



Samuel Heath & Sons PLC

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Samuel Heath & Sons PLC

DIRECTORS AND OFFICERS

Directors:

Samuel B. Heath*

(Chairman)

David J. Pick

(Managing Director)

David J. Richardson, FCMA

(Financial Director)

David F. Coplestone*‡

(Non-executive)

Charles J. B. Flint, LLB*‡

(Non-executive)

William J. Lancashire

(Director)

David B. Legge, I.Eng.*‡

(Non-executive)

Martin J. Legge*‡

(Non-executive)

* Member of remuneration committee

‡ Member of audit committee

Secretary:

John Park

Group Management Board:

Neil Bosworth

Registered Office:

Cobden Works
Leopold Street
Birmingham B12 0UJ
Registered No. 31942

Registrar:

Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Auditors:

Moore Stephens
Charterhouse
165 Newhall Street
Birmingham B3 1SW

Solicitors:

Shakespeares
10 Bennetts Hill
Birmingham B2 5RS



CHAIRMAN'S STATEMENT

The year to 31st March 2000 was quite clearly a very satisfactory one for the Company. The profit achieved was a record one. I apologised with the interim results for getting our budget wrong, but in the event, it turned out that in only four months had we taken a too pessimistic view. These four months however turned out to be decisive for our fortunes.

Particularly pleasing has been the increase in export sales in what was, to say the least, a challenging year. All those involved in this should be especially congratulated, as should everyone on the production side of the business who responded so well to the above-budget demands.

During the latter part of the year, it was decided to pull out altogether from the Giftware business, and we have ceased the manufacture of hearth furniture and all other giftware articles completely. The Company is now entirely focused on the Builders' Hardware and Bathroom Trades.

As will be apparent from the accounts, the Group continues to have a strong balance sheet, and your Directors believe that a purchase of the Company's shares at the right price level could benefit the Company, and thereby its

shareholders. Accordingly, your Directors are seeking your approval for the purchase of up to 15% of the issued share capital 405,032 shares, between Annual General Meetings.

During the last year the Company did buy back 141,000 shares.

Coming on to the present year, we have budgeted for a result considerably down on these exceptionally good past twelve months. Having said that, we have traded above this budget for the first three months.

To reflect the very good results, your Board is recommending a final dividend of 6.5 pence per share, making a total of 11.0 pence for the year.

Sam Heath

Chairman

25th July 2000



Samuel Heath & Sons PLC

DIRECTORS' REPORT

The directors present the audited accounts for the year and report as follows:-

Activities

The Group engages in the manufacture and marketing of a wide range of products in the builders' hardware and bathroom field. The Chairman's Statement on page 3 contains a review of the development of the business during the year and an indication of future prospects.

Results

The detailed results for the year and the recommended appropriations are shown on page 10.

Authority for purchase of own shares

At the Annual General Meeting held on 27th August 1999 the Company was given authority to purchase its own shares up to a maximum of 426,182 shares, such authority to expire at the next Annual General Meeting.

Between July 1999 and February 2000 the Company purchased 141,000 ordinary shares, representing 5.0% of the called up share capital for an aggregate consideration of £232,800. The purchases are for the longer term enhancement of shareholder value. At 31st March 2000 the authority was still valid for purchases up to a further 296,182 shares.

Directors

The directors, whose names are shown below, held office at the end of the year.

The numbers of ordinary shares in which the directors had an interest were as follows:-

<i>Beneficial interests:</i>	30th June 2000	31st March 2000	31st March 1999
S. B. Heath	487,081	487,081	487,081
D. F. Coplestone	104,500	104,500	104,500
C. J. B. Flint	6,000	6,000	6,000
W. J. Lancashire	3,750	3,750	3,750
D. B. Legge	16,000	16,000	16,000
M. J. Legge	30,000	30,000	30,000
D. J. Pick	3,000	3,000	2,000
D. J. Richardson	2,000	2,000	2,000

Non-beneficial interests:

M. J. Legge	22,500	22,500	22,500
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The directors retiring by rotation are Mr. D. B. Legge and Mr. D. J. Richardson who offer themselves for re-election. Mr. D. F. Coplestone retires having attained age 70. A resolution will be proposed that he be re-elected. None of them has a service contract with the Company.

Non-executives

Mr. M. J. Legge is 65 years of age and has held a number of directorships in both public and private companies during his working life and he has been on the board for 22 years. He is the Senior Independent Director.

Mr. D. F. Coplestone initially began working in the advertising agency field both in London and Birmingham. After a spell as a very successful independent selling agent, he worked for Samuel Heath & Sons PLC for 27 years. He is 70 years old.



DIRECTORS' REPORT

(continued)

Mr. D. B. Legge is an engineering graduate of Loughborough University. He spent a successful career in the lock manufacturing industry as a director of a major company in that field. He is 62 years old.

Mr. C. J. B. Flint is a Partner of a Birmingham Law Firm, Shakespeares. He holds directorships of a number of private companies. He is also on the Board of Governors of the University of Central England. He is 58 years old.

None of the directors has a material interest in any contract of significance except that during the year Mr. D. B. Legge's firm was paid £10,344 for engineering consultancy services and Mr. Flint's firm Shakespeares was paid £1,650 for legal services.

Other major shareholdings

The Company has been notified of the following other major shareholdings at 30th June 2000.

Number of Shares

C. A. Heath	383,710
G. S. Heath	383,710
S. A. Perkins (née Heath)	282,810

Employees

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.

Corporate Governance

In June 1998 the Committee on Corporate Governance issued recommendations known as the Combined Code and these were incorporated into the Listing Agreement of the London Stock Exchange. We are reporting in accordance with these recommendations on (a) how we have applied the principles set out in Section 1 and (b) the extent to which we have not complied with the provisions in the year to 31st March 2000.

The Board has applied the principles of the Code in a manner which it considers appropriate to the particular circumstances of Samuel Heath & Sons. The structure of the Group is not complicated and the activities are focused entirely on manufacturing and marketing those products.

The Chairman and Chief Executive Officer are separate posts.

The non-executive directors, who are of independent mind, are appointed to provide a balance at board meetings and to contribute their knowledge and experience and comprise half the Board.

Membership of the Nominations Committee which will be chaired by the Chairman of the Board will be decided when the need arises.



DIRECTORS' REPORT

(continued)

The Remuneration Report below sets out the principles adopted in regard to directors' remuneration.

The principles regarding relations with shareholders are maintained by contact with institutional shareholders and by communicating with private investors at annual general meetings and regular circulation of the company's house magazine.

With regard to accountability and audit, the Audit Committee comprises the four non-executive directors under the chairmanship of Mr. M. J. Legge. The Board has reviewed internal controls and considers they are able to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board monitors the effectiveness of the system by way of the organisational structure and a comprehensive system of budgeting and detailed reporting. Capital expenditure is subject to approval by the Board.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing accounts.

In the year ended 31st March 2000 the company has not complied with the Code provisions in the following respects:-

The Board complied with the provisions of the Combined Code which require appointment of a senior independent director on 23rd March 2000 when Mr. M. J. Legge was appointed to that position.

The Remuneration Committee in addition to the four non-executive directors includes the company Chairman. The directors consider this gives the best method of consultation as recommended by the provisions.

Policy on payment of creditors

The Company's policy for the payment of creditors is to make payment in accordance with agreed terms and conditions of trade.

At 31st March 2000 the Company's creditor days compared to the value of supplier invoices received in the year was 53 (1999: 55).

Remuneration report

Members of the Remuneration Committee are noted on page 2.

The Committee seeks to develop remuneration packages for the executive directors that are both competitive and a fair reflection of an individual's contribution and value to the Company. The total remuneration of the directors has two components:-

- Basic salary and benefits
- Annual cash bonus

The basic salary of each executive director is reviewed annually. In doing so, consideration is given by the Committee not only to rates of pay in businesses of comparable size and nature, but also to individually relevant factors, including the director's own performance during the year.

Annual performance related bonuses are linked closely to the overall financial performance of the Group. The Group does not have any long term incentive schemes.



Samuel Heath & Sons PLC

DIRECTORS' REPORT

(continued)

No director has a service contract.

Executive directors are entitled to join the Samuel Heath & Sons Staff Pension Scheme. Their participation in the scheme is on the same basis as for all other eligible employees. Pensionable salary includes all bonuses as the Committee considers the bonuses should be meaningful and motivating and therefore an integral part of remuneration.

Full details of directors remuneration and pension benefits are shown in note 16 on pages 19 and 20.

The remuneration of the non-executive directors is determined by the Board. The remuneration reflects both the amount of time given and contributions made to the Company's affairs.

The Committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules of the London Stock Exchange.

Derivatives and other financial instruments

Financial Reporting Standard 13 requires 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 invested short term on the money market. There are currently no borrowings.

Some trading takes place in foreign currencies but exposure at any one time is at a sufficiently low level for the Board to consider the currency risk acceptable.

Year 2000 issues and euro

The Company has not experienced any material problems connected with year 2000 or the introduction of the euro.

Auditors

A resolution to re-appoint the auditors Moore Stephens will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

S. B. Heath
Chairman

25th July 2000



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which 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 and the Company for that period. In preparing those accounts, the directors are required to:-

select suitable accounting policies and then apply them consistently.

make judgements and estimates that are reasonable and prudent.

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

prepare the accounts 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.



Samuel Heath & Sons PLC

AUDITORS' REPORT

To the members of Samuel Heath & Sons PLC

We have audited the accounts on pages 10 to 22 which have been prepared under the historical cost convention and the accounting policies set out on page 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 8, the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 5 and 6 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31st March 2000 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Stephens
Chartered Accountants
and Registered Auditor
25th July 2000

Charterhouse
165, Newhall Street
Birmingham B3 1SW



Samuel Heath & Sons PLC
(and subsidiary companies)

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st March 2000

	Notes	2000 £000	2000 £000	1999 £000	1999 £000
Turnover	(2)				
Continuing operations		10,989		10,245	
Discontinued operations		-	10,989	495	10,740
		<u>10,989</u>		<u>10,740</u>	
Cost of sales			5,239		5,250
Gross profit			5,750		5,490
Distribution costs		333		345	
Administrative expenses		4,112	4,445	4,209	4,554
		<u>4,445</u>		<u>4,554</u>	
Operating profit	(4)				
Continuing operations		1,305		1,035	
Discontinued operations		-	1,305	(99)	936
		<u>1,305</u>		<u>936</u>	
Interest receivable			64		18
Profit on ordinary activities before taxation			1,369		954
Taxation	(5)		378		234
			<u>378</u>		<u>234</u>
Profit on ordinary activities after taxation			991		720
Deduct: Dividends					
Interim of 4.5 pence per share (1999: 3.5 pence)		127		101	
Proposed final of 6.5 pence per share (1999: 5.0 pence)		176	303	142	243
		<u>303</u>		<u>243</u>	
Added to reserves	(15)		688		477
			<u>688</u>		<u>477</u>
Earnings per share					
The profit after taxation, £991,000 related to 2,812,000 Ordinary shares, being the average number in issue during the year (1999: £720,000 related to 2,920,000 ordinary shares)					
			35.2 pence		24.7 pence

There are no recognised gains or losses other than those included in the profit and loss account.



Samuel Heath & Sons PLC

BALANCE SHEETS

31st March 2000

	Notes	Group		Parent company	
		2000 £000	1999 £000	2000 £000	1999 £000
Fixed assets					
Tangible assets	(6) & (7)	2,474	2,228	2,474	2,228
Investments	(8)	—	—	399	399
		<u>2,474</u>	<u>2,228</u>	<u>2,873</u>	<u>2,627</u>
Current assets					
Stocks	(9)	1,697	1,781	1,697	1,781
Debtors	(10)	2,034	1,750	2,034	1,750
Cash at bank		1,715	1,149	1,715	1,149
		<u>5,446</u>	<u>4,680</u>	<u>5,446</u>	<u>4,680</u>
Creditors: amounts falling due within one year					
Corporation tax		369	157	369	157
Amounts owed to Group undertakings		—	—	1,052	1,052
Other creditors	(11)	1,577	1,252	1,577	1,252
		<u>1,946</u>	<u>1,409</u>	<u>2,998</u>	<u>2,461</u>
Net current assets		<u>3,500</u>	<u>3,271</u>	<u>2,448</u>	<u>2,219</u>
Total assets less current liabilities		<u>5,974</u>	<u>5,499</u>	<u>5,321</u>	<u>4,846</u>
Provision for liabilities and charges	(13)	191	171	191	171
		<u>5,783</u>	<u>5,328</u>	<u>5,130</u>	<u>4,675</u>
<i>Financed by:</i>					
Capital and reserves					
Called up share capital	(14)	270	284	270	284
Capital redemption reserve	(15)	94	80	94	80
Profit and loss account	(15)	5,419	4,964	4,766	4,311
Equity shareholders' funds		<u>5,783</u>	<u>5,328</u>	<u>5,130</u>	<u>4,675</u>

Signed on behalf of the Board on 25th July 2000

S. B. Heath
Chairman



Samuel Heath & Sons PLC
(and subsidiary companies)

GROUP CASH FLOW STATEMENT

for the year ended 31st March 2000

	Notes	2000 £000	1999 £000
Net cash inflow from operating activities	21	1,659	1,074
Returns on investments and servicing of finance			
Interest received		<u>64</u>	<u>18</u>
Net cash inflow from returns on investments and servicing of finance		64	18
Taxation			
U.K. corporation tax paid		(143)	(271)
Capital expenditure			
Purchase of tangible fixed assets		(575)	(191)
Sale of tangible fixed assets		<u>24</u>	<u>90</u>
Net cash (outflow) for capital expenditure		(551)	(101)
Disposal of business		39	184
Management of liquid resources			
Increase in short-term deposits		(900)	(500)
Financing			
Purchase of own shares		<u>(233)</u>	<u>(190)</u>
Net cash (outflow) for financing		(233)	(190)
Equity dividends paid		(269)	(236)
Decrease in cash	(22)	<u>(334)</u>	<u>(22)</u>

- RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS -

for the year ended 31st March 2000

	2000 £000	1999 £000
Profit for the financial year	991	720
Dividends	<u>(303)</u>	<u>(243)</u>
	688	477
Purchase of own shares	<u>(233)</u>	<u>(190)</u>
Opening shareholders' funds	5,328	5,041
Closing shareholders' funds	<u>5,783</u>	<u>5,328</u>



NOTES FORMING PART OF THE ACCOUNTS

31st March 2000

1. Accounting policies

Basis of the accounts

These accounts have been prepared in accordance with applicable accounting standards and on the historical cost basis of accounting. They do not include the parent company's own profit and loss account in accordance with the exemption available under section 230 Companies Act 1985.

Basis of consolidation

The consolidated accounts incorporate the state of affairs at 31st March 2000 of all the subsidiaries in the Group. On the acquisition of a subsidiary the fair value of the underlying net assets is brought into the consolidation.

Turnover

Turnover is the invoiced value of sales excluding V.A.T. and excluding transactions within the Group.

Stocks

Stocks are valued at the lower of historical cost (which includes overheads where appropriate) and net realisable value.

Research and development

Expenditure on research, patents and trade marks is written off in the year in which it is incurred.

Deferred taxation

Provision is made at prevailing rates for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the accounts, except to the extent that any liability will not be payable in the foreseeable future.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at year end exchange rates. Any differences arising are written off to the profit and loss account.

Depreciation and amortisation

Depreciation is provided on all tangible fixed assets, except freehold land, at such rates as will write off the cost of those assets over their estimated useful lives. With minor exceptions the rates used are as follows:

Freehold buildings	2% p.a. on cost
Long leasehold land and buildings	2% p.a. on cost
Plant and equipment	10% p.a. on cost
Computer equipment	25% p.a. on cost
Vehicles	25% p.a. on cost

Goodwill arising on acquisition made after 23rd December 1998 is amortised over 20 years. Goodwill on earlier acquisitions was written off against reserves but will be taken into account if and when the respective businesses are disposed of.

Pensions

The costs of providing pensions for employees are charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Funding surpluses or deficits that may arise from time to time are amortised over the average working life of employees.

NOTES FORMING PART OF THE ACCOUNTS

(continued)

2. Turnover

An analysis of turnover between destinations is:

	2000 £000	1999 £000
Overseas	4,094	3,854
Home	6,895	6,886
	<u>10,989</u>	<u>10,740</u>

No detailed analysis of overseas turnover is given as, in the opinion of the directors, the disclosures of such information would be seriously prejudicial to the interests of the Group.

3. Contributions to turnover and profit

	2000 Turnover £000	2000 Profit £000	1999 Turnover £000	1999 Profit £000
Metal products	10,989	1,369	10,245	1,053
Pottery	—	—	495	(99)
	<u>10,989</u>	<u>1,369</u>	<u>10,740</u>	<u>954</u>

4. Operating profit

(a) Operating costs are analysed as follows:

	Continuing operations £000	Dis- continued operations £000	2000 Total £000	Continuing operations £000	Dis- continued operations £000	1999 Total £000
Cost of sales	5,239	—	5,239	5,006	244	5,250
Distribution costs	333	—	333	345	—	345
Administration expenses	4,112	—	4,112	3,859	350	4,209
	<u>9,684</u>	<u>—</u>	<u>9,684</u>	<u>9,210</u>	<u>594</u>	<u>9,804</u>

(b) Operating profit is stated after charging the following:

	2000 £000	2000 £000	1999 £000	1999 £000
Directors' emoluments for the year:				
Fees	26		26	
Management remuneration (salaries and benefits)	285		268	
Performance related payments	44	355	32	326
	<u>355</u>		<u>326</u>	
Depreciation (less surplus on disposals £6,000)		305		248
Hire and leasing of motor vehicles		73		51
Auditors' remuneration:				
Audit		30		30
Other services		7		5
Credit for contributions to pension scheme		(84)		(66)
		<u>(84)</u>		<u>(66)</u>



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

5. Taxation

	2000		1999	
	£000	£000	£000	£000
Corporation tax		390		265
Transfer (from)/to deferred taxation to equalise capital allowances	(2)		4	
Future tax relief on provision for contributions to pension scheme	25	23	20	24
Overprovision for prior years		(35)		(55)
		378		234

Corporation tax is at an effective rate of 30% (1999: 31%).

6. Tangible fixed assets of the Group

	Total	Land and	Plant and	Vehicles
	£000	buildings	equipment	£000
Cost		£000	£000	
At 31st March 1999	4,415	1,207	2,895	313
Additions	575	175	366	34
Disposals	(107)	—	(4)	(103)
At 31st March 2000	4,883	1,382	3,257	244
Aggregate depreciation				
At 31st March 1999	2,187	322	1,665	200
Charge for the year	311	25	234	52
Disposals	(89)	—	(3)	(86)
At 31st March 2000	2,409	347	1,896	166
Book value				
At 31st March 2000	2,474	1,035	1,361	78
At 31st March 1999	2,228	885	1,230	113

The book value at 31st March 2000 of land and buildings is made up as follows:

	2000	1999
	£000	£000
Freehold land and buildings	887	734
Long leasehold land and buildings	148	151
	1,035	885

The net book value of freehold land and buildings includes £46,000 (1999: £46,000) in respect of land which is not depreciated.



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

7. Tangible fixed assets of the Parent Company

	Total £000	Land and buildings £000	Plant and equipment £000	Vehicles £000
Cost				
At 31st March 1999	4,357	1,203	2,841	313
Additions	575	175	366	34
Disposals	(107)	—	(4)	(103)
At 31st March 2000	<u>4,825</u>	<u>1,378</u>	<u>3,203</u>	<u>244</u>
Aggregate depreciation				
At 31st March 1999	2,129	318	1,611	200
Charge for the year	311	25	234	52
Disposals	(89)	—	(3)	(86)
At 31st March 2000	<u>2,351</u>	<u>343</u>	<u>1,842</u>	<u>166</u>
Book value				
At 31st March 2000	<u>2,474</u>	<u>1,035</u>	<u>1,361</u>	<u>78</u>
At 31st March 1999	<u>2,228</u>	<u>885</u>	<u>1,230</u>	<u>113</u>

The book value at 31st March 2000 of land and buildings is made up as follows:

	2000 £000	1999 £000
Freehold land and buildings	887	734
Long leasehold land and buildings	148	151
	<u>1,035</u>	<u>885</u>

The net book value of freehold land and buildings includes £46,000 (1999: £46,000) in respect of land which is not depreciated.

8. (a) Investments

	2000 Company £000	1999 Company £000
Shares in subsidiaries		
Cost at 31st March 1999	852	852
Amount written off to date	453	453
Book value at 31st March 2000	<u>399</u>	<u>399</u>



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

8. (b) Details of subsidiary companies

All subsidiaries are wholly owned and are dormant.

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 2000 was £518,000.

9. Stocks

	2000 Group and Company £000	1999 Group and Company £000
Raw material	414	375
Work in progress	582	675
Goods for resale	701	731
	<u>1,697</u>	<u>1,781</u>

10. Debtors

	2000 Group and Company £000	1999 Group and Company £000
Trade debtors	1,833	1,681
Other debtors	-	39
Prepayments	201	30
	<u>2,034</u>	<u>1,750</u>

Included within prepayments is a pension cost prepayment of £81,000 which is recoverable after more than one year.

11. Creditors

	2000 Group and Company £000	1999 Group and Company £000
Trade creditors	1,001	698
Accruals	172	155
Social security, income tax and V.A.T.	228	257
Proposed dividend	176	142
	<u>1,577</u>	<u>1,252</u>

NOTES FORMING PART OF THE ACCOUNTS

(continued)

12. Deferred taxation

	2000 Group and Company £000	1999 Group and Company £000
Deferred tax liability at 31st March 1999	168	144
(Credit)/charge in respect of accelerated capital allowances	(2)	4
Charge in respect of future tax relief on contributions to pension scheme	25	20
Deferred tax liability at 31st March 2000	191	168
<i>Transfer:</i> asset representing future tax relief on contributions to pension scheme, set off against pensions provision, as note 13	-	1
Deferred liability referred to in note 13	191	169
The potential contingent liability at 30% (1999: 30%) not provided was:		
Accelerated capital allowances	115	117
Deferred capital gains	15	15
	130	132

13. Provision for liabilities and charges

	2000 Group and Company £000	1999 Group and Company £000
Provision for future contributions to pension scheme:		
Balance at 31st March 1999	3	69
Credit for year	(84)	(66)
Balance at 31st March 2000	(81)	3
Transferred to prepayments	81	-
<i>Deduct:</i> deferred tax asset, as note 12	-	(1)
	-	2
Deferred taxation, as note 12	191	169
	191	171

14. Share capital

	2000 Company £000	1999 Company £000
<i>Authorised</i>		
5,000,000 Ordinary shares of 10 pence each	500	500
<i>Allotted, called up and fully paid</i>		
2,700,212 Ordinary shares of 10 pence each	270	284

Between July 1999 and February 2000 the company purchased 141,000 of its own shares for a total of £232,800.



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

15. Reserves

	Profit and loss account 2000		Capital redemption reserve 2000	
	Group £000	Company £000	Group £000	Company £000
Opening balance	4,964	4,311	80	80
Premium on redemption of shares	(219)	(219)	-	-
Transfer to capital redemption reserve	(14)	(14)	14	14
Retained profit	688	688	-	-
	<u>5,419</u>	<u>4,766</u>	<u>94</u>	<u>94</u>

16. Particulars of staff

The average number of employees (including directors) during the year was as follows:

	2000	1999
Monthly paid	78	76
Weekly paid	140	148
	<u>218</u>	<u>224</u>

The total staff costs were as follows:

	£000	£000
Wages and salaries	3,753	3,719
Social security costs	262	272
Defined benefit pension scheme costs	377	431
	<u>4,392</u>	<u>4,422</u>

The highest paid director's emoluments were £100,000 (1999: £86,000).

Pension benefits are accruing under defined benefit schemes for three directors (1999: three).

The detailed information concerning directors' emoluments and pension arrangements is as follows:

Emoluments	Salary £	Fee £	Benefits in kind £	Performance related bonuses £	Total 2000 £	Total 1999 £
Executive						
S. B. Heath	66,214	100	15,874	-	82,188	80,472
D. J. Pick	72,500	100	11,122	16,500	100,222	86,254
D. J. Richardson	51,956	100	7,996	14,000	74,052	68,699
W. J. Lancashire	50,937	100	8,085	14,000	73,122	64,726
Non Executive						
D. F. Coplestone	-	6,100	1,441	-	7,541	7,487
C. J. B. Flint	-	6,100	-	-	6,100	6,100
D. B. Legge	-	6,100	-	-	6,100	6,100
M. J. Legge	-	6,100	-	-	6,100	6,100



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

16. Particulars of staff (continued)

Pension benefits	Increase in accrued pension during the year £ per annum	Transfer value of increase £	Accumulated total accrued pension at the year end £ per annum
D. J. Pick	4,912	31,559	19,358
D. J. Richardson	3,112	32,418	21,957
W. J. Lancashire	3,441	32,724	21,206

17. Future capital expenditure

The approximate amount at 31st March 2000 of capital expenditure not provided for in these accounts was as follows:

	2000 Group and Company £000	1999 Group and Company £000
Contracted for	44	31

18. Operating leases

The Company has annual commitments under operating leases which expire as follows:

	Other (Motor vehicles) 2000 £000	1999 £000
Less than one year	43	—
Between one and five years	14	54

19. Pension commitments

The Company operates two pension schemes to provide benefits based on final pensionable pay for the majority of its employees. The assets of these schemes are held separately from those of the Company, being invested with insurance companies. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected accrued benefit method, or the current unit method for the works pension scheme.

The most recent valuation of the staff pension scheme, which is non-contributory, was at 1st July 1997 and was made on the projected accrued benefit method. The main long term actuarial assumptions were that the rate of investment return would be 9% per annum compound, that increases in earnings would average 6.5% per annum compound and that present and future pensions would increase at the rate of 5% per annum compound. Employer's contributions are now being made at the rate of 20% per annum to include an addition for solvency.

This actuarial valuation showed that the market value of the scheme's assets was £3,209,000 and that the actuarial value of those assets represented 103% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The most recent valuation of the works pension scheme was at 6th April 1998 and was made on the current unit method. The main long term actuarial assumptions were that the average rate of investment returns would be 8.5% per annum compound and that increases in earnings would average 6.0% per annum compound. Employer's contributions were made at 11.6% per annum.

This actuarial valuation showed that the market value of the scheme's assets was £1,204,000 and that the actuarial value of those assets represented 113% of the benefits that had accrued to members after allowing for expected future increases in earnings.

In accordance with SSAP 24, any consequent additions to or savings in the Company's contributions will be taken to the profit and loss account over the average expected future service life of the current employees.



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

20. Financial instruments

Details of the Group's policy on financial instruments are given in the directors report on page 7.

- (a) The currency and interest rate profile of the Group's financial assets at 31st March 2000, excluding short-term debtors and creditors:

	Total £000	Short-term floating rate deposits £000	Deposits on which no interest received £000	1999 Total £000
Currency				
Sterling	1,551	1,400	151	1,069
Other	164	—	164	80
	<u>1,715</u>	<u>1,400</u>	<u>315</u>	<u>1,149</u>

Floating rate deposits are held on deposit for variable periods at prevailing money market rates.

- (b) Currency exposure at 31st March 2000.
Non-sterling net foreign currency monetary assets at 31st March 2000 totalled £507,000 (1999: £472,000).

21. Reconciliation of operating profit to net cash inflow from operating activities

	2000 £000	1999 £000
Operating profit	1,305	936
Depreciation charges less surplus on disposals	305	248
Pension scheme credit	(84)	(66)
Decrease in stocks	84	116
(Increase)/decrease in debtors	(242)	147
Increase/(decrease) in creditors	291	(307)
Net cash inflow from operating activities	<u>1,659</u>	<u>1,074</u>
Continuing activities	1,659	1,112
Discontinued activities	—	(38)

22. Reconciliation of net cash flow to movement in net funds

	2000 £000	1999 £000
Decrease in cash in the period	(334)	(22)
Cash outflow for management of liquid resources	900	500
Movement in net funds in the period	566	478
Net funds at 31st March 1999	1,149	671
Net funds at 31st March 2000	<u>1,715</u>	<u>1,149</u>



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

23. Analysis of net funds

	At 31st March 2000 £000	Cash flow £000	At 31st March 1999 £000
Bank balances	315	(334)	649
Short term deposits	1,400	900	500
Cash at bank per balance sheet	<u>1,715</u>	<u>566</u>	<u>1,149</u>

24. Controlling party

For the purposes of FRS 8 the Company is controlled by its Chairman, Mr. S. B. Heath and his close family.



Samuel Heath & Sons PLC

NOTICE OF MEETING

Notice is hereby given that the one hundred and tenth Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham on 25th August 2000 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 2000 be approved and adopted.
2. That a final dividend for the year ended 31st March 2000 of 6.5 pence per share be declared payable on 25th August 2000 to ordinary shareholders registered at the close of business on 4th August 2000.
3. That Mr. D.B. Legge who retires by rotation be re-elected a director.
4. That Mr. D.J. Richardson who retires by rotation be re-elected a director.
5. That Mr. D.F. Coplestone who retires having attained the age of 70 be re-elected a director.
6. That Moore Stephens be re-appointed as auditors and that the directors be authorised to fix their remuneration.

As special business to consider and, if thought fit, to pass the resolutions of which Resolutions 7 and 8 will be proposed as an Ordinary Resolution and Resolution 9 as a Special Resolution.

7. That the Company be authorised, pursuant to Article 10 of the Articles of Association of the Company, to make market purchases (within the meaning of Section 163 of the Companies Act 1985) on the London Stock Exchange up to a cumulative maximum of 405,032 ordinary shares of 10 pence each in the capital of the Company at a price of not less than 10 pence per ordinary share and not more than 5% above the average of the middle market quotations of the ordinary shares as derived from the Stock Exchange Daily Official List on the 5 dealing days before the purchase.

The prices specified above are exclusive of expenses.

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

8. That the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution for any authorities previously granted to the Directors), pursuant to Section 80 of the Companies Act 1985 ("the Act"), to exercise all the powers of the Company to allot relevant securities



NOTICE OF MEETING

(continued)

(within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £27,002 provided that this authority shall expire on 25th August 2005 save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

9. That the Directors of the Company be and they are hereby empowered pursuant to Section 95(1) of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 8 as if Section 89(1) 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 £27,002 provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 15 months from the passing of this resolution, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

By order of the Board

J. Park

Secretary

25th July 2000

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 Secretary at the registered office not later than 48 hours before the time fixed for the meeting.
2. A statement of the share transactions of each Director for the twelve months to 26th June 2000 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 24th August 2000 and will also be available at the Annual General Meeting from 11.45 a.m. until 15 minutes after the meeting is closed.