the appropriateness of the methodology underpinning the stock provision, the level of provisioning recognised at the balance sheet date and the sensitivity disclosures included in Note 4 of the financial statements, and the Committee agreed with the conclusions reached.

The Committee has considered the effectiveness of RSM UK Audit LLP and are happy to reappoint them as auditors for this year's audit.

Remuneration Committee

The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to set the remuneration of executive directors and senior managers. The committee approves annual salary and bonuses where appropriate and will consult outside of the Company for relevant benchmark data from time to time. The

DIRECTORS' REPORT
(continued)

Remuneration Committee consists of Martin Green (Chair), Anthony Buttanshaw and Ross Andrews. The Remuneration of Non-Executive Directors is a matter for the Board. No Director or officer is allowed to participate in any decisions as to their own remuneration. Details of directors' remuneration is included in note 22.

Nomination Committee

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

Strategy and Business Model

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

The customer value proposition is supported by:

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

The shareholder value is supported by:

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

Derivatives and other Financial Instruments

UK-adopted international accounting standards 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 2022 the creditor days compared to the value of supplier invoices received in the year was 24 days (2021: 36 days).

Information in the Strategic Report

The Company has chosen, in accordance with the Companies Act 2006 s414C(11), to set out in the S172 statement included within the strategic report, information relating to engagement with employees and the need to foster the company's business relationships with suppliers, customers and others.

Future Developments

In accordance with section 414C(11) of the Companies Act 2006, information regarding the future developments of the business has been set out within the Chair's Statement.

DIRECTORS' REPORT
(continued)

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 £501,000 (2021: £125,000) 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, the 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 have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements in accordance with UK-adopted international accounting standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted international accounting standards and applicable law.

The group and company financial statements are required by law and UK-adopted international accounting standards to present fairly the financial position of the group and the 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 the company and of the profit or loss of the group for that period.

In preparing each of the group and company 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 UK-adopted international accounting standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

DIRECTORS' REPORT
(continued)

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Samuel Heath and Sons Public Limited Company website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board
Simon Latham
Company Secretary

19th July 2022

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

Opinion

We have audited the financial statements of Samuel Heath and Sons Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise of the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Statements of Financial Position, Consolidated and Parent Company Statements of Changes in Equity, Consolidated and Parent Company Statements of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards 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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards 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 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.

Summary of our audit approach

Key audit matters	**Group and parent company** • Inventory provision
Materiality	**Group and parent company** • Overall materiality: £191,000 (2021: £105,000) • Performance materiality: £143,000 (2021: £79,000)
Scope	Our audit procedures covered 100% of revenue, total assets and profit before tax.

Key audit matter

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

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

Inventory provision – Group and parent company	
Key audit matter description	• The group holds a large number of stock items including raw materials, work in progress and finished goods which are bought in and manufactured as outlined in note 15 to the financial statements. • The valuation of inventory involves judgement relating to the potential obsolescence of inventory including determining the net realisable value of stock. The group has in place an established process for addressing this risk and recognising provisions accordingly. • The effect of these matters is that, as part of our risk assessment, we determined that the inventory provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than materiality for the financial statements as a whole and possibly many times that amount and, as a result, the matter was considered to be one of most significance in the group audit and therefore determined to be a key audit matter.
How the matter was addressed in the audit	• We performed testing to ensure that inventory was valued at the lower of cost and net realisable value by comparing sales values of the products to their actual cost. • We assessed and challenged the basis on which provisions for obsolete and slow-moving inventory had been established. • We performed sensitivity analysis over the key assumptions, in order to assess the range of reasonable outcomes and compared management's point estimate to this range.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Group and parent company	
Overall materiality	Overall materiality: £191,000 (2021: £105,000)
Basis for determining overall materiality	10% of profit before tax (2021: 10% of adjusted profit before tax, being profit before tax normalised to exclude non-underlying items and averaged over the last three years)
Rationale for benchmark applied	Profit before tax is considered to be the metric used by users of the financial statements to review the performance of the group and parent company.
Performance materiality	Performance materiality: £143,000 (2021: £79,000)
Basis for determining performance materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £9,550 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The parent company is the only trading entity within the group. The other group companies are dormant. Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Understanding how the cash flow forecasts for the going concern period had been prepared and the assumptions adopted;
- Challenging the key assumptions within the forecast with agreement to supporting data where appropriate;
- Performing sensitivity analysis to assess the impact of reasonably possible changes in assumptions;
- Reviewing management's scenario analysis and contingency plans; and
- Reviewing the appropriateness of the going concern disclosures included in the financial statements.

We note the strength of the balance sheet at 31 March 2022 with £4,410k of cash and cash equivalents, which, along with projected profitability over the going concern period assessed, meant that the group and parent company is expected able to comfortably operate within their existing banking facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

__INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMUEL HEATH & SONS PLC__
(continued)

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 15 and 16, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained and understanding of the effectiveness of the control environment.

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

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors.
Health & safety	ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Reviewing the design and implementation of key controls in relation to revenue recognition; and Transactions posted to nominal ledger codes outside of the normal revenue cycle were identified using a data analytic tool and investigated.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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
19 July 2022

CONSOLIDATED INCOME STATEMENT

for the year ended 31st March 2022

	Note	2022 £000	2021 £000
Revenue	5	**14,015**	11,539
Cost of sales		**(6,975)**	(6,568)
Gross profit		**7,040**	4,971
Selling and distribution costs		**(2,917)**	(2,469)
Administrative expenses excluding exceptional items		**(1,986)**	(2,004)
Other operating income	25	**15**	625
Operating profit before exceptional items		**2,152**	1,123
Exceptional items – GMP equalisation	24	**-**	(70)
Reorganisation	24	**-**	(252)
Operating profit	6	**2,152**	801
Finance income	8	**10**	4
Finance cost	8	**(132)**	(185)
Profit before taxation		**2,030**	620
Taxation	9	**(558)**	(227)
Profit for the year attributable to owners of the Parent Company		**1,472**	393
Basic and diluted earnings per ordinary share	11	**58.1p**	15.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st March 2022

		2022 £000	2021 £000
Profit for the year		**1,472**	393
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	23	**693**	(542)
Deferred taxation on actuarial gain/(loss)	17	**(173)**	103
Deferred tax rate change	17	**381**	-
Revaluation of property, plant and equipment		**-**	-
		901	(439)
Total comprehensive income for the year		**2,373**	(46)

SAMUEL HEATH

(Company Registration Number: 00031942)

STATEMENTS OF FINANCIAL POSITION

31st March 2022

	Note	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Non-current assets					
Intangible assets	12	**442**	186	**442**	186
Property, plant and equipment	13	**3,670**	3,413	**3,670**	3,413
Investments	14	**-**	-	**399**	399
Deferred tax assets	17	**425**	741	**425**	741
		4,537	4,340	**4,936**	4,739
Current assets					
Inventories	15	**3,916**	3,682	**3,916**	3,682
Trade and other receivables	16	**1,836**	2,108	**1,836**	2,108
Current tax receivable		**-**	25	**-**	25
Amounts owed by group undertakings		**-**	-	**527**	527
Cash and cash equivalents		**4,410**	3,682	**4,410**	3,682
		10,162	9,497	**10,689**	10,024
Total assets		**14,699**	13,837	**15,625**	14,763
Current liabilities					
Trade and other payables	18	**(1,982)**	(1,769)	**(1,982)**	(1,769)
Amounts owed to group undertakings		**-**	-	**(948)**	(948)
Lease liabilities	19	**(62)**	(55)	**(62)**	(55)
Current tax payable		**(13)**	-	**(13)**	-
		(2,057)	(1,824)	**(3,005)**	(2,772)
Non-current liabilities					
Lease liabilities	19	**(129)**	-	**(129)**	-
Retirement benefit scheme	23	**(4,837)**	(6,396)	**(4,837)**	(6,396)
		(4,966)	(6,396)	**(4,966)**	(6,396)
Total liabilities		**(7,023)**	(8,220)	**(7,971)**	(9,168)
Net assets		**7,676**	5,617	**7,654**	5,595
Equity					
Called up share capital	21	**254**	254	**254**	254
Capital redemption reserve		**109**	109	**109**	109
Revaluation reserve		**1,186**	1,267	**1,186**	1,267
Retained earnings		**6,127**	3,987	**6,105**	3,965
Total equity attributable to owners of the Parent Company		**7,676**	5,617	**7,654**	5,595

As permitted by section 408 of the Companies Act 2006 the Income Statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit after tax for the year is £1,472,000 (2021: £393,000). The financial statements on pages 22 to 47 were approved by the Board and authorised for issue on 19th July 2022 and signed on its behalf by:

Simon Latham
Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st March 2022

	Attributable to owners of the Parent Company				
	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 31st March 2020	254	109	1,349	3,951	5,663
Profit for the year	-	-	-	393	393
Reclassification of depreciation on revaluation	-	-	(82)	82	-
Other comprehensive income for the year	-	-	-	(439)	(439)
Total comprehensive income for the year	-	-	(82)	36	(46)
Balance at 31st March 2021	**254**	**109**	**1,267**	**3,987**	**5,617**
Total transactions with owners					
Equity dividends paid	-	-	-	(314)	(314)
Profit for the year	-	-	-	1,472	1,472
Reclassification of depreciation on revaluation	-	-	(81)	81	-
Other comprehensive income for the year	-	-	-	901	901
Total comprehensive income for the year	-	-	(81)	2,454	2,373
Balance at 31st March 2022	**254**	**109**	**1,186**	**6,127**	**7,676**

STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)

for the year ended 31st March 2022

	Attributable to owners of the Parent Company				
	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 31st March 2020	254	109	1,349	3,929	5,641
Profit for the year	-	-	-	393	393
Reclassification of depreciation on revaluation	-	-	(82)	82	-
Other comprehensive income for the year	-	-	-	(439)	(439)
Total comprehensive income for the year	-	-	(82)	36	(46)
Balance at 31st March 2021	**254**	**109**	**1,267**	**3,965**	**5,595**
Total transactions with owners					
Equity dividends paid	-	-	-	(314)	(314)
Profit for the year	-	-	-	1,472	1,472
Reclassification of depreciation on revaluation	-	-	(81)	81	-
Other comprehensive gain for the year	-	-	-	901	901
Total comprehensive income for the year	-	-	(81)	2,454	2,373
Balance at 31st March 2022	**254**	**109**	**1,186**	**6,105**	**7,654**

The reserves of the Group and Company are as follows:

- The capital redemption reserve was created on the 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 2022

	Group and Parent Company	
	2022	2021
	£000	£000
Cash flow from operating activities		
Profit for the year before taxation	**2,030**	620
Adjustments for:		
Depreciation	**359**	370
Amortisation	**50**	45
Loss/(profit) on disposal of property, plant and equipment	**4**	(41)
Net finance (income)/costs	**(12)**	21
Defined benefit pension scheme expenses	**170**	280
Contributions to defined benefit pension scheme	**(1,036)**	(1,000)
Operating cash flows before movements in working capital	**1,565**	295
Changes in working capital:		
(Increase)/decrease in inventories	**(234)**	548
Decrease in trade and other receivables	**272**	262
Increase/(decrease) in trade and other payables	**195**	(43)
Cash generated from operations	**1,798**	1,062
Taxation paid	**-**	(109)
Net cash generated from operating activities	**1,798**	953
Cash flows used in investing activities		
Payments to acquire property, plant and equipment	**(444)**	(169)
Proceeds from the sale of property, plant and equipment	**11**	63
Payments to acquire intangible assets	**(306)**	(79)
Net finance income/(costs)	**12**	(21)
	(727)	(206)
Cash flows from financing activities		
Lease payments	**(46)**	(59)
Dividends paid	**(314)**	-
CBILS Loan received	**950**	-
CBILS Loan repaid	**(950)**	-
	(360)	(59)
Net increase in cash and cash equivalents	**711**	688
Cash and cash equivalents at beginning of year	**3,682**	3,016
Effect of exchange rate differences on cash and cash equivalents	**17**	(22)
Cash and cash equivalents at end of year	**4,410**	3,682

NOTES FORMING PART OF THE ACCOUNTS

1. General information

Samuel Heath & Sons plc (the "Company") is a Company incorporated in England and Wales, United Kingdom, under the Companies Act 2006. The address of the registered office is Cobden Works, Leopold Street, Birmingham, B12 0UJ. The nature of the Group's and Company's operations and its principal activities during the period were the manufacture of a wide range of products in the builders' hardware and bathroom field. These Financial Statements are presented in Pounds Sterling. The directors have chosen to present the financial statements in the same currency of the primary economic environment in which the Company and Group operate. The ordinary shares of the Company are traded on the AIM market of the London Stock Exchange.

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 2022.

The accounting policies are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31st March 2021.

Accounting standards in issue but not yet effective

The Group does not consider that any other standards or interpretations issued 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 2022.

3. Accounting policies

Basis of accounting

The financial statements, upon which this financial information is based, have been prepared using accounting policies consistent with UK-adopted international accounting standards.

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

Going concern

The disclosures below refer to the group and company.

The directors have reviewed the Company's prospects under the current situation with coronavirus and the economic consequences. Our customers are up and running and selling to the public again, and our production levels are back to pre Covid-19 levels. Our order book is strong, and we have managed cash to increase our available reserves over the past year, our cash balance increasing by £728k in year.

Careful review of several scenarios and sensitivities has been undertaken, with a variety of different possible revenue levels covering the period to September 2023. The Company has started the new financial year with both a strong balance sheet and good cash balances and liquidity.

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.

3. Accounting policies (continued)

Basis of consolidation

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

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

Revenue recognition

Revenue is recognised when control of the goods has been transferred, on delivery to or collection by the customer when risks of obsolescence or loss transfer to the customer. 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. The transaction price is the price stated in the relevant contract with the customer. Revenue based royalties are recognised as the subsequent underlying sales occur provided that the related performance obligations have been satisfied. The group may offer discounts to customers for prompt payments and no element of financing is deemed present as the sales are made with a credit term of 30 days from the satisfaction of the performance obligation.

Scrap

Scrap or swarf generated as a waste product as part of the manufacturing process is recognised as a reduction to cost of sales where any value can be achieved.

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the income statement in the period in which they become receivable. In accordance with the provisions of IAS 20, non-asset related grants are included within "other operating income" on the face of the Consolidated Income Statement.

Exceptional items

The Group presents as exceptional items on the face of Consolidated Income Statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year so as to facilitate comparison with prior years.

Foreign currency

In preparing the financial statements, 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.

NOTES FORMING PART OF THE ACCOUNTS
(continued)

3. Accounting policies (continued)

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

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

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

Retirement benefit costs

i) Defined benefit scheme

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

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

ii) Defined contribution scheme

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

Intangible assets

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

Research costs are expensed as incurred.

For intangible assets with finite useful lives, amortisation (included with cost of sales) is calculated to write off the cost of an asset, less its estimated residual value, over its useful economic life, on a straight-line basis, 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 equipment	5%-10% per annum on cost
Office equipment	5%-25% per annum on cost
Vehicles	25% per annum on cost
Computer equipment	25% per annum on cost

3. Accounting policies (continued)

In 2017 an accounting policy of revaluation was adopted for freehold buildings and plant and machinery, which the directors consider provides reliable and more relevant information regarding the Group's financial position due to the use of the historic cost model not accurately reflecting the worth of the assets held to the business, and therefore the revaluation model has been adopted to better reflect their value. The resultant increase in fair value was recognised in property, plant and equipment, and credited to the revaluation reserve. This exercise was updated in 2020 by external experts.

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

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated using a discounted cash flow model. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Tooling

Costs of tooling are expensed as incurred.

Investments in subsidiaries

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

Inventories

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

Financial instruments

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

Trade and other receivables

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

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 amortised cost using the effective interest rate method.

3. Accounting policies (continued)

Cash and cash equivalents

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

Leases

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

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

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

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

Post balance sheet events and dividends

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

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4. Critical accounting and key sources of estimation

Critical accounting estimates, assumptions and judgements

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

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

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

Pensions – movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in the defined benefit pension scheme. The key assumptions used to value pension assets and liabilities are set out in note 23 "Retirement benefit scheme".

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

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. The value of assets carried are set out in note 13 "Property, plant and equipment".

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 where the provision is reviewed against expected future stock usage, the stock provision at year end was £2,211,000 (2021: £2,137,000). Further information received after the balance sheet date may impact the level of provision required.

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

5. Segmental analysis

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

Operating segments

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

Geographical information

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

	2022	2021
	£000	£000
Overseas	**-**	-
United Kingdom	**4,112**	3,599
	4,112	3,599

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

Sales from contracts with customers

All revenue relates to sales of goods with revenue recognised at a point in time in line with revenue recognition policy.

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

	2022	2021
	£000	£000
Overseas	**6,687**	5,132
United Kingdom	**7,328**	6,407
	14,015	11,539

The Group had no customers which represented more than 10% of sales in either year.

6. Operating profit

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

	2022 £000	2021 £000
Depreciation and amortisation		
- depreciation of property, plant and equipment	**359**	370
- amortisation of intangible assets	**50**	45
Short term low value leases	**1**	15
Employment costs (including directors remuneration – note 22)	**5,681**	5,558
Materials	**1,671**	1,223
Loss/(profit) on disposal of property, plant and equipment	**4**	(41)
Retirement benefit pension scheme administration costs	**39**	51
Other operating costs	**4,073**	4,142
Other operating income	**(15)**	(625)
Total of costs included in operating profit	**11,863**	10,738

Included within other operating costs above is £225,000 (2021: £96,000) in relation to research and development expenditure. In addition, £276,000 (2021: £29,000) of research and development costs were capitalised, including £182,000 (2021: £14,000) of employment costs.

7. Auditors' remuneration

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

	2022 £000	2021 £000
Fees payable:		
Audit services	**53**	44
Total fees	**53**	44

8. Net finance costs

	2022 £000	2021 £000
Interest on bank deposits	**1**	4
Interest in relation to lease liabilities	**(1)**	(2)
Foreign exchange gains/(losses)	**9**	(24)
Pension finance cost (see note 23)	**(131)**	(159)
	(122)	(181)

9. Income taxes

	2022 £000	2021 £000
Current taxes:		
Current year	32	(22)
Adjustments in respect of prior periods	2	-
	34	(22)
Deferred taxes:		
Origination and reversal of temporary differences	348	139
Change in tax rate	152	-
Adjustments in respect of prior periods	24	110
	524	249
Total income taxes	558	227

Tax reconciliation

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19% (2021:19%) as explained below:

	2022 £000	2021 £000
Profit before taxation	2,030	620
Corporation tax charge thereon at 19% (2021: 19%)	386	118
Adjusted for the effects of:		
Prior year adjustments	26	110
Research and development claim	(68)	-
Changes in tax rates	152	-
Other adjustments	62	(1)
Total income taxes	558	227

10. Dividends

	2022 £000	2021 £000
Final dividend for the year ended 31st March 2021 of 6.875 pence per share (2020: nil pence per share)	175	-
Interim dividend for the year ended 31st March 2022 of 5.50 pence per share (2021: nil pence per share)	139	-
	314	-

The directors are recommending a final dividend for 2022 of 7.5625 pence per share amounting to £192,000. The proposed final dividend is subject to approval at the Annual General Meeting and hence has not been included as a liability in these accounts.

NOTES FORMING PART OF THE ACCOUNTS
(continued)

11. Earnings per share

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £1,472,000, (2021: £393,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2021: 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

	Computer equipment	Development costs	Total
	£000	**£000**	**£000**
Cost			
At 31st March 2020	-	181	181
Additions	51	29	80
At 31st March 2021	51	210	261
Additions	30	276	306
At 31st March 2022	**81**	**486**	**567**
Amortisation			
At 31st March 2020	-	30	30
Charge for year	1	44	45
At 31st March 2021	1	74	75
Charge for year	8	42	50
At 31st March 2022	**9**	**116**	**125**
Net book value			
At 31st March 2022	**72**	**370**	**442**
At 31st March 2021	50	136	186

The amortisation charge is included in cost of sales (£42,000, 2021: £44,000) and administrative expenses (£8,000, 2021: £1,000).

NOTES FORMING PART OF THE ACCOUNTS
(continued)

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

	Freehold land and buildings	Right of use assets - buildings	Plant and equipment	Computer & office equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 31st March 2020	2,343	159	7,975	732	341	11,550
Additions	-	-	103	17	49	169
Disposals	-	-	(43)	-	(167)	(210)
At 31st March 2021	2,343	159	8,035	749	223	11,509
Additions	-	191	364	1	79	635
Disposals	-	(159)	(13)	-	(39)	(211)
At 31st March 2022	**2,343**	**191**	**8,386**	**750**	**263**	**11,933**
Depreciation						
At 31st March 2020	897	53	6,073	641	251	7,915
Charge for year	19	53	223	21	54	370
Disposals	-	-	(43)	-	(146)	(189)
At 31st March 2021	916	106	6,253	662	159	8,096
Charge for year	19	53	236	14	37	359
Disposals	-	(159)	(1)	-	(32)	(192)
At 31st March 2022	**935**	**-**	**6,488**	**676**	**164**	**8,263**
Net book value						
At 31st March 2022	**1,408**	**191**	**1,898**	**74**	**99**	**3,670**
At 31st March 2021	1,427	53	1,782	87	64	3,413

The depreciation charge is included in cost of sales at £261,000 (2021: £240,000) and administrative expenses at (£98,000,2021: £130,000).

The net book value of freehold land and buildings includes £829,000 (2021: £829,000) in respect of land which is not depreciated. Included within plant and equipment are assets under construction of £106,000 (2021: nil).

The Group's freehold land and buildings, and plant and equipment, were revalued in January 2020, by independent valuers, John Chivers Commercial Ltd and Tallon & Associates. The directors consider that this valuation approximates to the fair value of the group's freehold land and buildings, and plant and equipment as at 31 March 2022.

If the cost model had been used rather than revaluation, the carrying amount of land and buildings would be £728,000 (2021: £730,000) and plant and equipment would be £1,480,000 (2021: £1,274,000).

NOTES FORMING PART OF THE ACCOUNTS
(continued)

14. Investments

	2022 Company £000	2021 Company £000
Shares in subsidiaries:		
Cost at 31st March 2021	**399**	399
Provisions carried forward from prior years	**-**	-
Net book value 31st March 2022	**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 2022 was £518,000 (2021: £518,000).

15. Inventories

	2022 Group and Company £000	2021 Group and Company £000
Raw materials	**876**	814
Work in progress and intermediate products	**1,658**	1,650
Finished goods	**1,382**	1,218
	3,916	3,682

During the year, the Group consumed £6,972,000 (2021: £6,129,000) of inventories (including material costs) including an increase in inventory write-downs of £191,000 (2021: £120,000).

16. Trade and other receivables

	2022 Group and Company £000	2021 Group and Company £000
Trade receivables	**1,436**	1,764
Allowance for expected credit losses	**(25)**	(35)
	1,411	1,729
Prepayments and other receivables	**425**	379
	1,836	2,108

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

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

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

	2022 Group and Company £000	2021 Group and Company £000
Trade receivables		
Not yet overdue	**1,370**	1,679
1 to 30 days overdue	**61**	63
30 to 60 days overdue	**1**	16
61+ days overdue	**4**	6
	1,436	1,764

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

	2022 Group and Company £000	2021 Group and Company £000
Balance at 31st March (opening)	**35**	49
Released during the year	**(10)**	(7)
Receivables written off during the year as uncollectable	**-**	(7)
Balance at 31st March (closing)	**25**	35

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for expected credit losses above. An analysis of financial risk is disclosed in note 26.

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

17. Deferred tax group and Company

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

	Defined benefit scheme	Accelerated capital allowances	Revaluation of property, plant and equipment	Total
	£000	£000	£000	£000
At 31st March 2020	1,249	(207)	(155)	887
Recognised in the Income Statement				
For the year	(137)	(25)	(87)	(249)
Recognised in equity				
For the year	103	-	-	103
At 31st March 2021	1,215	(232)	(242)	741
Recognised in the Income Statement				
For the year	(214)	(256)	(54)	(524)
Recognised in equity				
For the year	(173)	-	-	(173)
For the change in tax rate	381	-	-	381
At 31st March 2022	**1,209**	**(488)**	**(296)**	**425**

The deferred tax rate applied is 25% (2021:19%)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This was substantively enacted on 24 May 2021. Deferred tax is calculated at the rates that are expected to apply in the period when the liability us settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantively enacted. As such, deferred tax has been recognised at 25% for timing differences that are expected to unwind after 1 April 2023 and 19% for those expected to unwind before 1 April 2023.

18. Trade and other payables

	2022 Group and Company	2021 Group and Company
	£000	£000
Trade payables	**1,028**	823
Accruals and deferred income	**756**	668
Social security and other taxes	**198**	278
	1,982	1,769

The directors consider that the carrying amount of trade payables approximates to their fair value. Included within accruals and deferred income, are payments received in advance from customers amounting to £147,658 (2021: £298,757). As was the case in the prior period, the related revenue will be recognised in the forthcoming financial year. The value of payments received in advance will fluctuate year on year, depending on the relationship between cash payments received from customers and the satisfaction of the related performance obligation.

19. Leases

	2022 Group and Company £000	2021 Group and Company £000
Lease liabilities		
Showroom premises		
Short term liability	**62**	55
Long term liability (1-2 years)	**129**	-
	191	55

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

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

20. Derivative financial instruments

At 31st March 2022 the Group and Company has no derivatives in place held for cash flow purposes (2021: nil liability).

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

21. Share capital

	2022 £000	2021 £000
Authorised:		
5,000,000 Ordinary shares of 10 pence each	**500**	500
Issued and fully paid:		
2,534,322 ordinary shares of 10 pence each	**254**	254

NOTES FORMING PART OF THE ACCOUNTS
(continued)

22. Particulars of staff (group and parent company)

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

	2022 Number	2021 Number
Production	**100**	95
Distribution	**17**	18
Administration	**14**	16
Total	**131**	129

The total staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	**4,797**	4,680
Social security costs	**460**	449
Pension scheme costs	**424**	429
	5,681	5,558

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 2022 £000**	Total 2021 £000
Executive Directors						
S.B. Heath (Deceased 16th July 2021)	18	-	-	-	**18**	55
M.P. Whieldon	186	50	82	2	**320**	223
S.G.P. Latham	134	32	-	1	**167**	159
M.J. Harrison	87	22	20	8	**137**	120
Non-Executive Directors						
A.R. Buttanshaw	25	-	-	-	**25**	21
M.P. Green	15	1	-	-	**16**	12
R.M.H. Andrews	15	-	-	-	**15**	12
Directors' emoluments	480	105	102	11	**698**	602
Employer's NI					**82**	68
Key management remuneration					**780**	670

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 2022 £000	Total 2021 £000
M.P. Whieldon	**8**	8

NOTES FORMING PART OF THE ACCOUNTS
(continued)

23. Retirement benefit schemes

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

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

- long-term investment returns of 4.3% pa for the period before a member retires and 2.1% pa for the period after a member has retired.
- long-term future inflation rates of 3.6% pa.
- mortality rates based on the SAPS normal health tables with CMI 2018 year of birth projections and long-term rate of improvement of 1.5% pa.
- the weighted average duration of the defined benefit obligation is approximately 20 years.

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

The Company has agreed to fund the actuarial deficit of £8,357,000 by making payments to the scheme under the Recovery Plan that has been agreed between the Trustees of the scheme and the Company. During the next 12 months, based on this revised recovery plan, payments will be made to the scheme amounting to £1,073,000.

The assets of these now combined schemes are held separately from those of the Company and invested in equities and fixed interest investments to diversify its holdings and allow it to gain from the market whilst still holding conservative investments which aim to match the movement in interest rates. The Analysis of Scheme Assets, below, gives the split.

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

The major assumptions used by the actuary were:	**2022**	2021	2020
	%	%	%
Inflation	**3.50**	3.20	2.60
Rate of increase in pension payment	**3.50**	3.20	2.60
Discount rate	**2.80**	2.20	2.60
Withdrawal of tax free cash	**25.00**	25.00	25.00

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

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

Mortality assumptions

The mortality tables were reviewed as part of the actuarial valuation as at 31st March 2019 (SAPS (S3NA) year of birth tables with CMI 2020 projections). The current tables reflect expected future mortality rates. These rates have increased in the 12 months since March 2019. The assumed life expectations on retirement at age 65 are:

		2022	2021	2020
Retiring today:	Male	**22.4**	22.4	22.4
	Female	**24.9**	24.8	24.8
Retiring in 20 years:	Male	**24.0**	23.9	24.0
	Female	**26.5**	26.5	26.4

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 1,463
	Increase by 0.5%	Decrease by 1,345
Rate of inflation	Decrease by 0.5%	Decrease by 533
	Increase by 0.5%	Increase by 558
Rate of mortality	Decrease by 1 year	Decrease by 764
	Increase by 1 year	Increase by 771

Amounts recognised within net finance costs are as follows:

	2022 £000	2021 £000
Expected return on pension scheme assets	**(257)**	(228)
Interest on pension scheme liabilities	**387**	387
	130	159

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

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Fair value of scheme assets	**11,773**	11,405	8,429	8,600	9,115
Present value of defined benefit obligations	**(16,610)**	(17,801)	(15,004)	(16,020)	(15,587)
Deficit in scheme	**(4,837)**	(6,396)	(6,575)	(7,420)	(6,472)
Related deferred tax asset	**1,209**	1,215	1,249	1,261	1,100
Net liability	**(3,628)**	(5,181)	(5,326)	(6,159)	(5,372)

	2022 £000	2021 £000
Deficit at 31st March (opening)	**6,396**	6,575
Company contributions	**(1,036)**	(1,000)
Administration costs	**39**	51
Net interest expense	**131**	159
Past service cost (GMP equalisation)	**-**	70
Actuarial (gain)/loss	**(693)**	541
Deficit at 31st March (closing)	**4,837**	6,396

23. Retirement benefit schemes (continued)

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

	2022 **£000**	2021 £000
As at 31st March (opening)	**17,801**	15,004
Past service cost (GMP equalisation)	**-**	70
Interest cost	**387**	387
Benefits paid	**(437)**	(272)
Experience gain on defined benefit obligation	**69**	-
Actuarial (gain)/loss		
- changes in demographic assumptions	**(10)**	237
- financial assumptions	**(1,200)**	2,375
As at 31st March (closing)	**16,610**	17,801

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

	2022 **£000**	2021 £000
As at 31st March (opening)	**11,405**	8,429
Expected returns on assets	**257**	228
Employer contributions	**1,036**	1,000
Benefits paid	**(437)**	(272)
Administrative costs	**(39)**	(51)
Actuarial (loss)/gain – difference on return on plan assets to expectation	**(449)**	2,071
As at 31st March (closing)	**11,773**	11,405

The analysis of the scheme assets is set out below:

	2022	2021	2020
Equities	**68%**	77%	78%
Fixed interest / cash	**32%**	23%	22%

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 2022 amounted to £424,000 (2021: £429,000).

There is an accrual of £39,000 (2021: £38,000) in the Statement of Financial Position representing the difference between the amount charged in the Income Statement and the amount paid to the pension scheme.

24. Exceptional items

There were no exceptional costs for 2022.

In November 2020, there was a further High Court ruling in relation to guaranteed minimum pension benefits. The latest ruling states that trustees of defined benefit schemes that provided guaranteed minimum payments should revisit, and where necessary, top-up historic cash equivalent transfer values that were calculated on an unequalised basis if an affected member makes a successful claim. The impact of the ruling implies that pension scheme trustees are responsible for equalising the guaranteed minimum payments for members who transferred out of its defined benefit pension scheme. This resulted in an increase in the liabilities of the scheme of £70,000 in 2021, which was recognised in the results as a past service cost in exceptional items.

Included within exceptional costs for 2021 are the costs of restructuring the business to size itself better. Costs for exceptional redundancy amounted to nil (2021: £252,000).

25. Other operating income

Income has been received from government grants providing support during the Coronavirus pandemic:

	2022 **£000**	2021 £000
Job Retention Scheme	**15**	600
Hammersmith and Fulham Borough Council	-	25
	15	625

26. Financial instruments: information on financial risks

Categories of financial instruments:

	2022 **Group** **£000**	2021 Group £000	**2022** **Company** **£000**	2021 Company £000
Financial assets				
Trade and other receivables – measured at amortised cost	**1,411**	1,729	**1,411**	1,729
Intragroup receivables – measured at amortised cost	-	-	**527**	527
Cash and cash equivalents – measured at cost	**4,410**	3,682	**4,410**	3,682
	5,821	5,411	**6,348**	5,938
Financial liabilities				
Trade and other payables measured at amortised cost	**1,636**	1,192	**1,636**	1,192
Lease liabilities - measured at amortised cost	**191**	55	**191**	55
Intragroup liabilities – measured at amortised cost	-	-	**948**	948
	1,827	1,247	**2,775**	2,195

All trade and other payables are repayable in less than 12 months and are unsecured. Amounts owed to group undertakings are unsecured and repayable on demand, none is interest bearing.

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

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**	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
US Dollar	**-**	31	**446**	699
Euro	**3**	-	**57**	179
Australian Dollar	**-**	-	**34**	69
Canadian Dollar	**-**	-	**58**	39
	3	**31**	**595**	986

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. Should volumes change and the risk increase the Group has the ability to amend its pricing to mitigate the effect on profit 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.

Credit risk

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

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

Liquidity risk

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

27. Lease liabilities – maturity analysis

	Within 1 year £000	1 to 5 years £000	Total at 31 March £000
Year ended 31 March 2021			
Property leases	59	-	59
Year ended 31 March 2022			
Property leases	66	133	199

These balances represent the gross cash payments (non-discounted) to be made in respect of the lease liabilities.

28. Net debt reconciliation

Group and Parent Company	At 1 April £000	Cashflow £000	Payments on lease liabilities £000	Exchange and other non-cash movements £000	At 31 March £000
Year ended 31 March 2021					
Cash and cash equivalents	**3,016**	688	-	(22)	**3,682**
Lease liabilities	**(104)**	-	59	(10)	**(55)**
Net cash/(debt) at end of year	**2,912**	688	59	(32)	**3,627**
Year ended 31 March 2022					
Cash and cash equivalents	**3,682**	711	-	17	**4,410**
Lease liabilities	**(46)**	-	46	(191)	**(191)**
Net cash/(debt) at end of year	**3,636**	711	46	(174)	**4,219**

Non-cash movements include new lease liabilities and interest on leases.

29. Transactions with related parties

There have been no related party transactions during the year, dividends paid to Directors amounted to £1,000 (2021: nil) based on their shareholdings at the date the dividend was declared.

30. Contingencies and commitments

As at 31st March 2022 the Group had placed contracts for capital expenditure amounting to £443,000 (2021: £157,000). The Group had no contingent liabilities at 31st March 2022.

At 31st March 2022, Barclays Bank held a Debenture in the bank's Standard Form dated 28 April 2021 limited by guarantee given by the Secretary of State for the Department of Business, Energy and Industrial State for £760,000 dated 15 April 2021. The Charge is over Cobden Works, Leopold Street, Birmingham, UK, and the property or undertaking of the Company.

31. Events after the statement of financial position date

The financial statements were authorised for issue on 19th July 2022, and there are no events after the reporting period which would impact these financial statements.

NOTICE OF MEETING

Notice is hereby given that the one hundred and thirtieth Annual General Meeting of Samuel Heath & Sons plc (the Company) will be held at the registered office of the Company, Leopold Street, Birmingham, on 25th August 2022 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 2022 be approved and adopted.
2. That a final dividend for the year ended 31st March 2021 of 7.5625 pence per share be declared payable on 2nd September 2022 to ordinary shareholders registered at the close of business on 27th July 2022.
3. That Mr A.R. Buttanshaw who retires by rotation be re-elected a director.
4. That Mr M.P. Whieldon who retires by rotation be re-elected a director.
5. That RSM UK Audit LLP be reappointed as auditors and that the directors be authorised to determine their remuneration.

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

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

   The prices specified above are exclusive of expenses.

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

7. That the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution for any authorities previously granted to the Directors), pursuant to Sections 549 to 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £25,343 provided that this authority shall expire on 26th August 2027 save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

By order of the Board

Simon Latham

Secretary

19th July 2022

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 25th June 2022 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 24th August 2022 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 23rd August 2022 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 23rd August 2022 or, in the event that the AGM is adjourned, after close of business on the day falling two business days prior to the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the AGM.

4. You can vote either:
   a. by logging on to www.signalshares.com and following the instructions;
   b. You may request a hard copy form of proxy directly from the registrars, Link Group, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
   c. in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

5. In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by 12 noon on 23rd August 2022.

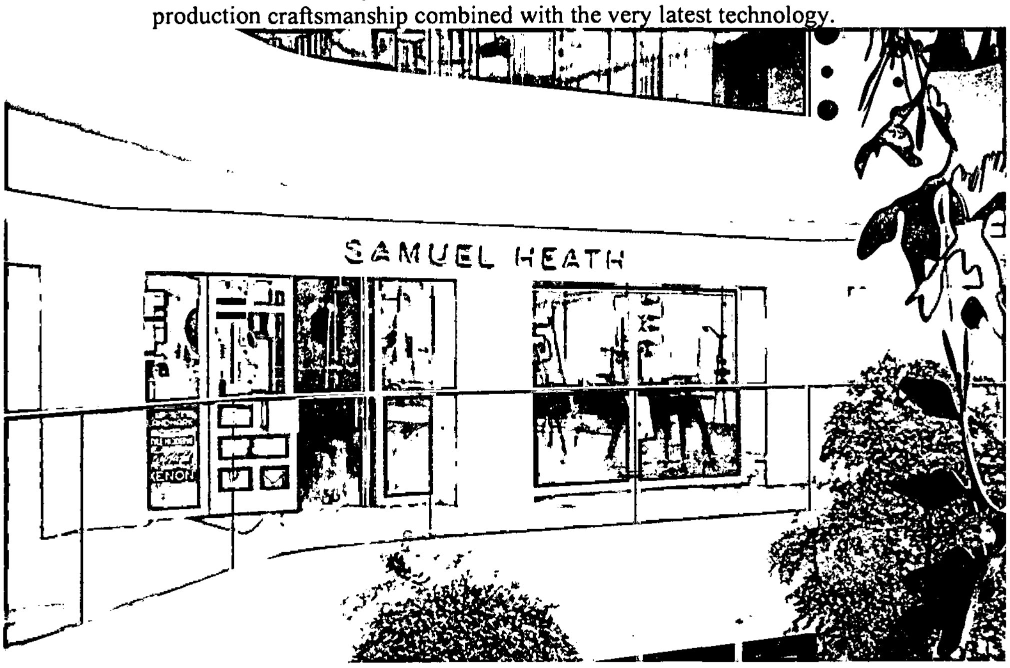
   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or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

6. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12 noon on 23rd August 2022. For this purpose, the time of receipt will be taken to mean the time (as determined

by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Samuel Heath'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

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