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

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SAMUEL HEATH & SONS PLC

Report and Accounts

for the year ended 31st March 2005

SAMUEL HEATH

SAMUEL HEATH

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

CONTENTS

SAMUEL HEATH

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)* Neil Bosworth *(Manufacturing Director)* * Member of remuneration committee † Member of audit committee
Secretary:	John Park
Group Management Board:	Martyn Whieldon (appointed 23rd March 2005)
Registered Office:	Cobden Works Leopold Street Birmingham, B12 0UJ Registered No. 31942
Registrar:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield, HD8 0LA
Auditors:	Bentley Jennison Charterhouse Legge Street Birmingham, B4 7EU
Solicitors:	Shakespeares Somerset House Temple Street Birmingham, B2 5DJ
Nominated adviser and nominated broker:	Williams de Broë Plc 121 Edmund Street Birmingham, B3 2HJ

SAMUEL HEATH

SAMUEL HEATH & SONS PLC
LEOPOLD STREET
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CHAIRMAN'S STATEMENT

It has never been my intention in my statements to be deliberately pessimistic, and then for the Company to produce results better than forecast.

Therefore, it is with an apology, as well as it must be confessed some pleasure, that I have to announce results much better than we could have possibly foreseen up to the last two months of the trading period to 31st March 2005.

Although in all other areas of the business turnover fell as per our budget, our range of "invisible" door closers bucked the trend and showed a very strong finish at the end of the year.

Profit before tax was £933,000, before a special extra payment to our pension funds of £250,000. This extremely satisfactory profit could not have been achieved without some very painful cuts being administered right through the Company, as you will notice that our sales are in fact down to £11,375,000 from £12,131,000.

The reasons for the fall in sales in most departments are the usual ones — enormous quantities of cheaper imports and difficult trading in the USA, both made a great deal worse by the weakness of the Dollar. Europe was by no means any easier, with some countries experiencing particularly difficult trading conditions.

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 did not buy any shares.

For the coming year, we now have every sign from our order book of a considerable slowdown in the UK market, without any of the others showing an improvement. I have therefore little choice in repeating my caution of last year.

If there were to be a similar drop in sales over all our product ranges, there would be no more room for the type of savings which produced last year's respectable profit. If such an exercise was attempted, it would harm the future prospects of the Company which, because of the introduction of new products, we still feel are exciting.

Sam Heath
Chairman

21st July 2005

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 8.

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:

Beneficial interests:	31st March 2005	31st March 2004
S.B. Heath	487,081	487,081
D.F. Coplestone	104,500	104,500
C.J .B. Flint	6,000	6,000
M.J. Legge	30,000	30,000
D.J. Pick	4,500	4,500
D.J. Richardson	2,000	2,000
N. Bosworth	1,000	1,000
Non-beneficial interests:		
M.J. Legge	12,500	17,500

Mr W.J. Lancashire resigned as a director with effect from 9th November 2004.

The directors retiring by rotation are Mr N. Bosworth and Mr D.J. Pick who offer themselves for re-election. Mr D.F. Coplestone and Mr M.J. Legge retire having attained age 70. Resolutions will be proposed that they be re-elected. None 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. 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.

Mr C.J.B. Flint 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.

DIRECTORS' REPORT

(continued)

Other major shareholdings

The Company has been notified of the following other major shareholdings at 31st March 2005.

	Number of Shares
C.A. Heath	378,710
G.S. Heath	378,710
S.A. Perkins (née Heath)	272,810
Solid Brass AB	150,000

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.

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 2005 the Company's creditor days compared to the value of supplier invoices received in the year was 32 (2004: 31).

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.

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 reappoint the auditors Bentley Jennison will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

S.B. Heath
Chairman

21st July 2005

SAMUEL HEATH

SAMUEL HEATH & SONS
PLC
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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

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

Independent Auditors' Report

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 2005 set out on pages 8 to 23. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 11.

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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bentley Jennison

Bentley Jennison
Chartered Accountants
and Registered Auditors

Charterhouse
Legge Street
Birmingham, B4 7EU

21st July 2005

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

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st March 2005

	Notes	2005 £000	2005 £000	2004 £000	2004 £000
Turnover	(2)		**11,375**		12,131
Cost of sales			**5,119**		5,517
Gross profit			**6,256**		6,614
Distribution costs		**361**		427	
Administrative expenses *(including exceptional pension payment £250,000 (2004: £Nil))*		**5,318**	**5,679**	5,395	5,822
Operating profit	(3)		**577**		792
Interest receivable			**106**		60
Profit on ordinary activities before taxation					
Before exceptional item		**933**		852	
Exceptional pension payment	(17)	**(250)**		—	
			683		852
Taxation	(4)		**146**		139
Profit on ordinary activities after taxation			**537**		713
Deduct: **Dividends**					
Interim of 5.0 pence per share (2004: 5.0 pence)		**128**		128	
Proposed final of 8.5 pence per share (2004: 8.5 pence)		**216**	**344**	216	344
Added to reserves	(13)		**193**		369
Earnings per share — Basic and Diluted	(5)		**21.1 pence**		28.0 pence
Earnings per share before exceptional item	(5)		**30.9 pence**		28.0 pence

TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st March 2005

The Group has no recognised gains or losses other than the profit for the current year.

SAMUEL HEATH

BALANCE SHEETS

31st March 2005

		Group		Parent company	
		2005	2004	**2005**	2004
	Notes	**£000**	£000	**£000**	£000
Fixed assets					
Tangible assets	(6)	**2,757**	2,954	**2,757**	2,954
Investments	(7)	**—**	—	**399**	399
		2,757	2,954	**3,156**	3,353
Current assets					
Stocks	(8)	**1,921**	1,967	**1,921**	1,967
Debtors	(9)	**2,124**	2,325	**2,124**	2,325
Cash at bank		**2,562**	2,091	**2,562**	2,091
		6,607	6,383	**6,607**	6,383
Creditors: amounts falling due within one year					
Corporation tax		**165**	200	**165**	200
Amounts owed to Group undertakings		**—**	—	**1,052**	1,052
Other creditors	(10)	**1,309**	1,430	**1,309**	1,430
		1,474	1,630	**2,526**	2,682
Net current assets		**5,133**	4,753	**4,081**	3,701
Total assets less current liabilities		**7,890**	7,707	**7,237**	7,054
Provision for liabilities and charges	(11)	**380**	390	**380**	390
Net assets		**7,510**	7,317	**6,857**	6,664
Financed by					
Capital and reserves					
Called up share capital	(12)	**255**	255	**255**	255
Capital redemption reserve	(13)	**108**	108	**108**	108
Profit and loss account	(13)	**7,147**	6,954	**6,494**	6,301
Equity shareholders' funds		**7,510**	7,317	**6,857**	6,664

Signed on behalf of the Board on 21st July 2005

S.B. Heath
Chairman

SAMUEL HEATH & SONS PLC
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GROUP CASH FLOW STATEMENT

for the year ended 31st March 2005

	Notes	2005 £000	2005 £000	2004 £000	2004 £000
Net cash inflow from operating activities	(18)		**1,141**		871
Returns on investments and servicing of finance					
Interest received		**106**		60	
Net cash inflow from returns on investments and servicing of finance			**106**		60
Taxation					
UK corporation tax paid			**(191)**		(204)
Capital expenditure					
Purchase of tangible fixed assets		**(285)**		(407)	
Sale of tangible fixed assets		**44**		75	
Net cash outflow for capital expenditure			**(241)**		(332)
Management of liquid resources					
Increase in short-term deposits			**(317)**		(297)
Financing					
Purchase of own shares		—		(13)	
Net cash outflow for financing			—		(13)
Equity dividends paid			**(344)**		(344)
Increase/(decrease) in cash	(19)		**154**		(259)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31st March 2005

	2005 £000	2004 £000
Profit for the financial year	**537**	713
Dividends	**(344)**	(344)
	193	369
Purchase of own shares	—	(13)
Opening shareholders' funds	**7,317**	6,961
Closing shareholders' funds	**7,510**	7,317

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NOTES FORMING PART OF THE ACCOUNTS

31st March 2005

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 2005 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 VAT 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 trademarks 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 17 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:

	2005	2004
	£000	£000
Overseas	**3,645**	4,077
Home	**7,730**	8,054
	11,375	12,131

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:

	2005		2004	
	£000	**£000**	£000	£000
Directors' emoluments for the year:				
Fees	**25**		25	
Management remuneration (salaries and benefits)	**433**		437	
Performance related payments	**56**	**514**	67	529
Depreciation (less surplus on disposals £7,000)		**438**		447
Hire and leasing of vehicles		**—**		8
Auditors' remuneration:				
Audit		**21**		34
Other services		**19**		8

4. Taxation

	2005		2004	
	£000	**£000**	£000	£000
Corporation tax		**165**		200
Transfer from deferred taxation to equalise capital allowances	**(10)**		—	
Future tax relief on provision for contributions to pension scheme	**—**	**(10)**	(5)	(5)
Overprovision for prior years		**(9)**		(56)
		146		139

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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 UK. The difference is explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	**683**	852
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	**205**	256
Effects of:		
Depreciation less profit on disposals of fixed assets in excess of capital allowances	**5**	4
Research and development claim	**(47)**	(58)
Marginal relief	**(26)**	(22)
Sundry adjustments and roundings	**28**	20
Current tax charge	**165**	200

5. Earnings per share

The earnings per share are calculated using the profit after taxation of £537,000 relating to 2,546,818 ordinary shares, being the average number in issue during the year (2004: £713,000 related to 2,546,888 ordinary shares). The number of shares used in the calculation is the same for both basic and diluted earnings.

The earnings per share before the exceptional item are calculated using profit after taxation and before the exceptional item of £250,000. The average number of shares is as above.

6. Tangible fixed assets of the Group and of the Company

	Total £000	Land and buildings £000	Plant and equipment £000	Vehicles £000
Cost				
At 31st March 2004	6,556	1,464	4,673	419
Additions	285	—	202	83
Disposals	(114)	—	—	(114)
At 31st March 2005	**6,727**	**1,464**	**4,875**	**388**
Aggregate depreciation				
At 31st March 2004	3,602	453	2,982	167
Charge for the year	445	29	327	89
Disposals	(77)	—	—	(77)
At 31st March 2005	**3,970**	**482**	**3,309**	**179**
Book value				
At 31st March 2005	**2,757**	**982**	**1,566**	**209**
At 31st March 2004	2,954	1,011	1,691	252

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NOTES FORMING PART OF THE ACCOUNTS
(continued)

6. Tangible fixed assets of the Group and of the Company *(continued)*

The book value at 31st March 2005 of land and buildings is made up as follows:

	2005 £000	2004 £000
Freehold land and buildings	**854**	879
Long leasehold land and buildings	**128**	132
	982	1,011

The net book value of freehold land and buildings includes £46,000 (2004: £46,000) in respect of land which is not depreciated.

The net book value of motor vehicles includes an amount of £Nil (2004: £15,000) in respect of assets held under finance leases. The depreciation charge for the year was £3,000 (2004: £15,000).

7. (a) Investments

	2005 Company £000	2004 Company £000
Shares in subsidiaries		
Cost at 31st March 2005	**852**	852
Amount written off to date	**453**	453
Book value at 31st March 2005	**399**	399

7. (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 2005 was £518,000 (2004: £518,000).

8. Stocks

	2005 Group and Company £000	2004 Group and Company £000
Raw material	**449**	414
Work in progress	**622**	710
Goods for resale	**850**	843
	1,921	1,967

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NOTES FORMING PART OF THE ACCOUNTS

(continued)

9. Debtors

	2005 Group and Company £000	2004 Group and Company £000
Trade debtors	**1,928**	2,128
Prepayments	**196**	197
	2,124	2,325

Included within prepayments is a pension cost prepayment of £120,000 (2004: £132,000), of which £108,000 is recoverable after more than one year (2004: £120,000).

10. Creditors

	Amounts falling due within one year	
	2005 Group and Company £000	2004 Group and Company £000
Trade creditors	**616**	645
Accruals	**161**	209
Social security, income tax and VAT	**316**	349
Proposed dividend	**216**	216
Obligations under finance leases	—	11
	1,309	1,430

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NOTES FORMING PART OF THE ACCOUNTS

(continued)

11. Deferred taxation

	2005 Group and Company £000	2004 Group and Company £000
Deferred tax liability at 31st March 2004	**390**	395
Charge in respect of accelerated capital allowances	**(10)**	—
Credit in respect of tax relief on contributions prepaid to pension scheme	—	(5)
Deferred tax liability at 31st March 2005	**380**	390

	2005 Group and Company £000	2004 Group and Company £000
Accelerated allowances	**340**	350
Pension cost prepayment	**40**	40
	380	390

12. Share capital

	2005 Group and Company £000	2004 Group and Company £000
Authorised		
5,000,000 Ordinary shares of 10 pence each	**500**	500
Allotted, called up and fully paid		
2,546,818 (2004: 2,546,818) Ordinary shares of 10 pence each	**255**	255

13. Reserves

	Profit and loss account		**Capital redemption reserve**	
	Group £000	**Company £000**	**Group £000**	**Company £000**
At 31st March 2004	6,954	6,301	108	108
Retained profit	193	193	—	—
At 31st March 2005	**7,147**	**6,494**	**108**	**108**

NOTES FORMING PART OF THE ACCOUNTS

(continued)

14. Financial instruments

Details of the Group's policy on financial instruments are given in the directors' report on page 5.

(a) The currency and interest rate profile of the Group's financial assets at 31st March 2005, excluding short-term debtors and creditors.

	2005 Total £000	**Short-term floating rate deposits £000**	**Deposits on which no interest applies/ (overdrafts) £000**	2004 Total £000
Currency				
Sterling	**2,483**	**2,615**	**(132)**	2,018
Other	**79**	**3**	**76**	73
At 31st March 2005	**2,562**	**2,618**	**(56)**	2,091

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

(b) Currency exposure at 31st March 2005.
Non-sterling net foreign currency monetary assets at 31st March 2005 totalled £464,000 (2004: £551,000).

15. Particulars of staff

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

	2005	2004
Monthly paid	**70**	77
Weekly paid	**116**	132
	186	209

The total staff costs were as follows:

	£000	£000
Wages and salaries	**3,939**	4,286
Social security costs	**315**	342
Pension scheme costs	**857**	632
	5,111	5,260

NOTES FORMING PART OF THE ACCOUNTS
(continued)

15. Particulars of staff *(continued)*

	2005 Group and Company £000	2004 Group and Company £000
Directors' emoluments	**514**	529

Retirement benefits accruing to the following number of directors under:

	Number	Number
Defined benefit schemes	**3**	4

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

	£000	£000
Emoluments	**136**	131
Accumulated total accrued pension at the year end	**43**	38
Total accrued lump sum at the year end	**97**	86

16. Future capital expenditure
The approximate amount of capital expenditure not provided for in these accounts was as follows:

	2005 Group and Company £000	2004 Group and Company £000
Contracted for	**26**	Nil

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NOTES FORMING PART OF THE ACCOUNTS
(continued)

17. Pension commitments

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

The Company operated 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 2003 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 3% per annum compound. Employer's contributions are made at the rate of 20% per annum from 1st July 2002 to include an addition for solvency.

This actuarial valuation showed that the market value of the scheme's assets was £3,767,000 and that the actuarial value of those assets represented 78% 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 2004 and was made on the defined accrued benefit method. The main long-term actuarial assumptions were that the average rate of investment returns would be 7.0% per annum compound and that increases in earnings would average 3.0% per annum compound. Employer's contributions are made at the rate of 12.6% per annum from 1st April 2002.

This actuarial valuation showed that the market value of the scheme's assets was £1,590,000 and that the actuarial value of those assets represented 75% 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. This has led in the year ended 31st March 2005 to an additional charge of £250,000 shown in the profit and loss account as an exceptional item.

Present arrangements

The directors were advised to close the above schemes to new members, and new employees joining the company from 1st November 2000 were, 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.

Since the year end the directors have been advised and it has been agreed to close the two final salary schemes to further benefit accruals and also to close the defined contribution scheme. All employees have been offered the opportunity to join a single new personal pension scheme operative from May 2005.

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

The valuations used for FRS17 disclosures have been based on the full actuarial valuations referred to above and updated to 31st March 2005 by the actuaries.

The major assumptions used by the actuaries were:

Inflation assumption	2.5%
Rate of increase in salaries	n/a
Rate of increase for pensions in payment	2.5%
Discount rate	5.2%

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NOTES FORMING PART OF THE ACCOUNTS
(continued)

17. Pension commitments *(continued)*

	2005 £000	2004 £000
Amounts that will be included within operating profit on adoption of FRS17		
Current service cost	**235**	384
Settlement and curtailment	**(680)**	—
Total operating (credit)/charge	**(445)**	384
Amounts that will be included within other finance income on adoption of FRS17		
Expected return on pension scheme assets	**419**	470
Interest on pension scheme liabilities	**(520)**	(578)
	(101)	(108)
Analysis of amounts that will be included within the statement of total recognised gains and losses (STRGL) on adoption of FRS17		
Difference between actual and expected return on pension scheme assets	**260**	(335)
Experience gains and losses arising on scheme liabilities	**(111)**	65
Effects of changes in assumptions underlying the present value of scheme liabilities	**(178)**	109
Effect of change in the basis of valuation of scheme assets	—	397
Actuarial (loss)/gain recognised in the STRGL	**(29)**	236

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

31st March 2005	**Staff scheme**		**Works scheme**	
	Long-term rate of return expected per annum	Value £000	Long-term rate of return expected per annum	Value £000
Insurance policy investment profile:				
Equities	**7.0%**	**2,504**	**7.0%**	**1,661**
Property	**7.0%**	**939**	—	—
Bonds	**5.0%**	**1,512**	**5.0%**	**234**
Other	**4.0%**	**511**	**4.0%**	**121**
Total value of policy		**5,466**		**2,016**
Present value of scheme liabilities		**7,143**		**2,612**
Deficit in the scheme		**1,677**		**596**
Total deficit				**2,273**
Related deferred tax asset				**682**
Net pension liability				**1,591**

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NOTES FORMING PART OF THE ACCOUNTS

(continued)

17. Pension commitments *(continued)*

	2005 **£000**	2004 £000
Movement in deficit during the year		
Deficit at 31st March 2004	**(3,346)**	(3,617)
Current service cost	**(235)**	(384)
Company contributions	**758**	527
Settlements/curtailments	**680**	—
Other finance income	**(101)**	(108)
Actuarial loss	**(29)**	236
Deficit at 31st March 2005	**(2,273)**	(3,346)

31st March 2004	**Staff scheme** Long-term rate of return expected per annum	Proportion of fund	**Works scheme** Long-term rate of return expected per annum	Value £000
Insurance policy investment profile:				
Equities		48.0%	5.9%	1,380
Property		17.0%	—	—
Bonds		31.0%	3.9%	190
Other		4.0%	3.9%	80
		£000		
Total value of policy	7.0%	4,269	5.6%	1,650
Present value of scheme liabilities		6,865		2,400
Deficit in the scheme		2,596		750
Total deficit				3,346
Related deferred tax asset				1,004
Net pension liability				2,342

31st March 2003	**Staff scheme** Long-term rate of return expected per annum	Proportion of fund	**Works scheme** Long-term rate of return expected per annum	Value £000
Insurance policy investment profile:				
Equities		45.0%	5.6%	870
Property		17.0%	—	—
Bonds		34.0%	3.6%	170
Other		4.0%	3.6%	100
		£000		
Total value of policy	7.5%	3,948	5.1%	1,140
Present value of scheme liabilities		6,395		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)

17. Pension commitments *(continued)*

	2005		2004	
	£000	**£000**	£000	£000
Net assets				
Net assets before pension liability		**7,510**		7,317
Pension liability	**1,591**		2,342	
SSAP 24 assets to be reversed upon implementation of FRS17 (net of deferred tax)	**84**		92	
		1,675		2,434
Net assets after pension liability		**5,835**		4,883
Reserves				
Profit and loss reserve before pension liability		**7,147**		6,954
Pension liability	**1,591**		2,342	
SSAP 24 asset to be reversed upon implementation of FRS17 (net of deferred tax)	**84**		92	
		1,675		2,434
Profit and loss reserve after pension liability		**5,472**		4,520

History of experience gains and losses

	2005	2004	2003
	£000	£000	£000
Difference between the expected and actual return on scheme assets	**260**	(335)	(1,016)
(% of scheme assets)	**3.5%**	4.4%	14.8%
Experience gains and losses on scheme liabilities	**(111)**	65	18
(% of scheme liabilities)	**1.1%**	0.6%	0.2%
Total actuarial gains and losses recognized in the STRGL	**(29)**	236	(2,230)
(% of scheme liabilities)	**0.3%**	2.2%	21.3%

NOTES FORMING PART OF THE ACCOUNTS

(continued)

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

	2005 Group and Company £000	2004 Group and Company £000
Operating profit	**577**	792
Depreciation charges and loss/surplus on disposals	**438**	447
Pension scheme charge	**12**	12
Decrease in stocks	**46**	124
Decrease/(increase) in debtors	**189**	(131)
Decrease in creditors	**(121)**	(373)
Net cash inflow from operating activities	**1,141**	871

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

	2005 £000	2004 £000
Increase/(decrease) in cash in the period	**154**	(259)
Cash outflow for management of liquid resources	**317**	297
	471	38
Net funds at 31st March 2004	**2,091**	2,053
Net funds at 31st March 2005	**2,562**	2,091

20. Analysis of net funds

	At 31st March 2004 £000	Cash flow £000	**At 31st March 2005 £000**
Bank balances	(207)	154	**(53)**
Short-term deposits	2,298	317	**2,615**
Cash at bank per balance sheet	2,091	471	**2,562**

21. Controlling party

For the purposes of FRS8, the Company is controlled by its Chairman Mr S.B. Heath and his close family.

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

NOTICE OF MEETING

Notice is hereby given that the one hundred and fifteenth Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 19th August 2005 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 2005 be approved and adopted.

2. That a final dividend for the year ended 31st March 2005 of 8.5 pence per share be declared payable on 26th August 2005 to ordinary shareholders registered at the close of business on 29th July 2005.

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

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

5. That Mr D.F. Coplestone who retires having attained the age of 70 be re-elected a director.

6. That Mr M.J. Legge who retires having attained the age of 70 be re-elected a director.

7. That Bentley Jennison be reappointed 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 Ordinary Resolutions and Resolution 9 as a Special Resolution.

8. 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.

9. 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 18th August 2010 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)

10. *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 9 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
21st July 2005

Notes:

1. Any member entitled to attend and vote at the above Meeting may appoint one or more persons as proxies, who need not also be members, to attend and vote on his behalf. Proxy forms must be lodged with the Registrar not later than 48 hours before the time fixed for the meeting.
2. A statement of the share transactions of each director for the twelve months to 30th June 2005 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 18th August 2005 and will also be available at the Annual General Meeting from 11.45 a.m. until 15 minutes after the meeting is closed.

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SAMUEL HEATH

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