

31942

# SAMUEL HEATH & SONS PLC

Report and Accounts  
*for the year ended 31st March 2003*



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## DIRECTORS AND OFFICERS

**Directors:**

Samuel B. Heath\*  
(Chairman)  
David J. Pick  
(Managing Director)  
David J. Richardson FCMA  
(Financial Director)  
Martin J. Legge \*†  
(Senior Non-executive)  
David F. Coplestone \*†  
(Non-executive)  
Charles J.B. Flint, LLB \*†  
(Non-executive)  
William J. Lancashire  
(Director)  
Neil Bosworth  
(Director)

\*Member of remuneration committee

†Member of audit committee

**Secretary:**

John Park

**Registered Office:**

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  
Legge Street  
Birmingham B4 7EU

**Solicitors:**

Shakespeares  
Somerset House,  
Temple Street,  
Birmingham B2 5DJ

**Nominated adviser and nominated broker:**

Williams de Broe Plc  
1 Waterloo Street  
Birmingham B2 5PG

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CHAIRMAN'S STATEMENT

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Once we had realised, during the first six months of the year, that trading was going to be even tougher than we had anticipated, measures were taken to cut back. This produced finally a very creditable profit of £1,062,000 for the full year. It is an interesting feature of our type of business that you can supply a non-budgeted upturn from stock, but there is no such easy remedy for a downturn.

At the end of the year, purely for personal reasons, Mr. David Legge resigned from the Board. His contribution, both as Director and Consultant, has been immense. Anyone, however untechnical, would only have to glance at the factory now, as against when he first came in to advise us, to see an enormous difference. I would like to thank him for all the hard work. It was not just what he did, but the way that he did it.

It is only correct and sensible that the person chosen to replace him is the person with whom he worked hand-in-hand on all the changes and updating, our Manufacturing Director, Neil Bosworth. This takes the balance of our Board into "incorrect territory" with regard to the balance of Executive and non-Executive Directors, according to the Higgs Report. No doubt I will be referring to this document endlessly in the future. Let me just say at this stage that Sir Adrian Cadbury was a Midlands manufacturer – and it showed.

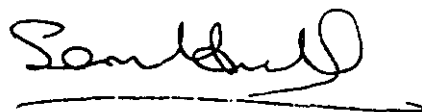
As will be apparent from the accounts, the Group continues to have a strong balance sheet, and your directors believe that a purchase of the Company's shares at the right price level could benefit

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, 382,023 shares, between Annual General Meetings.

During the last year the Company bought back 101,644 shares.

Now I will try to talk of this year's prospects. It seems that every year, when I write this, business is depressed. This is not a seasonal factor. If it was, we would allow for it in our budget. Spring and Summer should be an excellent time to sell our products all over the world, but in most markets, including the U.K., things are far from easy at the moment. Although we are always striving to increase efficiency, further cutbacks in our size would seriously damage our infrastructure. I am therefore very cautious.

Your Board is recommending a final dividend of 8.5 pence per share, making a total of 13.5 pence for the year, as against 13 pence last time. However, you will see that because of our share buyback programme, the actual amount paid in dividend has not increased.



**Sam Heath**  
Chairman

15th July 2003

## DIRECTORS' REPORT

### 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.

### Purchase of own shares

Between September 2002 and March 2003 the Company purchased 101,644 of its own ordinary 10 pence shares, representing 3.9% of the called up share capital for a total consideration of £311,539. The purchases were for the longer-term enhancement of shareholder value.

### 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>	31st March 2003	31st March 2002
S.B. Heath	487,081	487,081
D.F. Coplestone	104,500	104,500
C.J.B. Flint	6,000	6,000
W.J. Lancashire	3,750	3,750
M.J. Legge	30,000	30,000
D.J. Pick	4,500	3,000
D.J. Richardson	2,000	2,000
<i>Non-beneficial interests:</i>		
M.J. Legge	17,500	17,500

Mr. D.B. Legge resigned as a director on 31st March 2003.

Mr. N. Bosworth who was appointed on 1st April 2003 retires at the first general meeting following his appointment and offers himself for election. He does not have a service contract with the Company.

The director retiring by rotation is Mr. S.B. Heath who offers himself for re-election. Mr. D.F. Coplestone retires having attained age 70. A resolution will be proposed that he be re-elected. Neither of them has a service contract with the Company.

### Non-executives

Mr. M.J. Legge has held a number of directorships in both public and private companies during his working life and he has been on the board for 25 years. He is the Senior Independent Director.

## DIRECTORS' REPORT

(continued)

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.

Mr. C.J.B. Flint is a solicitor. He holds directorships of a number of private companies. He is also on the Board of Governors of the University of Central England.

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 £10,859 for engineering consultancy services.

### Other major shareholdings

The Company has been notified of the following other major shareholdings at 31st March 2003.

	<i>Number of Shares</i>
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. The Board adopted these principles in years past and retain them, although not technically necessary for an AIM listed company.

The Board has applied the principles of the Code in a manner which it considers appropriate to the particular circumstances of Samuel Heath & Sons PLC. 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.

The Nominations Committee comprises the entire Board and is chaired by the Chairman of the Directors.

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## DIRECTORS' REPORT

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(continued)

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

Relations with shareholders are maintained by communicating with 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 non-executive directors under the chairmanship of Mr. M.J. Legge. The Committee maintained a robust relationship with the auditors in relation to the audit and other controls. 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 of internal controls 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.

### 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 Group. 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 business 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.

No director has a service contract.

Executive directors have been entitled to join the Samuel Heath & Sons 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 consider the bonuses should be meaningful and motivating and therefore an integral part of remuneration.

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 Group's affairs.

The Committee has given consideration to Schedule B of the best practice provisions annexed to the Listing Rules of the Financial Services Authority.

## DIRECTORS' REPORT

(continued)

### 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 2003 the Company's creditor days compared to the value of supplier invoices received in the year was 47 (2002: 51).

### 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 placed 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.

### 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

15th July 2003



SAMUEL HEATH

SAMUEL HEATH & SONS  
PLC  
LEOPOLD STREET  
BIRMINGHAM, B12 0UJ

## — 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.

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INDEPENDENT AUDITORS' REPORT

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**To the shareholders of Samuel Heath & Sons PLC**

We have audited the financial statements of Samuel Heath & Sons PLC for the year ended 31st March 2003 set out on pages 10 to 25. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 13.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Standards.

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 1985. 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 regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

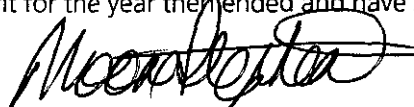
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31st March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Charterhouse  
Legge Street  
Birmingham B4 7EU



**Moore Stephens**  
Chartered Accountants  
and Registered Auditor

15th July 2003

## GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st March 2003

	Notes	2003 £000	2002 £000
<b>Turnover</b>	(2)	12,738	12,832
Cost of sales		6,014	6,010
<b>Gross profit</b>		6,724	6,822
Distribution costs		382	440
Administrative expenses		5,342	5,192
<b>Operating profit</b>	(3)	1,000	1,190
Interest receivable		62	62
<b>Profit on ordinary activities before taxation</b>		1,062	1,252
Taxation	(4)	235	254
<b>Profit on ordinary activities after taxation</b>		827	998
<b>Deduct: Dividends</b>			
Interim of 5.0 pence per share (2002: 5.0 pence)		128	133
Proposed final of 8.5 pence per share (2002: 8.0 pence)		216	212
<b>Added to reserves</b>	(12)	483	653
<b>Earnings per share</b>			
The profit after taxation, £827,000 related to 2,624,904 ordinary shares, being the average number in issue during the year (2002: £998,000 related to 2,655,917 ordinary shares)		31.5 pence	37.6 pence

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st March 2003

Profit on ordinary activities after taxation	827	998
Prior year adjustment	-	(115)
<b>Total recognised gains since last annual report</b>	<b>827</b>	<b>883</b>

# BALANCE SHEETS

31st March 2003

		Group		Parent company	
	Notes	2003 £000	2002 £000	2003 £000	2002 £000
<b>Fixed assets</b>					
Tangible assets	(5)	3,069	2,953	3,069	2,953
Investments	(6)	—	—	399	399
		<u>3,069</u>	<u>2,953</u>	<u>3,468</u>	<u>3,352</u>
<b>Current assets</b>					
Stocks	(7)	2,091	2,033	2,091	2,033
Debtors	(8)	2,206	2,153	2,206	2,153
Cash at bank		2,053	2,215	2,053	2,215
		<u>6,350</u>	<u>6,401</u>	<u>6,350</u>	<u>6,401</u>
<b>Creditors: amounts falling due within one year</b>					
Corporation tax		260	315	260	315
Amounts owed to Group undertakings		—	—	1,052	1,052
Other creditors	(9)	1,792	1,837	1,792	1,837
		<u>2,052</u>	<u>2,152</u>	<u>3,104</u>	<u>3,204</u>
<b>Net current assets</b>		<u>4,298</u>	<u>4,249</u>	<u>3,246</u>	<u>3,197</u>
<b>Total assets less current liabilities</b>		<u>7,367</u>	<u>7,202</u>	<u>6,714</u>	<u>6,549</u>
<b>Creditors: amounts falling due after more than one year</b>	(9)	11	33	11	33
<b>Provision for liabilities and charges</b>	(10)	395	380	395	380
<b>Net assets</b>		<u>6,961</u>	<u>6,789</u>	<u>6,308</u>	<u>6,136</u>
<i>Financed by</i>					
<b>Capital and reserves</b>					
Called up share capital	(11)	255	265	255	265
Capital redemption reserve	(12)	108	98	108	98
Profit and loss account	(12)	6,598	6,426	5,945	5,773
<b>Equity shareholders' funds</b>		<u>6,961</u>	<u>6,789</u>	<u>6,308</u>	<u>6,136</u>



Signed on behalf of the Board on 15th July 2003

S.B. Heath  
Chairman

## GROUP CASH FLOW STATEMENT

for the year ended 31st March 2003

	Notes	2003 £000	2002 £000
<b>Net cash inflow from operating activities</b>	(18)	1,261	1,460
<b>Returns on investments and servicing of finance</b>			
Interest received		62	62
<b>Net cash inflow from returns on investments and servicing of finance</b>		62	62
<b>Taxation</b>			
U.K. corporation tax paid		(275)	(185)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(619)	(768)
Sale of tangible fixed assets		60	39
<b>Net cash outflow for capital expenditure</b>		(559)	(729)
<b>Management of liquid resources</b>			
Increase in short-term deposits		(41)	(396)
<b>Financing</b>			
Purchase of own shares		(311)	(65)
<b>Net cash outflow for financing</b>		(311)	(65)
<b>Equity dividends paid</b>		(340)	(319)
<b>Decrease in cash</b>	(19)	(203)	(172)

## -RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS-

for the year ended 31st March 2003

	2003 £000	2002 £000
Profit for the financial year	827	998
Dividends	(344)	(345)
	483	653
Purchase of own shares	(311)	(65)
Opening shareholders' funds	6,789	6,201
<b>Closing shareholders' funds</b>	<b>6,961</b>	<b>6,789</b>

## NOTES FORMING PART OF THE ACCOUNTS

31st March 2003

### 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.

Accounting policies have been consistently applied.

#### *Basis of consolidation*

The consolidated accounts incorporate the state of affairs at 31st March 2003 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*

Deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred assets and liabilities have not been discounted.

#### *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 costs 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 acquisitions 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 recommendations of qualified actuaries. Funding surpluses or deficits that may arise from time to time are amortised over the average working life of employees.

Note 16 also contains additional disclosures as required by FRS17 'Retirement Benefits'.

#### *Leased assets*

Assets held under finance leases are capitalised and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors amounts falling due within or after more than one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to the profit and loss account on a straight line basis.

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

### 2. Turnover

All sales originated in the United Kingdom.

An analysis of turnover between destinations is:-

	2003 £000	2002 £000
Overseas	4,457	4,644
Home	8,281	8,188
	<u>12,738</u>	<u>12,832</u>

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

### 3. Operating profit

Operating profit is stated after charging the following:-

	2003 £000	2002 £000
Directors' emoluments for the year:		
Fees	29	27
Management remuneration (salaries and benefits)	365	333
Performance related payments	53	44
	<u>447</u>	<u>404</u>
Depreciation (including loss on disposals £21,000)	443	410
Hire and leasing of vehicles	40	69
Auditors remuneration:		
Audit	33	30
Other services	14	7
	<u>487</u>	<u>516</u>

### 4. Taxation

	2003 £000	2002 £000
Corporation tax	260	315
Transfer to/(from) deferred taxation to equalise capital allowances	21	9
Future tax relief on provision for contributions to pension scheme	(6)	9
	<u>275</u>	<u>333</u>
Overprovision for prior years	(40)	(70)
	<u>235</u>	<u>263</u>

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

### 4. Taxation (continued)

#### Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the U.K. The difference is explained below:-

	2003 £000	2002 £000
Profit on ordinary activities before tax	<u>1,062</u>	<u>1,252</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the U.K. of 30% (2002: 30%)	319	376
Effects of:-		
Capital allowances in excess of depreciation and loss on disposals of fixed assets	(15)	(8)
Expenses not allowable for tax purposes	2	4
Reduction in pension prepayment	6	-
Research and development claim	(41)	(46)
Marginal relief	(15)	(10)
Rounding of provision	4	(1)
Current tax charge	<u>260</u>	<u>315</u>

### 5. Tangible fixed assets of the group and of the company

	Total £000	Land and buildings £000	Plant and equipment £000	Vehicles £000
<b>Cost</b>				
At 31st March 2002	5,864	1,419	4,056	389
Additions	619	45	387	187
Disposals	(152)	-	(6)	(146)
At 31st March 2003	<u>6,331</u>	<u>1,464</u>	<u>4,437</u>	<u>430</u>
<b>Aggregate depreciation</b>				
At 31st March 2002	2,911	397	2,383	131
Charge for the year	422	28	300	94
Disposals	(71)	-	(3)	(68)
At 31st March 2003	<u>3,262</u>	<u>425</u>	<u>2,680</u>	<u>157</u>
<b>Book value</b>				
At 31st March 2003	<u>3,069</u>	<u>1,039</u>	<u>1,757</u>	<u>273</u>
At 31st March 2002	<u>2,953</u>	<u>1,022</u>	<u>1,673</u>	<u>258</u>



## NOTES FORMING PART OF THE ACCOUNTS

(continued)

### 5. Tangible fixed assets of the group and of the company (continued)

The book value at 31st March 2003 of land and buildings is made up as follows:-

	2003 £000	2002 £000
Freehold land and buildings	903	882
Long leasehold land and buildings	136	140
	<u>1,039</u>	<u>1,022</u>

The net book value of freehold land and buildings includes £46,000 (2002: £46,000) in respect of land which is not depreciated.

The net book value of motor vehicles includes an amount of £35,000 (2002: £95,000) in respect of assets held under finance leases. The depreciation charge for the year was £25,000 (2002: £36,000).

### 6.(a) Investments

	2003 Company £000	2002 Company £000
<b>Shares in subsidiaries</b>		
Cost at 31st March 2002	852	852
Amount written off to date	453	453
Book value at 31st March 2003	<u>399</u>	<u>399</u>

### 6.(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 2003 was £518,000.

### 7. Stocks

	2003 Group and Company £000	2002 Group and Company £000
Raw material	437	527
Work in progress	829	819
Goods for resale	825	687
	<u>2,091</u>	<u>2,033</u>

# NOTES FORMING PART OF THE ACCOUNTS

(continued)

## 8. Debtors

	2003 Group and Company £000	2002 Group and Company £000
Trade debtors	1,968	1,896
Prepayments	238	257
	<u>2,206</u>	<u>2,153</u>

Included within prepayments is a pension cost prepayment of £144,000 (2002: £165,000), £132,000 of which is recoverable after more than one year (2002: £165,000).

## 9. Creditors

	2003 Group and Company £000	2002 Group and Company £000
	<b>Amounts falling due within one year</b>	
Trade creditors	1,032	1,144
Accruals	178	164
Social security, income tax and V.A.T.	353	309
Proposed dividend	216	212
Obligations under finance leases	13	8
	<u>1,792</u>	<u>1,837</u>

	2003 Group and Company £000	2002 Group and Company £000
	<b>Amounts falling due after more than one year</b>	
Obligations under finance leases		
Between 1 and 2 years	11	15
Between 2 and 5 years	—	18
	<u>11</u>	<u>33</u>

# NOTES FORMING PART OF THE ACCOUNTS

(continued)

## 10. Deferred taxation

	2003 Group and Company £000	2002 Group and Company £000
Deferred tax liability at 31st March 2002, as originally stated	380	256
Prior year restatement	—	115
Deferred tax liability at 31st March 2002, as restated	380	371
Charge in respect of accelerated capital allowances	21	9
Credit in respect of tax relief on contributions prepaid to pension scheme	(6)	—
Deferred tax liability at 31st March 2003	395	380

## 11. Share capital

	2003 Company £000	2002 Company £000
<i>Authorised</i> 5,000,000 Ordinary shares of 10 pence each	500	500
<i>Allotted, called up and fully paid</i> 2,551,068 (2002: 2,652,712) Ordinary shares of 10 pence each	255	265

Between September 2002 and March 2003 the company purchased 101,644 of its own shares for a total consideration of £311,539.

## 12. Reserves

	Profit and loss account		Capital redemption reserve	
	Group £000	Company £000	Group £000	Company £000
At 31st March 2002	6,426	5,773	98	98
Premium on redemption of shares	(301)	(301)	—	—
Transfer to capital redemption reserve	(10)	(10)	10	10
Retained profit	483	483	—	—
At 31st March 2003	6,598	5,945	108	108

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

### 13. Particulars of staff

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

	2003	2002
Monthly paid	80	80
Weekly paid	149	154
	<u>229</u>	<u>234</u>

The total staff costs were as follows:-

	£000	£000
Wages and salaries	4,506	4,501
Social security costs	310	314
Pension scheme costs	703	686
	<u>5,519</u>	<u>5,501</u>

	2003 Group and Company £000	2002 Group and Company £000
Directors' emoluments	<u>447</u>	<u>404</u>

	Number	Number
Retirement benefits accruing to the following number of directors under:-		
Defined benefit schemes	<u>3</u>	<u>3</u>

The amounts paid in respect of the highest paid director are as follows:-

	£000	£000
Emoluments	<u>135</u>	<u>117</u>
Accumulated total accrued pension at the year end	<u>33</u>	<u>30</u>
Total accrued lump sum at the year end	<u>75</u>	<u>70</u>

### 14. Future capital expenditure

The approximate amount at 31st March 2003 of capital expenditure not provided for in these accounts was as follows:-

	2003 Group and Company £000	2002 Group and Company £000
Contracted for	<u>32</u>	<u>33</u>

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

### 15. Operating leases

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

	2003 Group and Company £000	Other (Motor vehicles) 2002 Group and Company £000
Less than one year	-	9
Between one and five years	-	2

### 16. Pension commitments

#### (a) Disclosures in accordance with Statement of Standard Accounting Practice 24

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.

The most recent valuation of the staff pension scheme was at 1st July 2000 and was made on the projected accrued benefit method. The main long term actuarial assumptions were that the rate of investment return would exceed increases in earnings by 2.5% per annum compound. Employer's contributions are now made at the rate of 20% per annum from 1st July 2002 (previously 21%) to include an addition for solvency.

This actuarial valuation showed that the market value of the scheme's assets was £3,441,000 and that the actuarial value of those assets represented 92% 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 2001 and was made on the projected 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 4.0% per annum compound. Employer's contributions are now made at the rate of 12.6% per annum from 1st April 2002 (previously 10.1%).

This actuarial valuation showed that the market value of the scheme's assets was £1,680,000 and that the actuarial value of those assets represented 72% 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 are taken to the profit and loss account over the average expected future service life of the current employees.

#### Present arrangements

The directors decided to close the above schemes to new members, and new employees joining the company from 1st November 2000 are, following a period of qualification, invited to join a new defined contribution scheme. The employer's contribution rate for this scheme is 7% per annum.

# NOTES FORMING PART OF THE ACCOUNTS

(continued)

## 16. Pension commitments (continued)

### (b) Transitional disclosures in accordance with Financial Reporting Standard 17

The valuations used for FRS 17 disclosures have been based on the full actuarial valuations referred to above and updated to 31st March 2003 by the actuaries.

The major assumptions used by the actuaries were:

Inflation assumption	2.5%
Rate of increase in salaries	4.0%
Rate of increase for pensions in payment	2.5%
Discount rate	5.4%

#### Amounts that will be included within operating profit on adoption of FRS 17

Current service cost	£000
	383

#### Amounts that will be included within other finance income on adoption of FRS 17

Expected return on pension scheme assets	471
Interest on pension scheme liabilities	(476)
	(5)

#### Analysis of amounts that will be included within the statement of recognised gains and losses (STRGL) on adoption of FRS 17

Difference between actual and expected return on pension scheme assets	(1,016)
Experience gains and losses arising on scheme liabilities	18
Effects of changes in assumptions underlying the present value of scheme liabilities	(1,837)
Effect of change in the basis of valuation of scheme assets	605
Actuarial loss recognised in the STRGL	(2,230)

The fair value of the assets in the schemes and the expected rates of return were:

#### 31st March 2003

	Staff scheme		Works scheme	
	Long-term rate of return expected per annum	Proportion of fund	Long-term rate of return expected per annum	Value £000
Insurance policy investment profile:				
Equities	8.5%	45.0%	5.6%	870
Property	7.5%	17.0%		
Bonds	6.5%	34.0%	3.6%	170
Other	4.5%	4.0%	3.6%	100
		£000		
Total value of policy	7.5%	3,948	5.1%	1,140
Secured pensions in payment	5.4%	1,776		
Total market value of assets		5,724		
Present value of scheme liabilities		8,171		2,310
Deficit in the scheme		2,447		1,170
Total deficit				3,617
Related deferred tax asset				1,085
Net pension liability				2,532

# NOTES FORMING PART OF THE ACCOUNTS

(continued)

## 16. Pension commitments (continued)

31st March 2002

	Staff scheme		Works scheme	
	Long-term rate of return expected per annum	Proportion of fund	Long-term rate of return expected per annum	Value £000
Insurance policy investment profile:				
Equities	8.0%	53.0%	7.9%	1,240
Property	8.0%	15.0%		
Bonds	7.0%	12.0%	5.9%	186
Fixed interest	6.0%	16.0%		
Other	5.3%	4.0%	5.9%	124
		£000		
Total value of policy	7.5%	3,530	7.5%	1,550
Secured pensions in payment	5.9%	1,432		
Total market value of assets		4,962		
Present value of scheme liabilities		5,985		2,110
Deficit in the scheme		1,023		560
Total deficit				1,583
Related deferred tax asset				475
Net pension liability				1,108
<b>Movement in deficit during the year</b>				
Deficit at 31st March 2002				(1,583)
Current service cost				(383)
Contributions				584
Other finance income				(5)
Actuarial loss				(2,230)
Deficit at 31st March 2003				<b>(3,617)</b>

NOTES FORMING PART OF THE ACCOUNTS

(continued)

16. Pension commitments (continued)

	2003	2002
£000	£000	£000
<b>Net assets</b>		
Net assets before pension liability	6,961	6,789
Pension liability	2,532	1,108
SSAP 24 assets to be reversed upon implementation of FRS 17 (net of deferred tax)	101	115
	<u>2,633</u>	<u>1,223</u>
Net assets after pension liability	<u>4,328</u>	<u>5,566</u>

	2003	2002
£000	£000	£000
<b>Reserves</b>		
Profit and loss reserve before pension liability	6,598	6,426
Pension liability	2,532	1,108
SSAP 24 asset to be reversed upon implementation of FRS 17 (net of deferred tax)	101	115
	<u>2,633</u>	<u>1,223</u>
Profit and loss reserve after pension liability	<u>3,965</u>	<u>5,203</u>

**History of experience gains and losses**

	£000
Difference between the expected and actual return on scheme assets	(1,016) (14.8% of scheme assets)
Experience gains and losses on scheme liabilities	18 (0.2% of scheme liabilities)
Total actuarial gains and losses recognised in the STRGL	(2,230) (21.3% of scheme liabilities)

The pensions industry acknowledges that there are other methods of valuation than those used above. These would produce a different result, better or worse, but may reflect liabilities more realistically.



## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**17. 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 2003, excluding short-term debtors and creditors.

	Total £000	Short-term floating rate deposits £000	Deposits on which no interest received £000	2002 Total £000
Currency				
Sterling	2,012	2,001	11	2,080
Other	41	3	38	135
	<u>2,053</u>	<u>2,004</u>	<u>49</u>	<u>2,215</u>

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

- (b) Currency exposure at 31st March 2003.

Non-sterling net foreign currency monetary assets at 31st March 2003 totalled £580,000 (2002: £674,000).

**18. Reconciliation of operating profit to net cash inflow from operating activities**

	2003 Group and Company £000	2002 Group and Company £000
Operating profit	1,000	1,190
Depreciation charges and loss/surplus on disposals	443	410
Pension scheme charge	21	-
Increase in stocks	(58)	(156)
(Increase)/decrease in debtors	(74)	28
Decrease in creditors	(71)	(12)
Net cash inflow from operating activities	<u>1,261</u>	<u>1,460</u>

**19. Reconciliation of net cash flow to movement in net funds**

	2003 £000	2002 £000
Decrease in cash in the period	(203)	(172)
Cash outflow for management of liquid resources	41	396
	<u>(162)</u>	<u>224</u>
Net funds at 31st March 2002	2,215	1,991
Net funds at 31st March 2003	<u>2,053</u>	<u>2,215</u>

# NOTES FORMING PART OF THE ACCOUNTS

(continued)

## 20. Analysis of net funds

	At 31st March 2002 £000	Cash flow £000	At 31st March 2003 £000
Bank balances	255	(203)	52
Short term deposits	1,960	41	2,001
Cash at bank per balance sheet	<u>2,215</u>	<u>(162)</u>	<u>2,053</u>

## 21. Controlling party

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

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NOTICE OF MEETING

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**Notice is hereby given** that the one hundred and thirteenth Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham on 8th August 2003 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 2003 be approved and adopted.
2. That a final dividend for the year ended 31st March 2003 of 8.5 pence per share be declared payable on 8th August 2003 to ordinary shareholders registered at the close of business on 18th July 2003.
3. That Mr. S.B. Heath who retires by rotation be re-elected a director.
4. That Mr. N. Bosworth who retires at the first general meeting following his appointment be 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 382,023 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 (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £25,468 provided that this authority shall expire on 9th August 2008 save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

## NOTICE OF MEETING

(continued)

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 £25,468 provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company or, if later, 15 months from the passing of this resolution, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

*By order of the Board*

**J. Park**  
Secretary

15th July 2003

### 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 8th June 2003 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 7th August 2003 and will also be available at the Annual General Meeting from 11.45 a.m. until 15 minutes after the meeting is closed.

SAMUEL HEATH

SAMUEL HEATH & SONS  
PLC  
LEOPOLD STREET  
BIRMINGHAM, B12 0UJ

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## SHAREHOLDERS' NOTES

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